

RENTAL WAIVER POLICY

Montana Board of Housing loans originated in 1982 and forward have an owner-occupancy requirement. The Uniform Rider to the Trust Indenture specifically states that the residence will not be rented. The only exception is if the mortgagor(s) is suffering from undue hardship and the situation is beyond the mortgagor's control.

When the situation first comes to the Servicer's attention, a letter must be sent to the mortgagor(s) to inquire as to the intention of the mortgagor(s).

When a response is received, the letter from the mortgagor(s) and a copy of the listing agreement or however the property is being marketed must be sent to the Board. Upon receipt by the Board, a determination will be made to determine that the reason for the noncompliance of the owner-occupancy requirement is within the guidelines established by IRS regulations.

When a determination is made, a letter is sent to the Servicer stating the waiver has been granted and when the waiver will expire.

If the reason for the noncompliance of the owner-occupancy requirement is not within the established IRS regulations, a letter will be sent to the Servicer denying the request for a rental waiver. At that point, the Servicer must send a demand letter to start the process of foreclosure for non-monetary default.

The rental waivers are granted for a six-month period. At the end of the six months the Board will contact the Servicer and remind them that a particular waiver has expired. The Servicer will then need to contact the mortgagor(s) and determine what the current situation is. If an additional six-month waiver is needed, a new letter from the mortgagor(s) is required as well as a new listing agreement or an extension of the current listing. The letter granting an additional six-month waiver is written on a case-by-case basis as each circumstance is different.

When the final six-month waiver has expired, a final letter is sent to the Servicer. The final letter is referred to as a Cure letter which gives the mortgagor(s) one final six-month waiver. The Cure letter gives the mortgagor(s) three options to cure the

owner-occupancy requirement. Those options are (1) reoccupy, (2) refinance or (3) sell. If at the end of the final six-month waiver nothing has been accomplished, the Servicer will send a demand letter to start the process of foreclosure for non-monetary default.

Rental Waivers for Active Duty Servicemen: Rental waivers can be granted to servicemen who are transferred out of state or out of the country. The necessary documentation is a letter from the serviceman and a copy of the orders from his commander specifically identifying the location of the transfer. The waivers are granted on an annual basis up to three years which is the normal tour of duty. The serviceman may rent out the residence without putting the property on the market. The one stipulation is that the serviceman will come back to the property at the end of his/her tour. If the serviceman is not returning, then the property must be put on the market for sale and normal rental waivers can be granted.