

Montana Board of Housing (the Board or MBOH)

GENERAL TERMS AND CONDITIONS FOR MBOH MBS REGULAR BOND LOAN PROGRAMS

Revised October 2024

Purpose

These Terms and Conditions apply to the Regular Bond and Set-aside Programs, and generally to all MBOH Mortgage-Backed Securities (MBS) Program Mortgage Loans. Participants must also refer to additional Terms and Conditions containing specific requirements for the MBOH Plus 0% Deferred and Bond Advantage Down Payment Assistance loan programs, as well as the MBOH Community Land Trust (CLT) and 80% Combined Programs.

The Veterans' Home Loan Program (VHLP) and Habitat for Humanity programs are not under the MBS structure and are not purchased or serviced by the Board's Master Servicer. MBOH purchases VHLP and Habitat for Humanity Mortgage Loans on a Service Released Fee basis and services these loans in-house. Terms and Conditions for all MBOH Programs can be found on the Board's Website.

Program Details

1. The thirty (30) year fixed rate of interest on first-lien Mortgage Loans shall be set by MBOH and adjusted as needed. Rates differ from program to program and current rates are posted on the Board's Website.
2. For the Regular Bond, Bond Advantage, MBOH Plus 0% Deferred, MBOH Community Land Trust Option One, and Set-aside Programs utilizing a government insured first-lien Mortgage Loan, the first-lien Mortgage Loan must have a government guarantee, i.e., be insured by FHA under Section 203(b), 203(k) or 234 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.

3. For non-government insured Mortgage Loans under the MBOH Community Land Trust Option Two and 80% Combined Programs, the Mortgage Loan must be in first-lien position and have a LTV equal to or less than 80%. Refer to the MBOH Community Land Trust and 80% Combined Terms and Conditions for further details. These loan products are Conventional Conforming Mortgage Loans delivered by the Master Servicer to Fannie Mae.

4. Mortgage Loans purchased by MBOH's Master Servicer cannot be combined with a Mortgage Credit Certificate.

5. The term of all first-lien mortgages is thirty (30) years and will provide for complete amortization to maturity by equal monthly payments of principal and interest.

6. The Acquisition Cost of a Residence being financed by a Mortgage Loan shall include the cost of completing the Residence and must not exceed the Purchase Price Limits of the Board. Purchase Price Limits can be found on the Board's Website. Please refer to the "Acquisition Cost" definition and Section 2.04(c) Purchase Price Limits in Guide for details.

7. 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. See Section 2.04(b) in Guide for details. The Three-Year prior homeownership requirement is not applicable in certain Targeted Areas or for Qualified Veterans as defined in the U.S. Tax Code. The following areas are currently designated as Targeted Areas:

Blaine County	Hill County
City of Great Falls	Lincoln Co Census Tract 4.02
Deer Lodge County	Mineral County
Flathead County	Missoula County
Gallatin Co Census Tract 7.03	Sanders County
Glacier Co Census Tract 9402	Silver Bow 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. See Section 2.04(a) in Guide for details.
9. Refinancing of existing Mortgage Loans are not eligible for MBOH Programs. Refinancing of construction period loans or other interim financings which have a term of 24 months or less are not considered refinancings of existing Mortgage Loan.
10. IRS Recapture Tax provisions apply. See Section 2.04(f) of Guide for details.
11. Maximum household Income Limits for Targeted and Non-Targeted Areas have been established by the Board. Maximum Income Limits vary by county and designated Targeted Area and can be found on the Board's Website. 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 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 on the Board's Website. See Section 2.04(d) of the MBOH Mortgage Purchase and Servicing Guide for details.
12. The maximum loan amount the Borrowers can finance will be the purchase price plus the FHA upfront premium, the VA guarantee fee, the RD guarantee fee to the extent permitted by such insurer or guarantor. *NO cash back to the Borrower is allowed. Excess funds from the transaction must be applied as a principal reduction.
13. A Co-signer must be a non-occupant and will not be on title to the Residence. The Co-signor will be allowed for credit purposes only, meaning the occupying Borrower has the income to qualify per the insurer's DTI requirements, but does not have adequate credit to qualify.

14. Non-occupying Co-Borrowers are not permitted. Refer to Buyer's Affidavit and Certification found as Exhibit B in the MBOH Mortgage Purchase and Servicing Guide for details.
15. Mortgage Loans on pre-June 15, 1976 mobile homes are not eligible for MBOH Programs. Manufactured homes must be de-titled (i.e., no longer registered as personal property in conformance with State of Montana statutes as indicated by an endorsement on the title including a properly processed MV 72 Statement) 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). The Residence must have the appearance and functionality of a stick-built house. Beyond these requirements, MBOH follows the requirements of the provider of mortgage insurance or guarantee.
16. The hazard insurance policy must protect against loss or damage from fire, lightning and other hazards covered by the standard extended coverage endorsement. The coverage must be the type that provides for claims to be settled on a replacement cost basis only. MBOH and its Master Servicer will not accept hazard insurance policies that limit or exclude from coverage any perils that are normally included under an extended coverage endorsement. MBOH and its Master Servicer also will not accept hazard insurance policies that exclude or limit coverage on specific components of the Residence such as limiting coverage to actual cash value on a roof due to its age.
- a. MBOH and its Master Servicer require coverage equal to the lesser of: (i) 100 percent of the insurable value of the improvements as established by the property insurer or (ii) the unpaid principal balance of the Mortgage Loan, as long as the insurance coverage equals the industry standard minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, the coverage that provides at least the minimum required amount must be obtained.

Loans on condominium units must meet criteria in the Hazard Insurance Coverage Policy as detailed in Exhibit J of the Guide.

- i. The maximum deductible amount is the greater of \$1,500 or 1% of the dwelling coverage for all perils except wind and hail. Wind and hail insurance can be the greater of \$2,500 or 1% of the dwelling coverage. For flood insurance, the required deductible for a flood insurance policy for a first mortgage is the minimum specified by the National Flood Insurance Program (NFIP) for the area in which the property is located.

17. A face-to-face interview with the Borrower is not required. However, at or before time of the Reservation of a loan, the Participant must perform due diligence by explaining the federal requirements of MBOH Program(s) to the Borrower. The Participant must have the Borrower sign the Recapture Notice to Mortgagor form found in Exhibit C of the Guide and collect documentation to ensure the Borrower qualifies for the Board's Program(s). These documents are submitted as part of the compliance package delivered to the Board, as well as the purchase package delivered to the Master Servicer.

18. MBOH will allow escrow holdbacks so long as they meet agency and, as applicable, Master Servicer guidelines, such as no cash back to the buyer. MBOH will not manage the details of the holdback, nor the work being done; the Participant is expected to organize the process and represent to MBOH that the repairs are complete through an appraiser's Letter of Completion. If repairs are not complete prior to purchase, a copy of the signed and executed Escrow Holdback Agreement must be included in the purchase package and the Letter of Completion must be provided as a to-follow document.

19. A Participant is required to originate at least one program loan each year; use of the Mortgage Credit Certificate (MCC) Program will fulfill this requirement.

20. Funds are available on a loan-by-loan, first-come, first-served basis. Participants reserve funds for eligible Mortgage Loans electronically using the MBOH Lender Online portal. All MBOH Program compliance documents are located on Lender Online.
21. MBOH strongly recommends buyers complete homebuyer education prior to Reservation. Homebuyer education must be completed prior to closing of the loan. For Homebuyer Education, MBOH partners with NeighborWorks Montana and a network of non-profit, governmental, and private sector agencies that specialize in first-time homebuyer services and loan products. Classes can be found on the NeighborWorks Montana website.
22. The Mortgage Loan must be purchased within sixty (60) days of the Reservation.
23. Upon receipt and approval of the Reservation, MBOH will lock the rate for sixty (60) calendar days on an existing Residence, and one hundred and eighty (180) calendar days for new construction. A Reservation is not confirmed until it has been reviewed and committed by MBOH staff as indicated in Lender Online. Lock periods may be extended for a fee of one-fourth of one percent (0.25%) of the principal loan amount for each thirty (30) day extension. Extension fees shall be paid by the Participant. See the Board's Single-Family Lock Guidelines on the Board's Website for more detail.
24. If a Reservation for a Mortgage Loan is cancelled to swap for a Mortgage Loan under a new program or a lower interest rate, said Mortgagor will cease to be eligible to participate in MBOH Programs.
25. The compliance package will be delivered to MBOH via Edocs on Lender Online and must contain the documents in the order listed on the MBOH MBS Loan Compliance Package Checklist found on Lender Online.
26. Within ten (10) Business Days of receipt of the compliance package, MBOH will review the documents and list conditions or exceptions on Lender Online.

The compliance package shall be approved by the Board prior to the purchase of the loan by the Master Servicer. Refer to Section 5.04 of the Guide for more detail.

27. The purchase file will be delivered to the Master Servicer via Lender Connection.

This file can be uploaded concurrently with the compliance package to MBOH.

28. The First Mortgage Note must be endorsed to Idaho Housing and Finance Association, without recourse.

- i. Required original documents such as the Mortgage Note, Trust Indenture/Deed of Trust and Assignment (Assignment only if applicable) must be sent to the Master Servicer at the following address. The original Trust Indenture/Deed of Trust and Assignment must be delivered within ninety (90) days of loan purchase. The Mortgage Note must be delivered to the Master Servicer before the Mortgage Loan can be purchased.

Idaho Housing and Finance Association

Attn: Doc Center

565 W. Myrtle Street

Boise, ID 83702

- ii. Final title policies and Mortgage Insurance Certificate, Loan Note Guarantee and/or Loan Guarantee Certificate must be uploaded to Master Servicer's Lender Connection for delivery within ninety (90) days of loan purchase.

29. MBOH's Master Servicer will pay a 1.75% Service Release Premium, less extension fees and all other applicable Master Servicer fees, based on the current outstanding balance of the first-lien Mortgage Loan at time of purchase. Service Release Fee premiums will be remitted to the Participant at the time of purchase.

30. The Master Servicer charges a tax service fee, loan acquisition fee and, if applicable, a flood certification fee that will be net funded at the time of purchase.

31. The Notice of Transfer of Servicing must show the Master Servicer as:

HomeLoanServ
PO Box 7541
Boise, ID 83707-1899

32. The Hazard insurance policy will list HomeLoanServ as the Master Servicer, using the mailing address of:

HomeLoanServ, ISAOA/ATIMA
PO Box 818007
Cleveland, OH 44181

33. Participants are allowed to charge the Borrower an origination fee up to 1.75% of the Mortgage Loan amount as allowed by the insurer. Participant fees such as an application fee, administrative fee, underwriting fee, processing fee and document preparation fee shall be reasonable and shall not exceed the usual costs incurred by a person acquiring like Residence where financing is not being provided through MBOH or its Master Servicer. No discount points allowed.

Other Provisions

In addition to the terms outlined above, all terms, conditions, definitions, and Program criteria, as set out in the MBOH Mortgage Purchase and Servicing Guide will apply.

Participants must additionally comply with all requirements as outlined in the Bond Advantage, MBOH Plus 0% Deferred, MBOH Community Land Trust, and 80% Combined Terms and Conditions for those specific programs.