

Montana Board of Housing (MBOH or the Board)

**TERMS AND CONDITIONS OF THE
2011 HOMEOWNERSHIP PROGRAM**

(1) Each Mortgage Loan purchased by the Board shall have a government guarantee, i.e., be either insured by FHA under Section 203(b) 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. Please note: RD loans require 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 will be two interest rates: Regular Bond program currently at 4.75%, and Set-aside program initially at 5.5%, (both subject to change) with the exceptions of the Disabled Accessible Affordable Homeownership Program and the Habitat for Humanity set-aside programs which have their own interest rates.

(3) The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.

(4) The 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 4.75% rate at the .375% fee is .07894 and for 5.5% is .06818.

(5) The acquisition cost of a Residence being financed by a Mortgage Loan shall include 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/content/SF/docs/incomelimits.pdf>

(6) Except for Mortgage Loans on Residences located in certain targeted areas and for qualified veterans as defined in the U.S. tax code, 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.

(7) The three-year prior homeownership requirement is not applicable in certain targeted areas. Targeted areas are defined in Section 143 of the Internal Revenue Code of 1986, as amended, to include census tracts with population and income characteristics specified and other areas of chronic economic distress meeting criteria set forth and approved as targeted areas by the Secretaries of the United States Department of Treasury and Department of Housing and Urban Development. The following areas are currently designated as Targeted Areas.

Blaine County
Sanders County
Deer Lodge County
Silver Bow County
Flathead County

Daniels Co-Census Tract 9402
Mineral County
Sheridan Co-Census Tract 9402
Missoula County
City of Great Falls
Choteau Co-Census Tract 9401
Yellowstone Co-Census Tract 0003
Hill County

(8) 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.

(9) 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.

(10) Pre-1976 mobile homes are not eligible for purchase by the Board. Manufactured homes must be on permanent foundation and de-titled.

(11) IRS Recapture tax provisions will apply.

(12) A mortgagor can be obligated on only one Montana Board of Housing loan at a time.

(13) A face-to-face interview with borrowers is required at or before the time of reservation of a loan at which time the lender must explain loan criteria and requirements, including signing of the initial recapture tax disclosure form.

(14) Mortgage Lenders may reserve funds on a loan-by-loan, first-come, first-served basis. An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of an executed FHA/RD/VA Loan Application or other complete loan application used by the Mortgage Lender; (3) verification of Annual Family Income; (4) a copy of an executed Buy/Sell Agreement; (5) a signed Recapture Notice to Mortgagor; (6) a Borrower Stat Sheet; (7) Homebuyer education certificate if requirement not waived; and, if a qualified set-aside loan, (8) sponsor approval letter.

All MBOH documents are located on the website at:

<http://housing.mt.gov/About/homeownership/homeownershipdocs.mcp>

Upon receipt of such documents or equivalent information electronically through "Lender-On-Line" over the Internet, the Board may reserve funds for 60 days to acquire Mortgage Loans on existing housing and 180 days to acquire Mortgage Loans for new construction. Such periods may be extended upon payment of an additional one-fourth of one percent (0.25%) of the loan amount for each 30-day extension, which shall only be paid by the Mortgage Lender. Regardless of which process is used, a completed **Borrower Stat Sheet must accompany any reservation.** All 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) 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. The Income Determination Guide can be found at:

<http://housing.mt.gov/content/SF/docs/IncomeDeterDef.pdf>

This Guide is meant to help aid Mortgage Lenders in determining income. The maximum family income for all mortgagors in targeted and non-targeted areas, as the case may be, has been established by the Board. Maximum income limits vary by county, and can be found on the MBOH website at:

<http://housing.mt.gov/content/SF/docs/incomelimits.pdf>

(16) The Board purchases Regular Bond Program Mortgage Loans at 101%. Lenders are allowed compensation up to 2% total on regular MBOH program loans (1% from the Board and 1% from the borrower/seller). Set-aside Program loans are purchased at 101.5% and lenders are not allowed to charge Lender origination fees or loan discount fees to the borrower.

(17) 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 2011 Homeownership Bond Program.

(18) 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 \$1,000.

(19) Mortgage loans shall be tendered for sale to the Board within 30 days following execution of the note by the mortgagor. 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 origination, 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.

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 7578.95 for the 4.75% interest rate and 6545.45 for 5.5% (rate subject to

change at Board's discretion). 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 7684.21 for the 4.75% interest rate and 6636.36 for 5.5% (determined by the rate chosen by the Board).

(20) 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.

(21) For lenders servicing MBOH loans, the allowable late charge for payments received that are more than 15 days late is 4%.

(22) Repurchase of loans. Lenders receiving a request to repurchase a loan for any of the reasons outlined in the Purchase and Servicing Agreement have 5 days from notification to repurchase the loan. For the first 30 days thereafter, the loan will accumulate interest at the note rate plus 2.5% until payment is received. After 30 days, the loan will accumulate interest at the note rate plus 5% until payment is received.

(23) Repurchase of delinquent loans: The Board retains the right to require repurchase of a whole Mortgage Loan that is 30 days delinquent within the first 90 days or 60 days delinquent within the first 180 days of scheduled payments.

(24) All first mortgage loan Notes and Trust Indentures must be on either Fannie Mae or Freddie Mac accepted loan documents.

(25) As an alternative to the homeownership loan program, eligible borrowers may elect to apply for a federal tax credit under the Mortgage Credit Certificate (MCC) program. Lender must collect a fee from the borrower of \$250 at closing that is sent to MBOH. Lenders are allowed to charge a fee for their expenses up to \$250 at closing. A complete description of the MCC program for 2011 can be found at:

<http://housing.mt.gov/About/homeownership/mcc.mcpX>