

Regular Bond Loan Program FAQ'S

For Lenders who wish to offer MBOH loans to their customers:

Q. How can the Montana Board of Housing (MBOH) help me assist my borrowers?

A. MBOH offers fixed rate loans for a variety of borrowers' needs. Our regular bond program has favorable rates with 1% of the loan amount paid to the lender from the Board and an additional 1% allowed to be charged to the borrower. Setaside Programs offer financing for those not fitting in the regular bond program and has the Board paying the lender 1.5% of the loan amount with no further fees being allowed.

Q. How do borrowers apply for MBOH funding?

A. Applications are taken like any other loan. Lenders should conduct the credit analysis, and qualify the loan under FHA, RD VA HUD-184 and MBOH qualifications. The lender submits a reservation for funds through an on-line process called Lender On Line (LOL) or by faxing in required documents. A "borrower stat sheet" must accompany all reservations and, if using a setaside waiver program, a letter from the down payment assistance sponsor. The lender closes the loan and then the Montana Board of Housing purchases the loan from the lender once all required documents are received by the Board.

Q. How do I get signed up to use Lender On Line?

A. Each participating lender that is approved for use of Lender On Line has an administrator who is responsible for adding or deleting loan officers and the access they have. Different levels can be accessed depending upon the authorization given by each lender's administrator. The Board will set up new lenders with a password once they've been approved by the Board to participate in our programs.

Q. What are your rates and will they change?

A. Board rates follow the market and depend on the rates at which we can sell our tax exempt bonds. Current rates can be found at: [Interest Rates](#). Board rates are set on a fixed, 30 year term and will not change during the life of your loan. No penalty for pre-payment exists. No re-amortization of the loans is possible if large sums are paid on the loan.

Q. What kind of loans does MBOH offer?

A. MBOH has low, fixed-interest rates with some or all of the borrower's fees to the lender paid ([MBOH Quick Reference Guide](#)). They must be insured or guaranteed by FHA, RD, VA or a HUD-184 guarantee. Currently, we do not accept Private Mortgage Insurance.

Q. How much cash is needed to close a Board Loan?

A. Down payment requirements vary depending on the type of loan the borrower chooses. RD and VA loans don't have down payment requirements – though the Board does require a \$1500 investment on RD loans by the borrower (\$500 if approved homebuyer education is completed). FHA loans have down payment requirements that depend on factors such as credit

scores and are a percentage of the loan amount. Some fees are charged by the mortgage insurer/guarantor but can usually be financed in with the mortgage.

Q. What are the IRS imposed limits applied to Board loans?

A. They include the following:

- [Purchase price and income limits](#)
- A 'first-time' home buyer rule, which means you must not have owned a home considered "real property" in the past three years (some exceptions apply such as "targeted areas" and waivers for set aside programs"
- The property must be owner-occupied; it cannot be used as a rental
- Business use of the home is allowed, as long as it remains under 15 percent of the area of the home
- The IRS *may* impose a recapture tax at the time the home is sold if a substantial gain in income occurs, the home is sold in the first 9 years, **and** a profit is made from the sale.
- The loan is a "purchase-money" loan. Refinancing is only eligible in the case of construction of other interim financing that does not exceed 24 months.

Q. Who's income gets counted toward the established Board limits?

A. Typically, anyone over the age of 18 living within the household will have his/her income counted. Also included will be any social security income or child support income received. Contact a Board staff member with any specific concerns or questions regarding income calculations.

Q. What are credit score and debt-to-income ratio requirements?

A. The Board has no requirements for the purchase of a loan. However, if the mid credit score is 680 or below OR the front end ratio is 31% or less OR the back end ratio is 41% or less, the borrower must complete an approved Homebuyer Education Course. On-line courses are NOT approved – courses sponsored by Neighborworks Montana are the only classes accepted by the Board at this time.

Q. Does the Board provide down payment assistance?

A. The Board itself may assist homebuyers by paying fees on their behalf to lenders but cannot provide direct down payment assistance. Various organizations such as Neighborworks Montana, the Federal Home Loan Bank of Seattle and HRDC's and local governments partner with the Board to provide down payment assistance. Borrowers can learn of this assistance by attending first time homebuyer education classes in their areas.

Q. Will the Board purchase manufactured home loans (including single wide)?

A. The Board will purchase manufactured home loans if they qualify. All manufactured homes:

- must have been constructed after June of 1976
- must be insured by either FHA, VA, HUD-184 or RD, and
- must be detitled.

Q. Will the Board purchase loans on Condos?

A. The Board will purchase Condos but has special requirements for them. No more than 25% of the condos in a project can be financed by the Board. Additional requirements such as proper insurance and FHA project approval must also be provided and can be found on the [Condominium Unit Approval and Hazard Insurance Guidelines](#).

Q. What penalties are imposed by the Board if a borrower decides to pay off the loan early?

A. There are no pre-payment penalties attached to any Board loans.

Q. Do I pay recapture tax if I sell my home?

A. The IRS requires that we inform users of our program of a possible Recapture Tax. This is an IRS tax – NOT a Board of Housing tax. The recapture tax very rarely comes into play with Board loans & the borrower has to sell the home within the first 9 years of ownership, have made a substantial profit from the home sale and be above the allowable income limit at the time of sale. Since so few Montanans ever fall into the category of having to pay this tax, it should not be used as a deterrent to utilizing the Board's programs.

Q. Does the possibility of Recapture Tax kick in if the borrower refinances the Board loan?

A. No, refinancing does not automatically trigger a possible recapture tax. The borrower will want to consult with a tax expert when the home is actually sold to determine if any action is required regarding their taxes.

Q. Can verbal Verification of Employment (VOE)s be used to verify the borrowers are within the Board income limits?

A. No, the Board requires statements from the actual employer for income verifications.

Q. If the borrower has to move due to hardship (employment transfer), are there any options available regarding their home?

A. Yes, the borrower can apply for an "Occupancy Waiver". This allows the borrower to have the home vacant while trying to sell or rent it for a 6 month period. At the end of 6 months, a new waiver must be requested. If the home has been rented for over 12 months, there can be tax consequences. Military occupancy waivers are given for 12 month periods at a time.

Q. Can I use a Mortgage Credit Certificate (MCC) along with a loan funded by the Board?

A. No, MCCs are to be used with any other kind of financing outside the Board Program – otherwise, the IRS sees this as "double dipping" into tax exempt sponsored program funding.

Q. Is a Board of Housing Rider to the Trust Indenture required for MCC Loans?

A. No.

Q. Are there limits to the amount of land that can be purchased with Board funding?

A. The Board follows the Montana Small Tract Financing Act and limits land purchases to 40 acres. There are other limitation placed on the program including land value not being more than 35% of the total appraised value IF the loan is new construction on private sewer & septic

systems. Also, if the land purchased can be subdivided or is an extra lot not encumbered by the house or garage being purchased, Board funding can't be used. These situations can be reviewed by Board staff on a case-by-case basis.

Q. Will the Board accept loans with co-signers?

A. The Board will purchase loans that have co-signers on the note. If the person co-signing will not be occupying the home, then we don't count their income toward the income limits and don't want them signing the Buy/Sell or Deed of Trust. We require that the loan be underwritten so that the borrower is able to make the monthly payments without relying on the co-signer.

Q. Can the home being purchased be on "leased" land?

A. MBOH can loan on a leasehold under a lease having at least 50 years remaining on the lease.

Q. Can Board loans be assumed?

A. Yes, if the new buyer meets the same requirements that the current owner did (i.e. income, first time homebuyer, etc.).

Q. Is training available to lenders regarding the Montana Board of Housing loan and MCC Programs?

A. Definitely. On-line live training is available upon request. Contact Jeannene Maas at 406.841.2851 or jmaas@mt.gov.