



**MONTANA BOARD OF HOUSING
(MBOH or the Board)**

**TERMS AND CONDITIONS OF THE 80% COMBINED PROGRAM
September 27, 2021**

PURPOSE

Montana Board of Housing (MBOH) offers loans statewide to borrowers using insurance or guarantees by the Federal Housing Administration (FHA), the Veteran's Administration (VA) or Rural Development (RD). Due to geographic and underwriting criteria, some transactions are limited to loans insured by FHA. Recent pricing adjustments to FHA loans have created barriers to homeownership, primarily in urban areas. The purpose of this program is to provide borrowers eligible for Montana Board of Housing (MBOH) financing under the 80% Combined Program (Bond Program) with an alternative to an FHA-insured loan. The 80% Combined Program (80% combined, or the Program) is a first-position mortgage loan that is paired with a second loan offered by a partner non-profit organization (i.e., NeighborWorks Montana, or one of the Human Resource Development Councils). By partnering with a non-profit, MBOH can provide loans at 80% or less Loan-To-Value (LTV), eliminating the need for mortgage insurance. The 80% Combined Program is available statewide to buyers who qualify under the MBOH 80% Combined Program requirements **and the requirements of the non-profit providing the secondary financing.**

Terms and Conditions:

1. Each MBOH mortgage loan shall be made at 80% LTV or less, be in first lien position and accompanied by funding from a non-profit for at least 20% of the purchase price.
2. Credit requirements include a **640 credit score** and **ratio maximum of 32/45**, unless valid compensating factors apply.
3. Applications require approval in DU. The loan must be underwritten to Fannie Mae Standard 97% Program standards with Community Seconds®. MBOH will NOT accept "Refer with Caution" findings. Principal and interest (P&I) of the second loan must be calculated into ratios.
4. The term of the MBOH first mortgage loan shall be 30 years, and such mortgage loan shall provide for the complete amortization by maturity by equal monthly payments of principal and interest.
5. The fixed rate of interest on the first position MBOH Loan shall be at a rate in effect on the date MBOH funds are reserved (rates posted bi-weekly on our website and subject to change).
6. Families are required to contribute 1% of the purchase price from their own funds (cannot be gift funds), with a minimum of \$1,000. **No cash back is allowed at closing.**
7. Total **loan to value cannot exceed 105%** of the purchase price.

8. The acquisition cost of a residence being financed by a mortgage loan (including the cost of completing the residence and unpaid SID assessments) must not exceed maximum mortgage limits provided on MBOH website:

<https://housing.mt.gov/Homeownership/Homebuyers/Current-Rates,-Income-and-Purchase-Price-Limits>

9. All properties must meet FHA appraisal standards. Manufactured homes must be 1976 or newer, only have been moved once and must be de-titled and on a permanent foundation. Foundation must meet FHA standards and be designed by a qualified architect or engineer for that specific home and site (not by a contractor). **Single-wide manufactured homes are not allowed.**
10. The residence to be financed shall be occupied as the owner's principal residence, with no more than 15% of the total area of the residence to be used in trade or business.
11. Maximum household income limits for targeted and non-targeted areas have been established by the Board or as restricted by the second mortgage guidelines. Maximum income limits vary by county and can be found on the MBOH website at:

<https://housing.mt.gov/Homeownership/Homebuyers/Current-Rates,-Income-and-Purchase-Price-Limits>

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. An Income Determination Guide can be found at:

https://housing.mt.gov/_shared/Homeownership/docs/IncomeDeterDef.pdf

12. The Homebuyer must be a first time homebuyer, defined as someone who has not owned a home within the previous 3 years, unless purchasing in a designated Targeted Area.
13. All borrowers must complete homebuyer education and consent to early default counseling.
14. Refinancing of an existing mortgage loan is not eligible for purchase by the Board. Refinancing of a construction period loan or other interim financing which has a term of 24 months or less is not considered refinancing of an existing mortgage loan.
15. Assumptions of loans are not permitted.
16. Recapture tax provisions will apply.
17. A mortgagor can be obligated on only one Montana Board of Housing Loan at one time.
18. Reservations for mortgage funds are on a first-come, first-serve basis. An eligible Mortgage lender desiring to reserve funds must submit the reservation request electronically using Lender-On-Line®. In addition, lenders must upload a copy of (1) the Borrower Stat Sheet; (2) Homebuyer education certificate; (3) Letter from non-profit partner confirming eligibility of the mortgagors for the program, and (4) a copy of the appraisal.

Upon receipt of such documents, the Board may reserve bond proceeds for 60 days to acquire a mortgage loan on existing housing, and 180 days to acquire a mortgage loan for new construction. Such period may be extended upon the payment of an additional one-fourth of one percent (.25%) for each 30-day extension, which shall only be paid by the mortgage lender. If the mortgage loan is not acquired by the Board within this time period, the one-fourth of one percent (.25%) fee will not be refunded except on an exception basis determined case-by-case.

***Rate can be reserved without sponsor approval letter and appraisal. However, actual fund commitment won't occur until these documents are reviewed.**

19. The Board will purchase a mortgage loan at one hundred percent (100%) of the face amount of the Mortgage Loan. Lenders are allowed to charge fees and points up to 2% of the loan amount.
20. The Board reserves the right to charge a fee of one-half of one percent (0.50%) if the loan reserved fails to close, unless the appraisal does not support the loan amount of the property applied for.
21. The mortgage loan shall be tendered for sale to the Board within 30 days following execution of the note by the mortgagor. If the mortgage lender fails to deliver such loan within 30 days after origination, the purchase price will be reduced by one-half of one percent for each 30 days the loan is not delivered. All required documents must be received and the loan purchased within 45 days of closing.
22. Mortgage lenders will be required to provide the Board with information regarding the Mortgage Loan when requested by the Board to comply with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.
23. MBOH Staff has authority to require a home inspection on a case-by-case basis.
24. Servicing of the first-position loan for 80% will be the same as the MBOH/Lender agreement on Regular Board Programs. The second loans for 20% are serviced by the non-profit provider.

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 https://housing.mt.gov/_shared/Homeownership/docs/PurchaseServicingGuide.pdf and the Current Terms and Conditions of the Homeownership Program https://housing.mt.gov/_shared/Homeownership/docs/RegProgTermAndConditions.pdf will apply to loans originated under the MBOH 80% Combined Program.