

**TERMS AND CONDITIONS OF THE
SCORE ADVANTAGE DOWN PAYMENT ASSISTANCE PROGRAM (DPA or the Program)**

**\$1.5 million funding for down payment 2nd loans
in conjunction with MBOH bond program 1st loans
November 1, 2012 (rate update 10/30/14) Revised 10/15/15**

PURPOSE

The purpose of this program is to assist borrowers eligible for Montana Board of Housing (MBOH) financing under the Regular Bond Program (Bond Program), but who lack the resources for down payment and closing costs. The mortgages financed under the DPA Program are offered only in connection with a Superior First Mortgage Loan closed in the name of the originating lender and purchased by MBOH from the originating lender. The Subordinate DPA Mortgage Loan is made and closed in the name of the originating lender and purchased by MBOH from the originating lender. 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 the Score Advantage Program. Participating lenders must complete program-specific training prior to submitting loan commitment requests to MBOH.

DOWN PAYMENT ASSISTANCE (DPA) PROGRAM CRITERIA:

- 1) The first-lien Mortgage Loan must 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 the 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.
- 2) The down payment assistance Second Loan (DPA loan) is an uninsured junior lien.
- 3) Borrowers must meet underwriting requirements for the insurer of the first Mortgage Loan, with the principal and interest (P&I) of the second DPA loan calculated into ratios. Confirmation of eligibility must be submitted with the loan reservation request.
- 4) Upon approval of reservation of funds, a commitment letter will be issued by MBOH to the lender to document an eligible source of down payment assistance funds for the lender's FHA file.
- 5) The DPA second loan Note, Trust Indenture and document submission checklist must be on forms provided by MBOH.
- 6) Loan amount for the DPA loan is limited to 5% of purchase price, not to exceed \$6,500. The minimum DPA loan amount available is \$1500.
- 7) The fixed rate of interest on the Mortgage Loans shall be set by the Board. The rate will be the same for both loans, and determined by credit score. **The minimum mid credit score is 620. Borrowers with no credit history will be eligible for the program, provided the loan meets underwriting standards established by the insurer or guarantor of the first-position loan.** The **highest** mid-credit score will be used to determine the mortgage rate in instances of applications involving multiple borrowers. Interest rates are as follows:
 - (a) Regular rate without DPA 3.25% (or current regular bond rate)
 - (b) Rate with DPA and 740+ score 3.50% (or current regular bond rate + .25%)
 - (c) Rate with DPA and 700-739 3.75% (or current regular bond rate + .50%)
 - (d) Rate with DPA and 660-699 4.00% (or current regular bond rate + .75%)
 - (e) Rate with DPA and 620-659 4.25% (or current regular bond rate + 1.00%)

(All rates subject to change)

- 8) The term of the Mortgage Loans shall be 30 years for the first-position loan, and 15 years for the DPA second loan. Each will provide for complete amortization by maturity by equal monthly payments of principal and interest.
- 9) Homebuyer Education is required. A listing of MBOH-approved providers is located at www.nwmt.org
- 10) Borrowers must provide a minimum of \$1,000 cash investment in the purchase.
- 11) First Mortgage Loans must be closed in the name of the originating lender, and transferred to MBOH via a recorded Assignment of Trust Indenture, or by transfer of the record in MERS.
- 12) Second-position DPA Loans must be closed in the name of the originating lender, and transferred to MBOH via a recorded Assignment of Trust Indenture, or by transfer of the record in MERS.
- 13) All required documents for both first Mortgage Loans and DPA Loans must be submitted to MBOH simultaneously for purchase.
- 14) The Board will purchase first position Mortgage Loans at 101%. Lenders are allowed compensation up to 2% (1% from MBOH and 1% from the borrower/seller).
- 15) The Board will purchase the second position DPA Loan made in compliance with these DPA Program Terms and Conditions at par (100%). The lender is allowed to collect \$175 application fee from the borrower.

SERVICING

New originating lenders will elect to have MBOH service the loans. The originating lender's election, as indicated on its Agreement to Participate and Servicing Election, will apply to both the first position Mortgage Loan and the second position DPA Loans. **When the originating lenders elect MBOH servicing:**

- A. MBOH will pay a 75 basis point service release premium based on the principal balance purchased on the first position Mortgage Loan, after all documents for the servicing file including escrow funds, have been received and approved. Assuming that such documents have been received and approved, service-release payment will be remitted to the originator at the time of purchase.
- B. Hazard insurance and title insurance policies will list MBOH as the investor and servicer, using mailing address of:

**MONTANA BOARD OF HOUSING
% MBOH LOAN SERVICING
PO BOX 200550
Helena, MT 59620-0550**

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/content/SF/docs/purchaseguide.pdf> and the current year Terms and Conditions of the Homeownership Program <http://housing.mt.gov/content/SF/docs/WHOLELOANTERMS.pdf> will apply to loans originated under the MBOH DPA Program.