

Montana Board of Housing

Terms and Conditions

Habitat for Humanity Program

Revised December 2024

Purpose

Montana Board of Housing allows Habitat for Humanity loans without mortgage insurance if the local Habitat chapter takes out a second mortgage for the difference between the MBOH loan amount and the appraised value of the property, and the second mortgage is at least 20% of the appraised value. The loan at 80% loan-to-value or lower meets MBOH's criteria for a loan without mortgage insurance.

Program Details

1. To qualify a borrower for a Habitat loan, the lender uses the RD underwriting criteria and enters the information assuming 100% loan-to-value with the total value of the property equal to the loan amount, i.e., as if it were 100% financing at the loan amount. MBOH requires that the lender submit a copy of the RD approval to validate the qualification of the borrower for the loan.
2. The local Habitat chapter will submit a letter verifying that the borrower is a Habitat client, that the chapter approves the borrower to apply for an MBOH loan and that the Habitat chapter intends to take out a second mortgage for the balance of the loan to value.
3. The fixed rate of interest on the mortgage loan shall be 2.0% per annum.



4. The term of all first-lien mortgages is 30 years and will provide for complete amortization to maturity by equal monthly payments of principal and interest.
5. 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 documents are located on Lender Online.
6. Tax-exempt mortgage bond funds will be used in conjunction with Habitat funds and equity.
7. 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.
8. 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

City of Great Falls

Deer Lodge County

Flathead County

Gallatin Co Census Tract 7.03

Glacier Co Census Track 9402

Hill County

Lincoln Co Census Track 4.02

Mineral County

Missoula County

Sanders County

Silver Bow County

9. 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.
10. Upon receipt and approval of the reservation, MBOH will lock the rate for 60 calendar days on an existing residence, and 180 calendar days for new construction. A reservation is not confirmed until it has been reviewed and committed by MBOH staff as indicated on 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-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.
11. Any exceptions must be cleared, and the loan must be approved for purchase within 60 days after closing. MBOH may return the purchase package to the originating lender under the following circumstances:
 - a. If initial package is missing any of the following: a copy of the recorded deed of trust, the original signed note and a copy of recorded, or Clerk and Recorder's certified copy of the executed Assignment of Trust Indenture to Montana Board of Investments.
 - b. If lender fails to send in all the missing documents at one time. MBOH won't accept the package if lender sends in missing documents piecemeal.

- c. Final title policies, original recorded documents and Mortgage Insurance Certificates, Loan Note Guarantees and/or Loan Guarantee Certificates must be delivered to MBOH within 90 days of loan purchase.
- 12. 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.
- 13. Condominiums will still be held to the MBOH 25% rule for number of units financed by MBOH as outlined in "Exhibit L" of the Purchase and Servicing Guide.
- 14. 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 loans.
- 15. IRS Recapture Tax provisions apply. See Section 2.04(f) of Guide for details.
- 16. MBOH will purchase mortgage loans at 100% of the face amount of the mortgage loan.
- 17. There shall be no cash back allowed at closing. Excess funds from the transaction need to be applied as principal reductions. No discount points are allowed.
- 18. Commerce's Housing MT division will allow escrow holdbacks if they meet agency guidelines, such as no cash back to the buyer. Housing MT will not manage the details of the holdback, or the work being done; the lender is expected to organize the process and present 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 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 co-signer must be a non-occupant co-signer and will not be on title to the residence. The co-signer 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. Non-occupying co-borrowers are not permitted.
20. All first mortgage loan Notes and Trust Indentures must be on either Fannie Mae or Freddie Mac accepted loan documents.
21. Loans are purchased by MBOH. The mortgage note must be delivered to MBOH within 30 days of the note date. The purchase file will be delivered via e-docs within 30 days of the note date and must contain the documents in the order listed on the submission voucher form found on Lender Online. The note must be endorsed to **Montana Board of Housing without recourse**.
22. Required original documents such as the note and the Trust Indenture and Assignment must be sent to the following address:

Montana Board of Housing
PO Box 200528
301 South Park, Suite 240
Helena, MT 59620-0528
23. 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 will not accept hazard insurance

policies that limit or exclude from coverage any perils that are normally included under an extended coverage endorsement. MBOH 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 requires coverage equal to the lesser of:
 - i. 100% of the insurable value of the improvements as established by the property insurer; or
 - ii. The unpaid principal balance of the mortgage loan, if 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.
24. 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 for the area in which the property is located.
25. MBOH will contact the local Habitat for Humanity affiliate in case of delinquency. Habitat retains the first right of refusal on foreclosures
26. New lenders are required to sell servicing to Montana Housing. Procedures for lenders who sell servicing to Montana Housing are as follows:

- a. Montana Housing will pay 75 basis points of the principal balance purchased for the servicing rights. Service Release Premiums will be remitted to the originator at the time of purchase.
- b. The servicing transfer shall be effective as of the first payment date, there will be **no interim servicing allowed**. The borrower will send their first payment and all subsequent payments to the MBOH.
- c. The Housing MT division uses a tax service. Therefore, a tax service fee in the amount of \$73.00 should be collected at closing and this fee, as well as the initial escrow funds, will be net funded at the time of purchase.
- d. The Notice of Transfer of Servicing, First Payment Letter and Hazard Insurance Policy need to show the servicer as:
 - Montana Board of Housing c/o
 - Loan Servicing
 - PO Box 200550
 - Helena, MT 59620
- e. Only one purchase/servicing file will be delivered to Montana Housing.
- f. For mortgage loans serviced by Montana Housing, the principal balance that will be purchased is the note amount, less any principal reductions listed on the final closing disclosure. The accrued interest from the first interest payment date, up to but not including the date of purchase, is calculated on the principal purchased using a 360-day year and actual days in the month and is included in the funded amount. A service fee calculation is also included in the purchase price computation as a deduction and based upon the factor corresponding to the accrued interest purchased.

27. The Housing MT division requires timely delivery of final documents. Lenders may be charged \$50 per document per month, to be subtracted from the proceeds of new loan purchases, for final documents not delivered within the 90-day timeframe required in the Guide.

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.