

Montana Board of Housing (MBOH or the Board)

**TERMS AND CONDITIONS OF THE
2017 HOMEOWNERSHIP REGULAR BOND and SETASIDE PROGRAM**
(Revised 5/18/17)

- 1) Each Mortgage Loan purchased by the Board 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. Mortgage Loans purchased by the Board in the Regular Bond Program cannot be combined with a Mortgage Credit Certificate.
*For RD loans, MBOH requires that the borrower contribute \$1500 of their own funds if approved homebuyer education is not attended, \$500 if it is.
- 2) The fixed rate of interest on the Mortgage Loans shall be set by the Board. There are two interest rates: Regular Bond Program currently at 3.50% and Set-aside Program currently at 3.125% (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 Board's website.
- 3) Mortgage Loans shall have a 30 year term and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.
- 4) 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 MBOH website at:

<http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/IncomeAndPurchaseLimits/incomepurchaselimits.pdf>
- 5) 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

- 6) 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.
- 7) Re-financings of existing Mortgage Loans are not eligible for purchase by the Board. 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.
- 8) IRS Recapture tax provisions will apply.
- 9) Maximum household income limits for targeted and non-targeted areas have been established by the Board. Maximum income limits vary by county and can be found on the MBOH 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>

- 10) A mortgagor can be obligated on only one Montana Board of Housing loan at a time.
- 11) Mortgage Loans on Pre-1976 mobile homes are not eligible for purchase by the Board. Manufactured homes must be on 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 house. Beyond these requirements, MBOH follows the requirements of the provider of mortgage insurance or guarantee.
- 12) Hazard Insurance Coverage. Mortgage loans must have coverage in amounts at least equal to the lesser of the full insurable value of the premises or the unpaid principal balance of the Mortgage Loan; provided however that such insurance shall pay in full the amount of any partial or total loss to the full amount of such insurance and shall otherwise be sufficient to prevent the Mortgagor from being a co-insurer. Co-insurer means that the borrower has to cover some portion of the loss themselves. Maximum deductible amount is the greater of \$1,500 or 1% of the dwelling coverage for all perils. Loans on condominium units must meet criteria in MBOH Hazard Insurance Coverage Policy as detailed in the Purchase and Servicing Guide.
- 13) 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 MBOH 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 the Board's website. These documents are then submitted as part of the purchase package.

- 14) 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 response from MBOH within five (5) business days.

* Regardless of process used, a completed **Borrower Stat Sheet must accompany any reservation.**

All MBOH documents are located on the website at:

<http://housing.mt.gov/HBProgDocs>

Upon receipt and approval of the reservation, the Board 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 MBOH 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.

- 15) If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a previous program or interest rate of the Board 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 Board's 2017 Homeownership Bond Program.
- 16) Mortgage loans shall be tendered for sale to the Board within 30 days following execution of the note by the mortgagor. The purchase file will be delivered to MBOH via Edocs. This file must contain the documents in the order listed on the Regular Bond and Setaside Loan Submission Voucher form found online at:

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

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

Montana Board of 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. MBOH 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 MBOH ;
 - b. if lender fails to send in all of the missing documents at one time, i.e., MBOH 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
- 17) The Board purchases Regular Bond AND Set-aside Program Mortgage Loans at 101%. Lenders are allowed compensation up to 2% total on MBOH loans, 1% from the Board and 1% from the borrower/seller. Additional lender fees such as application fees, administrative fee, underwriting fees, processing fees or document preparation fees cannot exceed a total of \$500.
- 18) No cash back to the borrower is allowed.
- 19) 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 3.50% rate at the .375% fee is .10714 and for 3.125% is .12.
 - b. The principal balance the Board 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 10285.71 for the 3.50% interest rate and 11520.00 for 3.125% (rate subject to change at Board's discretion).
 - 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 10428.57 for the 3.50% interest rate and 11680.00 for 3.125% (determined by the rate chosen by the Board).
- 20) Procedures for new lenders and lenders who choose to sell servicing to MBOH will be as follows:
- a. Montana Board of 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 MBOH. 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 Board of Housing does use a tax service. Therefore a tax service fee in the amount of \$65.00 should be collected at closing and sent to the Board 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 MBOH.
- e. For mortgage loans serviced by MBOH, the principal balance that the Board will 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.

21) The Board 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 MBOH Regular Bond and Set-aside Program