

Montana Board of Housing (the Board or MBOH)

## **TERMS AND CONDITIONS FOR 80% COMBINED MBS PROGRAM**

**Revised August 2025**

### **Purpose**

The purpose of this 80% Combined MBS Program is to provide Borrowers with an alternative to a government-insured loan. The 80% Combined Program is a first-lien Fannie Mae eligible Conventional Conforming Mortgage Loan paired with a Second Mortgage Loan, also known as a Fannie Mae Community Seconds® loan.

The Second Mortgage loan is offered by a partner non-profit organization which meets the requirements of Fannie Mae. The non-profit will retain the Second Mortgage Loan and service the loan on its behalf. By partnering with a non-profit, MBOH can provide a Mortgage Loan at 80% or less LTV, eliminating the need for mortgage insurance. This program is available statewide to Borrowers who qualify under the 80% Combined Program requirements and the requirements of the non-profit providing the secondary financing.

### **Program Details**

1. Each 80% Combined first-lien Conventional Conforming Mortgage Loan shall be made at 80% LTV or less and be accompanied by funding from a non-profit for the remaining 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 Fannie Mae's Desktop Underwriter AUS system DU. The Mortgage Loan must be underwritten to Fannie Mae HFA Preferred

standards with LTV at 80% or less. In the DU “Additional Data” screen, Participants will select ‘HFA Preferred.’ MBOH will NOT accept “Refer with Caution” findings. Manually underwritten mortgages must adhere to Fannie Mae’s HFA Preferred loan requirements. Principal and interest (P&I) of the Second Mortgage Loan (Community Seconds®) must be calculated into ratios.

4. The term of the 80% Combined Program first-lien Mortgage Loan shall be thirty (30) years and will provide for the complete amortization by maturity by equal monthly payments of principal and interest.
5. The fixed rate of interest on the first-lien position 80% Combined Conventional Conforming Mortgage Loan will be posted on the Board’s Website and is subject to change periodically.
6. Borrower must provide a minimum contribution of 1% of the purchase price from their own funds (cannot be gift funds), with a minimum of \$1,000 cash investment. No cash back is allowed at closing.
7. Total combined loan-to-value cannot exceed 105% of the purchase price.
8. Homebuyer Education is required must be completed prior to closing of the loan.

### **Compliance Review, Reservation and Loan Delivery**

A letter from the non-profit partner confirming eligibility of the Mortgagors for the Second Mortgage Loan must be provided. Such non-profit partners funding the Second Mortgage Loan must meet the requirements of Fannie Mae’s Community Seconds program.

### **Other Provisions**

Except as outlined above, all terms, conditions, definitions and Program criteria applicable to the 80% Combined MBS Program, as set out in the MBOH Mortgage

Purchase and Servicing Guide and associated MBOH MBS Regular Bond Loan Program Terms and Conditions, will apply to the MBOH 80% Combined MBS Program. Mortgage Loans under the 80% Combined MBS Program must also adhere to applicable Fannie Mae HFA Preferred criteria.