

Montana Board of Housing (Montana Housing)

**TERMS AND CONDITIONS OF THE
2018 HOMEOWNERSHIP REGULAR BOND and SETASIDE PROGRAM**
(Revised 10/11/18)

- 1) Each Mortgage Loan purchased by Montana Housing shall have a government guarantee, i.e. be insured by FHA under Section 203(b) or 203(k) of the National Housing Act, guaranteed by HUD under Section 184 Indian Loan Program, guaranteed by RD under Title V of the Housing Act of 1949, or guaranteed by the VA under Section 810, Chapter 37 of Title 38, U.S. Code.
- 2) Mortgage Loans purchased by Montana Housing in the Regular Bond Program cannot be combined with a Mortgage Credit Certificate.
- 3) The fixed rate of interest on the Mortgage Loans shall be set by Montana Housing. There are two interest rates: Regular Bond Program currently at 4.25% and Set-aside Program currently at 3.5% (both subject to change). Rate exceptions exist for the Disabled Accessible Affordable Homeownership Program, the Habitat for Humanity Set-aside Program, the Score Advantage Down Payment Assistance Program and the MBOH Plus 0% Deferred Down Payment Assistance Program as identified in each program's specific terms and conditions located on the Montana Housing website.
- 4) Mortgage Loans shall have a 30-year term and such Mortgage Loans shall provide for complete amortization to maturity by equal monthly payments of principal and interest.
- 5) The acquisition cost of a residence being financed by a Mortgage Loan shall include the cost of completing the residence and unpaid SID assessments and must not exceed the Purchase Price limits then in effect. Purchase Price limits can be found on the Montana Housing website at:

<http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/IncomeAndPurchaseLimits/incomepurchaselimits.pdf>
- 6) The mortgagor shall not have owned a principal residence at any time during the three-year period preceding the date of execution of the Mortgage Loan. The three-year prior homeownership requirement is not applicable in certain targeted areas or for qualified veterans as defined in the U.S. tax code. The following areas are currently designated as Targeted Areas.

Blaine County
Sanders County
Deer Lodge County
Silver Bow County
Flathead County
Mineral County
Missoula County
City of Great Falls
Hill County
Gallatin Co Census Tract 6
Gallatin Co Census Tract 11.01
Lincoln Co Census Tract 2

- 7) The Residence to be financed shall be occupied as the mortgagor's principal residence, and no more than 15% of the total area of the residence may be used in a trade or business.
- 8) Re-financings of existing Mortgage Loans are not eligible for purchase by Montana Housing. Re-financings of construction period loans or other interim financings which have a term of 24 months or less are not considered re-financings of existing Mortgage Loans.
- 9) IRS Recapture tax provisions will apply.
- 10) Maximum household income limits for targeted and non-targeted areas have been established. Maximum income limits vary by county and can be found on the Montana Housing website at:

<http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/IncomeAndPurchaseLimits/incomepurchaselimits.pdf>

For purposes of applying the federal income requirements, the "Actual Gross Annual Income" of a mortgagor is the mortgagor's annualized gross income. Annualized gross income includes any and all income of the mortgagors and any other person who is expected to live in the financed Residence and is 18 or more years of age. An Income Determination Guide can be found at:

<http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/ProgramDocuments/InfoRegsProcedures/IncomeDeterDef.pdf>

- 11) A mortgagor can be obligated on only one first position Montana Housing loan at a time.
- 12) Mortgage Loans on Pre-1976 mobile homes are not eligible for purchase by Montana Housing. Manufactured homes must be on a permanent foundation and de-titled (i.e., no longer registered as personal property in conformance with Montana State statutes as indicated by an endorsement on the title including MV 72 Statement). They must have the appearance and functionality of stick-built houses. Beyond these requirements, Montana Housing follows the requirements of the provider of mortgage insurance or guarantee.
- 13) The hazard insurance policy must protect against loss or damage from fire, lightning and other hazards covered by the standard extended coverage endorsement. The coverage should be the type that provides for claims to be settled on a replacement cost basis only. Montana Housing will not accept hazard insurance policies that limit or exclude from coverage any perils that are normally included under an extended coverage endorsement. Montana Housing also will not accept hazard insurance policies that exclude or limit coverage on specific components of the Residence such as limiting coverage to actual cash value on a roof due to its age. Montana Housing requires coverage equal to the lesser of: (i) 100 percent of the insurable value of the improvements as established by the property insurer or (ii) The unpaid principal balance of the mortgage loan, as long as the insurance coverage equals the industry standard minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that provides at least the minimum required amount must be obtained. Loans on condominium units must meet criteria in Montana Housing Hazard Insurance Coverage Policy as detailed in the Purchase and Servicing Guide.

The maximum deductible amount is the greater of \$1,500 or 1% of the dwelling coverage for all perils except wind and hail, which can be the greater of \$2,500 or 1% of the dwelling coverage. For flood insurance, the required deductible for a flood insurance policy for a first mortgage is the

maximum specified by the National Flood Insurance Program (NFIP) for the area in which the property is located.

- 14) A face-to-face interview with the borrower is no longer required. However, at or before the time of the reservation of a loan, the lender must perform due diligence by explaining the federal requirements of Montana Housing programs to the borrower. They must have the borrower sign the initial recapture tax disclosure form and collect documentation to ensure the borrower qualifies for our programs. A list of the documents that need to be signed and collected at time of reservation can be found on Lender On-Line. These documents are then submitted as part of the purchase package.
- 15) Funds are available on a loan-by-loan, first-come, first-served basis. Mortgage Lenders reserve funds for eligible loans electronically using the Lender On-Line portal. In addition to this submission, a copy of (1) the *Borrower Stat Sheet; (2) Homebuyer education certificate if applicable, and (3) a sponsor approval letter for set-aside program loans must be submitted via Lender-On-Line.

An exception process is in place for some set-aside programs loans that require staff review prior to reservation or for loans with repeat purchasers. Under the exception process, lenders fax reservation requests and will receive a response from Montana Housing within 5 business days. * Regardless of process used, a completed **Borrower Stat Sheet must accompany any reservation**. All Montana Housing program documents are located on Lender On-Line.

Upon receipt and approval of the reservation, Montana Housing may reserve funds for 60 days to acquire Mortgage Loans on existing houses and 180 days to acquire Mortgage Loans for new construction. Such periods may be extended for a fee of one-fourth of one percent (0.25%) of the loan amount for each 30-day extension. Extension fees shall only be paid by the Mortgage Lender. Reservations are not final until each has been reviewed and committed by staff as indicated in Lender On-Line. If the reservation is cancelled, a one-half percent (.5%) cancellation fee may be charged to the Lender.

- 16) If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a previous program or interest rate of Montana Housing to swap for a loan under a newer program or a lower interest rate, said Mortgagor will cease to be eligible to participate in the 2018 Homeownership Bond Program.
- 17) Mortgage loans shall be tendered for sale to Montana Housing within 30 days following execution of the note by the mortgagor. The purchase file will be delivered via Edocs and must contain the documents in the order listed on the Regular Bond and Setaside Loan Submission Voucher form found on Lender On-line.

The note must be endorsed to **Montana Board of Housing** without recourse.

Required original documents such as the Note, Trust Indenture and Assignment must be sent to the following address:

Montana Housing
PO Box 200558
301 South Park, Suite 240
Helena, MT 59620

Any exceptions must be cleared and the loan must be approved for purchase within 45 days after closing. If the Mortgage Lender fails to deliver such loans with all exceptions cleared within 45 days after closing, the purchase price will be reduced by one-half of one percent (0.50%) of the loan amount for each 30 days the loan is not delivered. Montana Housing may return the purchase package to the originating lender under the following circumstances:

- a. if initial package is missing any of the following; the recorded deed of trust, the original signed note, and the original recorded or Clerk and Recorder's certified copy of the executed Assignment of Trust Indenture to Montana Board of Housing;
- b. if lender fails to send in all of the missing documents at one time, i.e., Montana Housing won't accept the package if lender sends in missing documents piecemeal;
- c. if missing documents for purchase package are delayed by more than 45 days

18) Montana Housing will purchase Regular Bond and Setaside loans at 101% and lenders are allowed to charge the borrower/seller an origination fee up to 1.75% of the loan amount as allowed by the insurer. Lender fees such as an application fee, administrative fee, underwriting fee, processing fee and document preparation fee shall be reasonable and shall not exceed the usual costs incurred by a person acquiring like property where financing is not being provided through Montana Housing. No discount points allowed.

19) No cash back to the borrower is allowed.

20) Procedures for lenders who retain servicing will be as follows:

- a. Servicer may deduct a monthly servicing fee at the annual rate of 0.375%. The servicing fee factor will be determined by the interest rate. For example, the factor for the 4.25% rate at the .375% fee is .085 and for 3.50% is .107.
- b. The principal balance Montana Housing will purchase is the outstanding principal balance. The accrued interest from the paid to date, up to but not including the date of purchase, is calculated on the outstanding principal balance using a 360-day year and actual days in the month and is included in the disbursement amount. The days of interest purchased cannot exceed 45 days. A service fee calculation is also included in the purchase price computation as a deduction and based upon the factor corresponding to the accrued interest purchased.
- c. To determine the accrued interest for purchase and interest on monthly mortgage payments, multiply the number of accrual days by the outstanding principal balance, and divide by the 360-day factor which is 4,470.59 for the 4.25% interest rate and 10,285.71 for 3.50% (rates subject to change).
- d. To determine the accrued interest for payoff, multiply the number of accrual days by the outstanding principal balance, and divide by the 365-day factor which is 8,588.24 for the 4.25% interest rate and 10,428.57 for 3.50%.

21) Procedures for new lenders and lenders who choose to sell servicing to Montana Housing will be as follows:

- a. Montana Housing will pay 75 basis points of the principal balance purchased for the servicing rights. There will be no interim servicing allowed. The borrower will send their first payment and all subsequent payments to Montana Housing. Service-release premiums will be remitted to the originator at time of purchase. All documents for the servicing file, including escrow funds and tax service fee, must be received before the loan can be funded.

- b. Montana Housing does use a tax service. Therefore, a tax service fee in the amount of \$66.95 should be collected at closing and sent to Montana Housing with the purchase package as a separate check, not included in escrow funds collected at closing.
- c. The Notice of Transfer of Servicing, First Payment Letter and Hazard Insurance Policy need to show the servicer as:

Montana Board of Housing
c/o Loan Servicing
PO Box 200550
Helena, MT 59620

- d. Only one purchase/servicing file will be delivered to Montana Housing.
- e. For mortgage loans serviced by Montana Housing, the principal balance that will be purchase is the note amount. The accrued interest from the first interest payment date, up to but not including the date of purchase, is calculated on the note amount using a 360-day year and actual days in the month and is included in the disbursement amount. A service fee calculation is also included in the purchase price computation as a deduction and based upon the factor corresponding to the accrued interest purchased.

22) Montana Housing requires timely delivery of final documents. Lenders may be charged \$50 per document per month, to be subtracted from the proceeds of new loan purchases, for final documents not delivered within the 90-day timeframe required in the Guide.

OTHER PROVISIONS

Except as outlined above, all terms, conditions, definitions and program criteria, as set out in the Mortgage Purchase and Servicing Guide

<http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/ProgramDocuments/InfoRegsProcedures/purchaseguide.pdf> will apply to loans originated under the Montana Housing Regular Bond and Set-aside Program