

Memo

TO: Participating Lenders

FROM: Charlie Brown, Homeownership Program Supervisor

RE: New 2017 Allowable Fee Structure Limits

Accompanying this memo is the correspondence approved by the Montana Board of Housing today (January 23, 2017).

This new policy allows lenders to receive their 1% payment at purchase from MBOH (we purchase at 101%) along with an allowed 1% to be charged borrowers AND the new additional \$500 fee from borrowers. This policy is in effect for all loans closed after **January 23, 2017**.

Lenders who sell Servicing to MBOH also receive a .75% Service Release Premium.

Our regular bond program rate remains at 3.25% while setaside rates are at 3.125%. The new allowable fee applies to the regular MBOH bond program, setasides. The MT Veteran's Home Loan Program still allows a fee of up to 2% paid by the borrower or seller in addition to the new \$500 allowable fee.

We appreciate all of you and your help in reaching those Montana Borrowers that qualify for our programs.

Please also note that Jeannene Maas has retired and we all wish her well. Julie Hope has been hired at the new Training and Development Specialist. We'll provide more information as she gets settled into that position.

June 6, 2016

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Fee Approval

BACKGROUND

Board of Housing currently allows lender compensation in the amount of 2.75% in our loan programs. We purchase the loans at 101% and pay a .75% Service Release Premium; the lenders can collect up to a 1% origination fee from the borrower. To keep costs down for our borrowers, lenders have not been allowed to charge processing or underwriting fees.

Our Purchasing and Servicing Guide reads:

(b) All fees, charges and other amounts borne by the Mortgagor which are attributable to the Mortgage Loan shall be limited as follows:

(i) No points, Reservation Fees, Origination Fees or similar charges attributable to the Mortgage Loan may be borne by the mortgagor or the seller of the Residence except an amount equal to no more than the amount or percentage set forth in the applicable.

(ii) All costs incurred by the Mortgagor in acquiring the Residence and obtaining the Mortgage Loan shall be reasonable and shall not exceed the usual costs incurred by a person acquiring like property where financing is not being provided through the Board. Costs, which may not exceed usual and reasonable fees and charges include: application fees, credit report fees, survey fees, appraisal fees, title fees, title insurance, legal fees and other similar costs.

(iii) The Origination Fee, as set forth in the Invitation to Participate.

BOARD AGENDA ITEM

The cost of originating loans has increased over the past year. Many of our lenders have transitioned to new software systems to implement CFPB disclosure changes and lenders have incurred additional expense to meet new compliance requirements for the origination function. We have heard from lenders that they have a hard time covering these costs when originating a Board loan.

MCC files were reviewed to determine the fees borrowers are charged on non-Board loans. The average fees per file were \$750 (a sample of the results is attached).

Other state HFAs were surveyed and it was determined several of them allow lenders to charge fees in addition to the standard origination fee (these results also attached).

PROPOSAL

Staff requests that the Board change paragraph (ii) to read as follows:

- (ii) All costs incurred by the Mortgagor in acquiring the Residence and obtaining the Mortgage Loan shall be reasonable and shall not exceed the usual costs incurred by a person acquiring like property where financing is not being provided through the Board. Other costs, which may not exceed usual and reasonable fees and charges include: credit report fees, survey fees, appraisal fees, title fees, title insurance, legal fees, and other similar costs which are paid directly to a third party not controlled by the Participating Lender.

Lender fees such as application fees, administrative fees, underwriting fees, processing fees and document preparation fees cannot exceed a total of \$500.