

Montana Board of Housing (Montana Housing)

**TERMS AND CONDITIONS OF THE
BOND ADVANTAGE DOWN PAYMENT ASSISTANCE PROGRAM (DPA or the Program)
Down payment 2nd loans in conjunction with Montana Housing Program 1st loans
December 16, 2020 (Rev: 10/17/22)**

PURPOSE

The purpose of this program is to provide down payment and closing costs assistance to borrowers eligible for Montana Housing financing under the Regular Bond Program (Bond Program). This program places a second mortgage lien on the property of up to \$15,000. These DPA loans are offered in conjunction with Montana Housing first mortgage loans through participating lenders only.

BOND ADVANTAGE DPA PROGRAM CRITERIA:

- 1) Loan amount for the DPA loan is limited to 5% of purchase price, not to exceed \$15,000. The minimum DPA loan amount available is \$1,500.
- 2) The fixed rate of interest on the Mortgage Loans shall be set by Montana Housing and adjusted as needed. **The rate will be the same for both loans.** The rates differ from program to program, current rates are posted on the Montana Housing website.
- 3) The down payment assistance second loan (DPA loan) is an uninsured junior lien with no prepayment penalties.
- 4) The term of the second position DPA loan is 15 years and will provide for complete amortization by maturity by equal monthly payments of principal and interest.
- 5) **The minimum mid credit score is 620 for all borrowers. 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.**
- 6) Borrowers must provide a minimum of \$1,000 cash investment in the purchase. Borrower's contribution can be gifted.
- 7) 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.
- 8) Homebuyer Education is required. A listing of Montana Housing approved providers is located at www.nwmt.org
- 9) Upon approval of reservation of funds, an obligation letter will be issued by Montana Housing to document an eligible source of down payment assistance funds for the lender's FHA file.
- 10) Second-position DPA loans must be closed in the name of the originating lender and assigned/transferred to Montana Board of Housing via a recorded Assignment of Deed of Trust.

- 11) Montana Housing will repay/reimburse the originating lender for DPA second loan advances 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.
- 12) The DPA second loan Note, Deed of Trust and document submission checklist must be on forms provided by Montana Housing.
- 13) The first-lien Mortgage Loan must have a government guarantee, i.e., be insured by FHA under Section 203(b), 234 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.
- 14) The term of the first-position Mortgage Loan shall be 30 years and will provide for complete amortization by maturity by equal monthly payments of principal and interest.
- 15) The first-position Mortgage Loan must be closed in the name of the originating lender and assigned/transferred to the Montana Board of Housing via a recorded Assignment of Deed of Trust or by transfer of the record in MERS.
- 16) Both loan notes must be endorsed to **Montana Board of Housing** without recourse.
- 17) All required documents for both first-mortgage loans and DPA loans must be submitted to Montana Housing simultaneously for purchase.
- 18) Montana Housing will purchase first-position Mortgage Loans at 101% and lenders are allowed to charge the borrower/seller an origination fee up to 1.75% of the loan amount as allowed by the insurer. Lender 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 property where financing is not being provided through Montana Housing. No discount points allowed.

SERVICING

New originating lenders must elect to have Montana Housing service the loans. The originating lender's election in the regular bond program will apply to both the first-position Mortgage Loan and the second position DPA Loans. **When the originating lenders elect Montana Housing servicing:**

- A. Montana Housing will pay a 75-basis point service release premium based on the principal balance purchased on the first-position Mortgage Loan at the time of purchase.
- B. Hazard insurance and title insurance policies will list **Montana Board of Housing** as the investor and servicer, using mailing address of:

**MONTANA BOARD OF HOUSING
% 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 Term and Conditions](#) and set out in the [Mortgage Purchase and Servicing Agreement](#) will apply to loans originated under the Bond Advantage DPA Program.