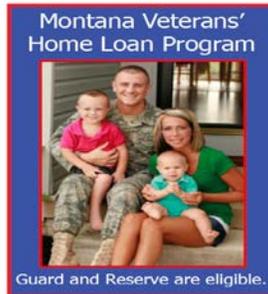


TERMS AND CONDITIONS
MONTANA VETERANS' HOME LOAN MORTGAGE PROGRAM
Authorized by 90-6-6 M.C.A.



Updated June 6, 2016

Purpose of Program:

The objective of the Montana Veterans' Home Loan Mortgage Program (the Program) is to provide first mortgage funds to Montana residents serving or who have served in the military through the federal armed services and the Montana National Guard. The mortgage interest rate is 1% lower than market and assists eligible veterans purchase their first home.

Funds for the Program are provided from the principal of the Montana Coal Tax Trust Fund. The Montana Board of Housing (MBOH) will administer the Program with the Montana Board of Investments (BOI) purchasing the mortgages. The Program is a revolving fund; additional loans will be made as principal is available once the initial funding has been used. The Program is available to qualifying veterans on a first-come, first-serve basis.

Lender Eligibility:

Eligible participating lenders are current Participants, as defined in the MBOH Mortgage Purchase and Servicing Guide, who have received a Notice of Acceptance from MBOH for the current program year, and also have an Approved Lender Residential Service Agreement and EFT Agreement with BOI. Individual originators must pass an on-line training course before MBOH will accept a reservation for loan funds. Training for the program is located: <http://housing.mt.gov/Portals/93/shared/media/Homebuyers/MBOHVetLenderTraining/player.html> Lender and Program Information: <http://housing.mt.gov/HBVHLP>

Borrower Requirements:

1. Borrower must be an eligible veteran under program guidelines. To be eligible, the veteran must be in active service or have been discharged from military service under honorable conditions. Eligibility includes honorable discharge and general discharge, but does not include a dishonorable discharge or other administrative discharge characterized by military regulation as other than honorable. Military Service means: membership in the Montana National Guard, membership in the Federal Reserve forces of the armed forces of the United States pursuant to Title 10 of the U.S. Code, or Service on federal active duty pursuant to Title 10 of the U.S. Code. An unremarried spouse of an eligible veteran killed in the line of duty is also eligible. Proof of veteran eligibility consists of: copies of current or discharge orders, or military "died in line of duty" death certificate.

2. No income or asset limits for borrowers.
3. Homebuyer must be a first-time homebuyer, i.e., not owned their primary residence for past three years, as evidenced by signed federal tax returns. There are no exceptions to this requirement for targeted areas. Prior ownership of factory-made housing, including a manufactured home on a chassis that is not permanently affixed to land owned by the homebuyer will not disqualify a borrower.
4. Borrower must be a resident of Montana as evidenced by copy of previous year's signed filed Montana tax return.
5. Down payments are required. Borrower must have \$2,500 of their own funds invested in the transaction, applied to the purchase price of the property, establishing a maximum loan less than 100%.
6. Sweat equity is not counted towards any portion of the \$2,500 investment.
7. Grant or gift funds for down payment and/or closing cost assistance are allowed; however no portion of grant/gift funds count towards the borrower's \$2,500 required investment.
8. Borrower must complete a first-time homebuyer class approved by MBOH.

Property Requirements:

1. Single-family home.
2. Purchase price limit is 95% of the MBOH statewide limit under MBOH Regular Bond Program. As of June 6, 2016, the limit is \$242,795.
3. Property must be fee-simple residential property in Montana secured by a first priority trust indenture under the Montana Small Tract Financing Act.
4. Condominiums are not eligible under this program.
5. Manufactured homes may be eligible providing they meet all following requirements:
 - a. Must be de-titled
 - b. On a permanent foundation certified as meeting FHA requirements
 - c. Double-wide or larger
 - d. Newer than 1976
5. Property must be in full repair prior to purchase of the mortgage loan by BOI.
6. In cases of new construction, property and improvements must be fully completed prior to closing; and value of land cannot exceed 35% of the mortgage loan, as evidenced by appraisal.

Primary Residence Requirements:

1. Property must be the borrower's primary residence and borrower take occupancy within 60 days of loan closing. Home must be maintained as the borrower's principal residence while any portion of the mortgage loan remains outstanding.
2. MBOH will monitor residency status of borrowers. Failure to respond with documentation of residency in a timely way may cause the loan to be declared immediately due. Borrowers unable to demonstrate the property is their primary residence will have 12 months to refinance or sell the property. The 12 month period may be extended at the sole discretion of BOI.

Mortgage Loan Terms:

1. Each Mortgage loan shall be fully insured or guaranteed by FHA, VA or HUD 184.
2. The maximum loan amount is based on the lesser of the appraised value of the property, the purchase price of the property, or the hard construction costs of the home (including eligible land), reduced by the Veteran's cash investment of \$2,500. On a case-by-case basis, the Predominant Value (determined by appraisal) will be an additional consideration in establishing the maximum loan amount.
3. All fees and costs, including any VA funding fee, must be paid at closing. No fees or costs may be added to the maximum loan amount.
4. Loans under the Program are required to be lower than 100% LTV. The Maximum LTV, based on the formula in item 2 (above) ranges from 95% to 99%, based on purchase prices from \$50,000 to \$245,756.
5. All loans must receive "approve/eligible" or other similar high response from automated underwriting. BOI will not accept loans underwritten manually, or containing underwriting exceptions.
6. The fixed rate of interest on the Mortgage Loans shall be 1% lower than the MBOH regular bond program rate or the Fannie Mae 60-day lock rate, whichever is lower, as posted on the MBOH website and updated every two weeks.
7. The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity with equal monthly payments of principal and interest. Each mortgage loan shall provide for monthly escrow payments in an amount sufficient to enable the servicer to pay when due, all real property taxes and assessments, hazard and casualty insurance premiums and mortgage insurance premiums.
8. Loans will be serviced by the Montana Board of Housing. MBOH will pay a 75 basis point service release premium which will be remitted to the lender on the same schedule as mortgage purchase funds.
9. Title Insurance policy must have extended coverage and be written on the current long form approved by the American Land Title Association. The policy must include endorsements 9.3-06 or 22.1-06, 8.1-06 and, if manufactured housing, 7-06 or 7.1-06, issued by a title insurer acceptable to MBOH, and naming **Montana Board of Investments** as named insured.
10. There shall be no cash back allowed at closing.
11. Assumption of the loan may be allowed as long as assumptors qualify under the same terms as the original home buyers, and meet requirements of the mortgage insurance/guarantee provider. All Assumptions must be approved by BOI using an MBOH-provided assumption package.
12. There is no fee for reservations. Reservations are valid for 60 days for existing homes and 180 days for new construction. Reservations can be extended for 30 days by paying an extension fee of ¼ of 1% of the loan amount, and must be requested in writing at least 5 business days prior to the expiration date of the reservation. Reservations cancelled for reasons other than appraisal problems will be charged a ½ of 1% of the loan amount cancellation fee.
13. Lenders may charge up to 2% origination fees to the borrower or seller.
14. BOI purchases loans at 100%, and does not provide lender compensation.
15. Loan Reservation requests are made by lenders utilizing Lender Online. Funds are not committed by MBOH until required supporting documentation is uploaded and approved by MBOH staff. The checklist of forms and documents specific to the Program is located: <http://housing.mt.gov/HBVHLP>.

16. Lender due diligence is required. At or before requesting reservation of funds on behalf of a borrower, lenders must explain loan criteria and requirements, including obtaining borrower's signature on the owner-occupancy disclosure form.
 17. If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a program or interest rate offered by MBOH to swap for a loan under a newer program or a lower interest rate, said Mortgagor will cease to be eligible to participate in MBOH administered loan programs.
 18. **BOI is not a member of MERS. Assignments are required.** All first mortgage loan Notes and Trust Indentures must be on either Fannie Mae or Freddie Mac accepted loan documents.
 19. Loans are purchased by BOI with MBOH acting as Program administrator and servicer. All documents must contain the following:
 - a. **NOTE** endorsed to **Montana Board of Investments, without recourse;**
 - b. **Trust Indenture** assigned to **Montana Board of Investments.**
 - c. **Hazard and title policies name Montana Board of Investments as investor; Montana Board of Housing as the servicer, using mailing address of:**
- Montana Board of Housing**
P. O. Box 200550
Helena, MT 59620-0550
20. Mortgage loans shall be tendered to MBOH for sale to BOI within 30 days following execution of the note by the mortgagor. Any exceptions must be cleared and the loan approved for purchase within 45 days after closing. If the 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.
 21. MBOH may return the purchase package to the originating lender under the following:
 - a. A copy of recorded deed of trust is not included
 - b. The original signed note is not provided
 - c. The original recorded or Clerk and Recorder's certified copy of the Assignment of Trust Indenture to BOI is not provided ;
 - d. If lender fails to send in all missing documents at one time, i.e., MBOH won't accept the package if lender sends in missing documents piecemeal;
 - e. If missing documents for purchase package are delayed by more than 45 days.

Other Provisions:

Except as outlined above, all terms, conditions, definitions and program criteria applicable to the Regular Bond Program, set out in the Mortgage Purchase and Servicing Agreement http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/ProgramDocuments/InfoRegsProcedure_s/purchaseguide.pdf and the Terms and Conditions of the 2015 HomeOwnership Program http://housing.mt.gov/Portals/93/shared/docs/Homebuyers/ProgramDocuments/InfoRegsProcedure_s/WHOLELOANTERMSANDCONDITIONS2015.pdf will apply to loans originated under the Montana Veteran's Home Loan Mortgage Program.