Montana Board of Housing

Mortgage Credit Certificate ("MCC") Program Guide

Single Family Bond Program

Dated as of June 16, 2011

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Mortgage Credit Certificate ("MCC") Program Guide

Introduction

Pursuant to the Constitution and laws of the State of Montana, particularly the Montana Code Annotated, §§ 90-6-101 through 90-6-127, and §2-15-1814 (the "Act"), and Section 25 of the Internal Revenue Code of 1986, as amended, the Montana Board of Housing (the "Board") is authorized to issue Mortgage Credit Certificates to assist qualified individuals with the acquisition of single-family residences.

The Board has developed a program within the State of Montana to provide more adequate residential housing facilities for low-income families and persons by issuing Mortgage Credit Certificates.

As a Participant in the Board's Homeownership Bond Program, each lender is automatically qualified to participate in the Mortgage Credit Certificate Program.

This Mortgage Credit Certificate ("MCC") Program Guide (this "MCC Guide") is intended to be used in conjunction with the Board's Mortgage Purchase and Servicing Guide (the "Bond Guide"). Many of the terms and conditions of the Board's Homeownership Bond Program are also applicable to the Board's Mortgage Credit Certificate ("MCC") Program.

Article I Definitions

Words not defined herein shall have the meanings assigned to them in the Bond Guide.

The following words and phrases shall have the following meanings:

"Board's Website" means the official website of the Montana Board of Housing located at http://housing.mt.gov/.

"Bond Guide" means the Board's current Mortgage Purchase and Servicing Guide to be found on the Board's Website.

"Code" means the Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated thereunder.

"Eligible Person or Family" means (i) a person or family intending to principally and permanently reside as a household in a Residence, (ii) whose Annual Family Income does not exceed applicable Income requirements set forth in the Bond Guide, and (iii) who is a First-Time Homebuyer unless the Residence is located in a Targeted Area or unless the Homebuyer is a Qualified Veteran.

"First-Time Homebuyer" means a Mortgagor of a Residence who has not had an ownership interest in a principal residence, as more fully described in Section 2.05(b) of the Bond Guide.

"Invitation" means the Board's invitation to lending institutions to participate in the MCC Program.

"MCC Program" means the Board's program of issuing Mortgage Credit Certificates, pursuant to the election of the Board not to issue qualified mortgage bonds, as contemplated by this MCC Guide.

"MCC Program Administrator" means any employee of the Board who is designated by the Board, from time to time, to administer the MCC Program and to insure the Participant performs its obligations hereunder.

"MCC Program Expiration Date" means Dec. 31, 2013, or such earlier date on which the aggregate amount of the Board's available MCC authority under the MCC Program is committed.

"Mortgage Credit Certificate" or "MCC" means a certificate in substantially the form of Exhibit E hereto issued by the Board pursuant to the Code which entitles the holder thereof to receive certain federal income tax credits.

"Mortgagor's Affidavit and Certification" means the certification in substantially the form attached hereto as Exhibit B, on which each prospective Mortgagor must certify certain facts in order to assure compliance with the Code.

"Note" means the written instrument executed to evidence the Mortgagor's obligation to repay the mortgage loan.

"Purchase Price Requirement" means the amounts set forth in Exhibit F to the Bond Guide.

"Residence" shall have the meaning assigned in the Bond Guide, and shall also include factory-made housing not permanently affixed to real property if such a housing unit has at least 400 square feet of living space, is wider than 102 inches and is of a kind customarily used at a fixed location.

"Qualified Veteran" shall mean a borrower who is a "veteran" within the meaning of 38 U.S.C. Section 101 (as further explained in Exhibit I hereto) who has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 416 of the Tax Relief and Health Care Act of 2006, as amended.

"Seller" means the Seller of a Residence under the Program.

"Seller's Affidavit and Certification" means the certification in substantially the form attached hereto as Exhibit C, on which each prospective Seller must certify certain facts in order to assure compliance with the Code. "State" means the State of Montana.

Article II
Representations and Warranties of the Participant

Section 2.01. Representations, Warranties and Covenants of the Participant

The Participant reaffirms the representations, warranties and covenants made by the Participant in Article III, Paragraphs (f), (g), (l), (r), (s), (t), (v), (w), (z), (aa), (bb) and (cc) of the Bond Guide (together, the "Covenants"). References to the purchase of Mortgage Loans contained in the Covenants are understood to be read as references to the issuance of Mortgage Credit Certificates when read in conjunction with this MCC Guide. In addition, references to the Mortgage Purchase Date in the Covenants are understood to be read as references to the date of issuance of a Mortgage Credit Certificate.

Section 2.02. Survival of Representations and Warranties

It is understood and agreed that the Participant's representations, warranties and covenants shall survive the origination of loans by the Participant under the MCC Program. Upon discovery by the Participant of the breach of any of such representations, warranties and covenants which materially and adversely affect the value of any MCC, the Participant shall give prompt written notice to the Board and take such other action as may be required hereunder.

Article III
Issuance of MCCS

Section 3.01. Commitment To Issue MCCs

The Board hereby agrees to issue MCCs substantially the form attached hereto as Exhibit E in accordance with this MCC Guide, the Bond Guide and the Terms and Conditions of the applicable Invitation.

The Board will cease reserving and issuing MCCs under the MCC Program on the MCC Expiration Date, provided that the Board may determine to reissue an MCC pursuant to Section 3.13 hereof.

The Participant understands and agrees that for one year after the date on which the Board first begins to accept applications for MCCs under the MCC Program, 20% of the aggregate amount of MCCs available under the MCC Program shall be set aside by the Board and allocated for loans for Residences located in Targeted Areas. The Participant agrees to use reasonable diligence to originate loans in Targeted Areas. Such reasonable diligence shall include but is not limited to, periodic advertisements by the Participant in newspapers or other media of the availability of MCCs pursuant to the MCC Program to people intending to purchase Residences in Targeted Areas.

Section 3.02. Loan Terms

An MCC will be issued only with respect to a loan made in accordance with the terms

and conditions set forth in Section 2.04 (a) (i) and (ii) of the Bond Guide.

Section 3.03. Federal Eligibility Requirements

In addition to the set-aside for Targeted Areas in Section 3.01 above and the requirements set forth in Section 3.02 above, each Mortgage Loan for which an MCC is issued must comply with each of the federal eligibility requirements set forth in Section 2.05 of the Bond Guide (except subsections (g) and (h) thereof which do not apply to the MCC Program) and, with respect to Qualified Rehabilitation Loans, also those of Section 2.05.1 of the Bond Guide (collectively, the "Federal Eligibility Requirements"). With respect to Mortgage Loans, the Federal Eligibility Requirements include, among other things, a principal residence requirement, a first-time homebuyer (three-year) requirement, a purchase price limitation, an income limitation, a new mortgage requirement and a mortgage recapture notice. With respect to Qualified Rehabilitation Loans, the Federal Eligibility Requirements include all those applicable to Mortgage Loans (except for a first-time homebuyer (three-year) requirement and a new mortgage requirement), as well as a first residency requirement, a 20-year requirement, a 75% external wall requirement, a 25% expenditure requirement and a requirement that a commitment be issued prior to the start of rehabilitation.

The Participant must undertake the certification procedures described in Section 3.03 and Section 2.05(i) of the Bond Guide to ensure that Federal Eligibility Requirements are met. Further, the Participant must ensure that the Mortgagor has stated in the Mortgagor's

Affidavit and Certification that no portion of the financing for the Residence is provided from the proceeds of a qualified mortgage bond or a qualified veterans' mortgage bond and no portion of the financing for the Residence is provided by a related person to the Mortgagor (within the meaning of Section 144(a)(3)(A) of the Code).

Section 3.04. Origination Fees and Closing Costs

In connection with each loan, the Participant may charge and collect from the Mortgagor or the Seller of a Residence an MCC fee as specified in the Invitation to Participate and the Terms and Conditions for the current year (a portion of which goes to the Board and a portion of which may go to the lender) and only those reasonable points, origination and servicing

fees and other fees and costs for providing of the financing as would be charged to a potential borrower applying for financing not provided in connection with an MCC.

Section 3.05. Procedure for MCC Reservation

(a) MCC Pool. All MCC authority available to the Board will be reserved in a pool and committed to Participants for the Mortgagors on a loan-by-loan, first-come, first-served basis; provided, however, if the Board, in its sole judgment, determines that the provisions of this Section need to be changed, it reserves the right at any time to modify such provisions and such change shall be effective five days after written notification of change has been mailed by the Board to the Participant.

(b) MCC Loan Reservation Request. Upon notification by the Board, Participants may begin reserving MCC authority by submitting the documents listed in Part (c) below or submitting the equivalent information electronically over the internet on "Lender Online." **Documentation must be mailed or faxed, and all confirmations of reservations will be by fax or via lender online**. The order of reservations will be determined by the date and time. Each reservation shall be individually submitted. The Board intends to confirm reservations within five business days.

(c) MCC Reservation Confirmation: Subject to availability of MCC authority and upon review and approval of the required documentation, the Board will reserve MCC authority for Participants for Qualified Mortgage Loans. The Board's reservation of MCC authority under an individual MCC Reservation/Confirmation Report shall begin on the date the Board approves the Participant's request for a reservation of MCC authority and shall expire 60 days thereafter for existing housing and 180 days thereafter for new construction. Such expiration date of the reservation will be set forth in Part II of the original MCC Reservation/Confirmation Report and will be executed and forwarded by the Board to the Participant.

The Board intends to process the MCC authority reservations and fax a written confirmation to Participants within five business days of receipt. Once confirmed by the Board, loan level data will also be available to Participants via Lender Online.

Confirmation of reservations by telephone will not be allowed. For each confirmed reservation, the Board will assign a Montana Board of Housing MCC Reservation loan number. This number shall be permanently used by the Board and the Participant to identify the MCC Reservation and the related Mortgage Loan. In the event the Mortgage Loan is not closed and the MCC issued within the applicable time period, the reservation will expire. The Board reserves the right to not refund the Application/Processing Fee payable at the time of submission of the complete.

Application (see Section 3.06 hereof). Participants need to qualify as Mortgagors before submitting a reservation request to avoid loss of the Application/Processing Fee (see Exhibit D attached hereto for the form of Notice of Application/Processing Fee Refund Guidelines). Such MCC authority previously reserved will be made available for use by a different Participant/Mortgagor. In the event the Mortgage Loan is closed, and the MCC documentation is delivered to the Board within the time period, but it is determined ineligible for participation in the MCC Program, the Application/Processing Fee is forfeited. In the event the reservation expiration date shall occur on a weekend or holiday, such reservation expiration date shall be the next business day of the Montana Board of Housing.

(d) MCC Issuance Extension. Upon request, the Participant may be provided with an extension of time to deliver complete MCC documentation beyond the original date of reservation expiration. To secure an extension, the Participant must provide the estimated delivery date of the complete MCC documentation. Such request for extension must be in writing and must be received by the Board on or before the date of the original reservation expiration date. Participants are advised to closely monitor their own MCC Reservation/Confirmation Reports, including the expiration dates, and to forward applicable extension documentation when due. The Board will not notify Participants of reservation expirations except at the Board's sole discretion.

(e) Modification of MCC Reservations. Generally, Participants may not modify or substantially change MCC reservations once a confirmed reservation is made. Should the information be provided to the Board regarding a specific reservation be incomplete or inaccurate, the Participant must cancel the reservation and forfeit the

Application/Processing Fee. Such funds previously reserved for that particular Mortgagor will be made available for use by a different Participant and Mortgagor. Participants may be at considerable risk regarding whether funds for a reservation will be available. Participants should exercise great care to be sure that information provided to the Board is complete and accurate.

Circumstances may arise in which the Board may consider and approve a modification or correction of the information provided in the MCC

Reservation/Confirmation Report. To request such change or correction, the Participant must inform the Board in writing (email acceptable). If approved, the Board will send written confirmation of the modification or correction to the Participant.

(f) Cancellation of Confirmed MCC Reservations. The Participant shall immediately notify the Board if the MCC documentation cannot be completed, so that MCC authority may be made available for use by another eligible Mortgagor. No substitutions may be made by the Participant of either Mortgagors or properties. To cancel an MCC reservation, the Participant shall notify the Board in writing. The cancellation request needs to list the Mortgagor's name, MBOH MCC Number, the MCC Reservation amount, and, if applicable, a request for a refund of the Application/Processing Fee. Information should be provided about the reason for the cancellation (such as a copy of the appraisal, or a copy of the loan denial). The cancellation request will be confirmed by telephone or email to the Participant.

(g) Application/Processing Fee. An Application/Processing fee will be collected by the Participant from the borrower, no later than the closing date on the transaction. This fee will be submitted to the Board, together with the required documentation for issuance of the MCC Certificate in Section 3.06.

Nothing contained in this Section 3.05 shall be construed or administered by the Board to limit the use of MCCs to indebtedness for particular lenders.

Section 3.06. Procedure for MCC Issuance

Upon receipt of post-closing package, the Program Administrator will review the application and issue the MCC, if the application package and transaction are in compliance and qualify

according to the provisions of the Code, the Invitation, the Bond Guide and this Guide. An incomplete application will not be considered or processed until it is complete.

These provisions, requirements and the form of the Exhibits hereto are subject to revision at the discretion of the Board without prior notice to or the consent of the Participants to ensure the fair and orderly distribution of MCC authority.

Nothing contained in this Section 3.06 shall be construed or administered by the Board to limit the use of MCCs to indebtedness for particular lenders.

Section 3.07. Maintenance of Mortgage Files

The Participant shall, at its own expense, maintain a file containing all documents prepared with respect to each loan for which an MCC is issued.

Each file shall be maintained by the Participant for the longer of (a) six years following the year in which the loan was made or (b) a minimum of three years from the date the loan is fully paid or otherwise terminated. The files shall be kept at the Participant's regular place of business in the State and shall be available for inspection by the Board at such reasonable times and in such reasonable manner as the Board shall determine.

The Participant shall also retain all canceled checks, bank statements and other records of the Participant relating to each loan. Upon the termination of this MCC Guide, if the Board so directs, the Participant shall send all files with respect to the loans to the Board. The Participant shall provide at its expense copies of any records and files reasonably requested by the Board.

Section 3.08. Defective Documents and Nonqualifying Loans

If the Participant discovers that (a) any document or documents constituting a part of an Application for MCC Reservation package are false, misleading or otherwise defective in any material respect, (b) a loan is or becomes a Nonqualifying Loan (as defined below), or (c) there is a breach of any of the representations, covenants and warranties set forth herein, then the Participant shall immediately notify the Board, and the Participant shall cure the defect or breach within a period of 60 days from the time the Participant discovers such defect or breach

or such determination is made known to the Participant (the “Cure Period”).

The Participant covenants and agrees that, if any loans described above cannot be cured within the Cure Period, the Participant will immediately notify the Board, the Program Administrator and the Mortgagor, and the MCC shall be canceled.

As used herein, the term “Nonqualifying Loan” shall mean and include any loan with respect to which an MCC was issued hereunder, and which does not meet one or more of the Federal Eligibility Requirements set forth in the Bond Guide or which loan has been paid or otherwise satisfied.

Section 3.09. Representations, Warranties and Covenants of Participant Concerning Loans

The Participant hereby represents and warrants to and covenants with the Board and Program Administrator that:

(a) The information set forth in each document submitted will be true and correct at the closing date thereof and each loan with respect to which an MCC is issued will satisfy all applicable requirements set forth herein.

(b) Each loan, at the time it is made, shall have conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Consumer Credit Protection Act and all other applicable State and federal laws and regulations.

(c) Each loan at the time it is made shall have complied with the applicable State and federal usury laws.

(d) If an allocation has been reserved pursuant to Section 3.05 hereof, submission of the final MCC application shall represent a confirmation by the Participant that at the time of closing there has been no change in circumstances to cause the Mortgagor or the transaction to no longer be in compliance with the requirements of the Code and the Invitation.

(e) The Participant shall use its best efforts to secure MCCs on behalf of eligible Mortgagors.

Section 3.10. Prohibition of Discrimination

The Participant must consider all applications in the order in which they are received, or in any other manner designated or approved by the Board, on a fair and equal basis, may not arbitrarily reject a loan application because of the location, and/or age of the property, and may not, in the case of a proposed Mortgagor, arbitrarily vary the terms of a loan or the application procedures therefore or reject a loan applicant because of the race, color, religion, national origin, age, sex or marital status of such applicant or in violation of any State or local law. No Participant shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for such loans without the express approval of the Board.

The Participant shall not directly or indirectly attempt to prohibit a Mortgagor from seeking financing from any particular lender, nor attempt to require a Mortgagor to seek financing from a specific lender.

Section 3.11. Necessary Action by Board and the MCC Program Administrator

In the event that any action required by the Board or MCC Program Administrator for or in connection with any loan shall not be timely done or performed by the Participant, and the continuance of any such nonaction, in the opinion of the Board or the MCC Program Administrator may become inimical to the best interests of the Board hereunder, the Board and/or the MCC Program Administrator shall promptly undertake such action as they deem proper or necessary in the circumstance in substitution for, and at the reasonable expense of, the Participant, and the Participant shall be liable for and shall promptly pay to the Board and/or the MCC Program Administrator all of their expenses and costs (including that of their counsel) as to such action taken by them in such circumstances, and the Board and the MCC Program Administrator shall not be liable to the Participant on account of any such action taken by them in good faith and after written notice to the Participant to undertake such required action.

Section 3.12. Remedies

Upon failure by the Participant to comply with the conditions and terms hereof, the Board may terminate its participation in the Program. In addition, the Participant may become

ineligible for subsequent participation in any other housing program of the Board.

Section 3.13. Reissuance of MCC in Event of Refinancing

In the event a Borrower who receives an MCC under the MCC Program, or any previous MCC program of the Board, refinances the related Note, the Board may (but is under no obligation to) elect to reissue such MCC in accordance with such terms and conditions (including without limitation those imposed by the Code) as the Board may specify. In such a case the provisions of this Guide (or any comparable guide applicable to an MCC issued pursuant to a previous MCC program of the

Board) and the then in-effect Invitation to Participate shall continue to apply to the applicable Participant and MCC Program Administrator. A form of an MCC Reissuance Application and Affidavit is attached as Exhibit J.

Article IV Participant

Section 4.01. Liability of Participant

The Participant shall be liable hereunder to the extent that the obligations are explicitly imposed upon the Participant.

Section 4.02. Merger or Consolidation of Participant

Any entity into which the Participant may be merged or consolidated, or any entity resulting from any merger, conversion or consolidation to which the Participant shall be a party, or any entity succeeding to the business of the Participant, shall be the successor of the Participant hereunder without the execution or filing of any document or instrument, except as provided herein.

Section 4.03. Participant Not to Resign

The Participant shall not resign from the obligations and duties hereby imposed on it except upon determination that its duties hereunder are no longer permissible under applicable law or regulation. Any such determination permitting the resignation of the Participant shall be

evidenced by an opinion of counsel satisfactory to the Board to such effect delivered to the Board. No such resignation shall be effective until the Board, the MCC Program Administrator, or a successor of the Participant shall have assumed the Participant's responsibilities and obligations under this MCC Guide. Any Participant seeking a determination permitting resignation under this Section 4.03 shall submit to the Board in writing a specific plan of how its responsibilities and obligations under this MCC Guide will be carried out after the proposed resignation. The Participant shall bear any costs or indemnify the Board for any costs which are incurred by the Board in having the Participant's responsibilities and obligations under such sections carried out during or as a result of the resignation process.

Section 4.04. Reports

The Participant shall file an annual report with the Internal Revenue Service on IRS Form 8329 (or such other form as may be designated by law or regulation) during the period that MCCs are being issued by the Board and submit a copy thereof to the Board. Copies thereof shall be delivered to the Board's office within ten (10) days of the date the report was due to the IRS.

For six years following the year in which a loan for which the Board issued an MCC was made, the Participant shall retain on its books and records and have available a summary of loans which includes the following information:

(a) The name, address, and Social Security number of each MCC holder.

(b) The name, address, and Federal taxpayer identification number of the Board.

(c) The date the loan was closed, the date the MCC was issued, the certified indebtedness amount, the credit rate under the MCC, and the amount of MCC issued.

The Board shall make quarterly reports to the Internal Revenue Service on IRS Form 8330 (or such other form as may be designated by law or regulation) and any additional reports as required by law.

The Participant hereby acknowledges that the penalty provisions of Section 6709(c) of the Code which apply to the failure of the Participant to file IRS Form 8329 shall survive the

termination of this MCC Guide or any resignation of the Participant by reason of Section 4.03 of this MCC Guide.

Article V
Miscellaneous Provisions

Section 5.01. Participant as Independent Contractor

In the performance of its duties as the Participant hereunder, the Participant shall be an independent contractor acting in its own behalf and for its own account and without authority, express or implied, to act for or on behalf of the Board, in any capacity other than that of an independent contractor, save as herein expressly set forth or as may from time to time be authorized by the Board in writing.

Section 5.02. Changes in Organization

The Participant shall immediately notify the Board and MCC Program Administrator of any contemplated material change in its organization, including but not limited to, mergers or consolidations, changes of name or corporate charter. The Participant shall immediately notify the Board and MCC Program Administrator of any voluntary or involuntary proceedings which might result in bankruptcy, reorganization, dissolution, liquidation, the appointment of a trustee or receiver, an assignment for the benefit of creditors or the Participant having its activities restricted in any manner related to its performance of material obligations hereunder by any governmental agency.

Section 5.03. Indemnity

The Participant will indemnify and hold harmless the Board, and its members, officers, employees and agents from and against any and all claims, causes of action, loss, damages, costs and expenses (including attorney's fees), judgments (or appeals thereof), fines, penalties, and liability of any nature whatsoever that may be related to or arise out of any failure on the part of the Participant to perform its services, duties and obligations under the terms and provisions of this MCC Guide, notwithstanding knowledge, act, or failure to act by the Board, other than an act or failure to act which prevents the Participant from performing

such services, duties and obligations.

Section 5.04. Sale of Loan

The Participant shall remain obligated upon the sale of a loan or servicing to report noncompliance that it discovers in accordance with this MCC Guide and to report program data to the Internal Revenue Service and the Board in compliance with this Guide.

Section 5.05. Amendments

The Board may amend this MCC Guide without prior notice to or the consent of the Participant as necessary to comply with the Code provisions governing MCCs and the MCC Program.

Section 5.06. Other Provisions

The provisions contained in Section 6.05(a), (d), (e), (g) and (h) of the Bond Guide are incorporated herein by reference.

Section 5.07. Notices

The Participant and the Board will provide any required notices in accordance with Section 6.04 of the Bond Guide.

Exhibit A

Montana Board of Housing (the Board or MBOH)

Buyer's Affidavit and Certification

Single Family Bond Program or MCC Program

Mortgage Loan Interest Rate_____%

Issuer: Montana Board of Housing ("Board")

Buyer(s) _____

Residence Property Address _____

Acquisition Cost $_____County _____

Household Members_____Household Income$ _____

☐ Targeted Area Non-Targeted Area

The undersigned (jointly and severally, the "Buyer"), as applicant for a loan (or as applicant to assume a loan). secured by a trust indenture or similar instrument (a "Mortgage") (such loan. a "Mortgage Loan") financed by the Board's Single-Family Bond Program ("Bond Program") or as applicant for a mortgage credit certificate ("MCC") with respect to a Mortgage Loan under the Board's MCC Program ("MCC Program"), and as purchaser of a Residence which is the subject of such Mortgage Loan, being first duly sworn (or affirmed) under oath, hereby states and certifies that:

1. I shall use the residence to be purchased with the Mortgage Loan (the "Residence· or "Property") as my principal residence promptly and in no event later than sixty (60) days following the Mortgage Loan closing, and thereafter maintain the Property as my principal residence throughout the term of the Mortgage Loan. I do not intend to, or have not entered into an arrangement to rent, sell, assign or transfer the Residence. I do not intend to use the Residence as an investment property or as a recreational home.

2. I will not use more than 15 percent of the Property primarily for or in connection with a trade or business. No home business use tax deduction will be taken as a result of any income-producing activity which may take place in or on the Property.

3. The land purchased with the Residence does not exceed the lesser of the acreage limitation of the Small Tract Financing Act or 40 acres, and the value of the land financed does not exceed 35% of the loan (except as permitted by the Board in writing) and either will not be farmed to provide a source of income or any portion of the land to be farmed to provide a source of income will not be financed by the Mortgage Loan.

4. I understand that there is a continuous period of at least one year during which the Residence is not the principal residence of at least one of the Buyers. then under Section 150(b) of the Internal Revenue Code of 1986, as amended (the "Code"), no deduction is allowed in computing taxable income for interest that accrued on the Loan on or after the date such one-year period began.

5. I understand (i) that my Mortgage Loan has been financed with the proceeds of tax-exempt qualified Page 1 of 5 mortgage bonds or (ii) that the MCC is provided through the use of qualified mortgage credit certificates pursuant to the Code. As the Buyer I may receive benefits from this financing such as savings in mortgage loan interest or benefits from an MCC such as a tax credit that may reduce my federal income tax liability. As a result, pursuant to Section 143(m) of the Code, I may, at the time of resale of the Residence be subject to a special "recapture tax" for federal income tax purposes. I understand that I should consult a tax advisor at the time of resale of the Residence to determine the amount, if any, of such "recapture tax." I hereby acknowledge receipt of the "Notice to Mortgagor of Maximum Recapture Tax" and of "Method to Compute Recapture Tax on Sale of Home" from the Mortgage lender identified below (the "Participant").

6. The income of all Buyers and of all adult persons who reside or intend to reside with such Buyers in the Residence (other than persons under 18 years of age), as stated above as Household Income, and the number of members of our family that will occupy the Residence, as stated above as# of Household Members, are true and complete.

7. The proceeds of the Mortgage loan will be used to purchase the real property Residence described above which real property consists of a 1-4 family

residence and appurtenant land; none of the proceeds of the Mortgage loan will be used to purchase personal property. If the Residence is a mobile home or other manufactured housing, I certify that (i) it is or will be permanently affixed to real property located at the Property Address so as to constitute real property and (ii) I intend to and will keep it so affixed throughout the term of the Mortgage loan.

8. I will not use the proceeds of the Mortgage loan to refinance an existing mortgage loan except in the case of construction or temporary initial financing. I understand that all or a part of the Mortgage loan proceeds may be used to pay or replace a short-tem1 construction loan or temporary initial financing on the Residence to be financed where the term of such interim financing is 24 months or less. Complete and accurate copies of all documents have been provided to the Board pertaining to the interim financing (if applicable) of the Residence to be financed. I certify that I have not had a Mortgage (whether paid off or not) on the Residence at any time prior to the execution of the Mortgage loan (other than such construction or temporary loan).

9. I have not held a present ownership interest in a principal residence at any time during the 3-year period ending with the date the Mortgage is executed, unless the Residence is in a targeted area ("Targeted Area") or I am a "qualified veteran• ("Qualified Veteran") as defined in the Board's Mortgage Purchase and Servicing Guide. I have reviewed and Participant has explained such definitions to me. I understand that this present ownership interest restriction applies to all people who will have a present ownership interest in the residence (other than a co-signer or guarantor of the Mortgage loan who does not have a present ownership interest). A "present ownership interest" includes a fee simple interest; a joint tenancy, tenancy in common, or tenancy by the entirety; the interest of a tenant-shareholder in a cooperative; a life estate; a land contract or contract for deed (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time); and an interest held in trust for the Buyer (whether or not created by the Buyer) that would constitute a present ownership interest if held directly by the Buyer. I swear that each person who will have a present ownership interest in the Residence has executed this Affidavit or a similar Affidavit.

The statements in the previous paragraph have been verified in one or more forms acceptable to the Board and such verification is attached and incorporated herein (unless the Residence is in a Targeted Area or I am a Qualified Veteran). If the "Targeted Area• box above is checked, I hereby certify that the Property is in a Targeted Area. If I am obtaining the Mortgage loan utilizing the Veteran's exception provided for in Section 143, I have executed the attached Veteran's Waiver.

If I am obtaining the Mortgage loan under the Veteran's exception, I hereby certify that I am a Qualified Veteran, including having been discharged or released from the military under conditions other than dishonorable and I have not previously obtained a Mortgage Loan under the Veteran's exception.

10. The "Acquisition Cost" of the Residence stated above is as stated in the purchase contact or the construction cost breakdown, which includes the cost of land but excludes Sweat Equity and, if the land was owned by the Buyer for more than 24 months prior to the date on which construction of the residence began, also excludes the cost of the land. It does not exceed those limits in effect at the time of the loan origination. I hereby certify the infom1ation used in computing the Acquisition Cost to be true, accurate and complete. Attached hereto is a complete and accurate copy of the buy/sell agreement (purchase or sales contract) executed by the Buyer(s) and seller(s). There exists no other agreement, written or oral, between the Buyer(s) and seller(s). No part of the cash down payment or closing costs has been borrowed from any source other than disclosed upon the Application. Buyer(s) name(s), the Property address and legal description for the mortgage applied for are all true and correct.

11. Neither I or any related person as defined in Section 147(a)(2) of the Code shall, pursuant to an arrangement, formal or informal, purchase any bonds the proceeds of which were used to provide financing for the Mortgage Loan in an amount related to the amount of the Mortgage Loan.

12. If the Mortgage Loan is financed under the Bond Program, I understand I am not allowed to sell the Residence to any person and permit such person to assume my

obligations under the mortgage and related note (the "Note") (with or without release of my liability) unless such person (i) satisfies all requirements of this affidavit and so certifies; (ii) meets all assumption requirements of FHA, PMI, RD or VA (as applicable); and (iii) has obtained prior written consent of the Board and the Participant.

13. If the Mortgage Loan is benefiting from an MCC (i) I represent and warrant that no portion of the financing of the Residence is provided from the proceeds of a qualified mortgage bond or a qualified veteran's mortgage bond and no portion of the financing for the Residence is provided by a related person to the Buyer; (ii) I understand that I may seek financing from any lender of my choosing (the Participant has informed me that it is a Participant in the Board's MCC Program, the Guide for which contains the eligibility requirements for qualified MCCs); and (iii) I understand that if an MCC is issued to me, it may not be transferred or assumed without the written consent of the Board.

14. I am not presently obligated on a Mortgage Loan financed under the Bond Program or MCC Program.

15. I understand that further investigation or verification of the information provided may be required, and that all information provided, including my tax returns, may be used and disclosed by the Participant, the Board, the Trustee (as applicable) and their respective trustees, officers, directors, employees, attorneys and agents for purposes of such investigation and verification and each Buyer hereby releases the Participant, the Board, the Trustee (as applicable) and their respective trustees, officers, directors, employees, attorneys and agents from any claim that I may now have or in the future based upon, arising out of or related to any investigation or verification which the Participant, the Board, the Trustee (as applicable) and their respective its trustees, officers, directors, employees, attorneys or agents may undertake.

16. I hereby state under oath that each of the statements and the information on the Application and in this Buyer's Affidavit and Certification is material and is required to obtain the Mortgage Loan and declare under penalty of perjury, fraud and

misrepresentation, which are felony offenses, that such statements and information are true, accurate and complete.

I have read the Note, Mortgage and Addendum and state under oath that I meet the requirements stated therein. I understand that I have made any material misstatements in the foregoing representations or omitted to state any of the information requested, the following may occur.

(a) I may be fined not more than $1,000,000 or imprisoned not more than thirty (30) years, or both, pursuant to Section 1014 of Title 18 of the United States Code.

(b) The office of the district attorney may be contacted for investigation regarding misrepresentation and fraud.

(c) The outstanding principal balance of the Mortgage loan, if financed under the Bond Program, may be declared immediately due and payable together with accrued interest and foreclosure costs (if foreclosure is necessary because payment in full is not made immediately).

Buyer's Signature Date	Buyer's Signature Date
Buyer's Printed Name	Buyer's Printed Name

State of Montana

County of_____ /ss.

On this___day _____20____, before me, the undersigned, a notary public in and for the state of Montana, personally appeared_____and _____ , known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first-above written.

_____

Notary Public for the State of Montana

(Notary Seal/Stamp Above)

I have explained the contents of this Affidavit to each of the Buyers whose signature appears above, and I have no reason to believe that those individuals made any misstatements in the warranties and representations required to be made herein or omitted to state any of the information requested.

_____ _____

Signature Name and Title

_____ _____

Date Mortgage lender ("Participant")

Exhibit B

Montana Board of Housing

Mortgage Credit Certificate (MCC)

Notice of Application and Processing Fee Refund

An application/processing fee is required from each applicant for a Montana Board of Housing mortgage credit certificate (MCC). The Participant lender will collect the Application/Processing Fee at the time the Participant lender qualifies me/us under Montana Board of Housing guidelines and closes my/our loan.

I/we may be at risk of loss of the Application/Processing Fee, if Montana Board of Housing confirms the MCC reservation request and the MCC is not completed and issued.

It is not the intent of Montana Board of Housing to cause financial harm to applicants, but refunds are generally not granted.

I/we have read these guidelines and understand the associated risk of a potential loss of the Application/Processing Fee.

Applicant	Dated
Applicant	Dated
Participant's Authorized Signature	Dated

Exhibit C

Mortgage Credit Certificate MCC Program

Form of Mortgage Credit Certificate

1. This Mortgage Credit Certificate No. _____ is issued effective _____, by the Montana Board of Housing (the "Board"), TIN No. _____.

2. The Certificate is issued pursuant to the election of the Board, dated April 7, 2008, not to issue qualified mortgage bonds.

3. The Certificate has been issued in reliance upon the Affidavits of the Mortgagor and the Seller of the Residence that all conditions required for the issuance of a qualified Mortgage Credit Certificate have been met.

4. This Certificate is issued to:

who shall be known as the Mortgagor.

5. This Certificate shall entitle the Mortgagor to a credit rate of twenty percent (20%) for a Certified Indebtedness Amount of $_____, which consists of financing (the "Loan") received from (Participant name and mailing address):

who shall be known as the Participant.

6. This Certificate is to be used in connection with the purchase of a single-family residence (the "Residence") located at:

_____.

7. The acquisition cost for the Residence is $_____ and the acquisition cost applicable to the Residence is a maximum of $_____. The acquisition cost is below the applicable average area purchase price.

8. This Certificate meets the requirements of:

(a) Temporary IRS Regulation Section 1.25-3T(d) relating to the residence requirement;

(b) Temporary IRS Regulation Section 1.25-3T(e) relating to the 3-year requirement;

(c) Temporary IRS Regulation Section l.25-3T(g) relating to the new mortgage requirement;

(d) Temporary IRS Regulation Section l.25-3T(i) relating to prohibited mortgages;

(e) Temporary IRS Regulation Section 1.25-3T(j) relating to particular lenders;

(f) Temporary IRS Regulation Section 1.25-3T(k) relating to allocations to particular developments;

(g) Temporary IRS Regulation Section l.25-3T(n) relating to interest paid to related persons; and

(h) Section 143(f) of the Internal Revenue Code of 1986, as amended, relating to income limitations.

9. The Residence in connection with which this Certificate is issued □ is □ is not located in a Targeted Area.

10. The Loan closed on _____.

11. This Certificate shall expire upon the earliest of revocation, repayment of the Certified Indebtedness Amount, or the date on which the Residence ceases to be the Mortgagor's principal residence.

12. This Certificate is not transferable.

13. If the Board becomes aware that a material misstatement, whether negligent or

intentional, has been made in the application for this Certificate, this Certificate shall be revoked. Further, if such material misstatement shall be due to fraud, this Certificate shall automatically be null and void without any need for further action on the part of the Board.

Under penalty of perjury, I hereby declare that to the best of my knowledge and belief, the determinations required by the Temporary Regulations, as identified in paragraph 8 of this Certificate have been made.

Montana Board of Housing

Dated: _____ _____

Program Administrator

Exhibit D

Mortgage Credit Certificate (MCC) Program

Mortgagor's Notice of Potential Benefits Provided By a Mortgage Credit Certificate (MCC)

If you are considering applying for a Mortgage Credit Certificate (an "MCC") through a lender, it is **extremely important** that you understand the potential benefits an MCC may or may not provide you in being able to afford your contemplated home purchase.

Please review the General Overview of an MCC (below). **It is strongly recommended that you contact a tax professional before applying for an MCC in order to determine the potential benefits an mcc may provide you**. The Montana Board of Housing reviews MCC applications based on the contents of such applications, solely for compliance with program guidelines and does not determine whether a particular applicant will benefit from an MCC.

General Overview

An MCC permits a qualifying buyer purchasing a qualifying home to claim a tax credit that may reduce the buyer's federal income tax liability, if any. Mortgagors may use their tax savings to help with their home mortgage payments.

The size of the annual tax credit will be 20% of the annual interest paid on the certified portion of the mortgage. **The credit taken cannot be larger than the home mortgagor's annual federal income tax liability, after deductions, personal exemptions and certain other credits are taken into account**. An MCC credit in excess of the current year tax liability may be carried forward for use in the subsequent three years (if the homebuyer still has a federal income tax liability following use of the subsequent year's MCC credit). In any case, the amount of the credit will reduce the homebuyer's home mortgage interest deduction.

As an example, you decide to purchase a home for $110,000, and can obtain a $100,000 mortgage at 6% for 30 years. Your interest on the loan for the first year (12 months) would be approximately $6,000. (The annual interest amount decreases yearly over the life of the mortgage). If you have an MCC, you could claim a tax credit for 20% of the interest amount paid, or $1,200, in the first year. This credit would reduce the amount of federal income tax you would otherwise owe (assuming your tax liability after certain other credits is at least $1,200) when filing your tax return. In the alternative, it might increase the amount of refund owed you from taxes withheld from your wages. If you expect a refund, you might adjust your federal income tax withholding in advance to

benefit from the credit on a monthly basis and thus, have more disposable income each month with which to make your mortgage payments. In order to claim the credit, you must use a Form 1040 when filing your taxes. You may not use Form 1040A or 1040 EZ. Your deduction for home mortgage interest on Schedule A of Form 1040 would be $4,800 ($6,000 of home mortgage interest you paid, minus the $1,200 credit amount).

If you have decided to apply for an MCC after considering the above, please acknowledge such by signing and dating this form. Your lender is required to submit it to Montana Board of Housing with your MCC application.

_____

Applicant Date

_____

Applicant Date

Exhibit E

Recapture Notice to Mortgagor

[to be executed at time of Mortgage Loan application]

Your application for a Mortgage Loan, if determined eligible, will be financed with the proceeds of a tax-exempt qualified mortgage bond or a qualified mortgage credit certificate. As a result, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may, at the time of disposition of the residence, be subject to a "recapture tax" for federal income tax purposes. The "recapture tax" applies to mortgage loans closed and mortgage credit certificates issued after Dec. 31, 1990, where the proceeds or credit authority has been provided by bonds issued after Aug. 15, 1986.

Generally, when you sell your home, you may have to pay a recapture tax. The recapture tax may also apply if you dispose of your home in some other way. For instance, you may owe the recapture tax if you give your home to a relative.

In the following situations, no recapture tax will be due:

(a) You dispose of your home later than nine years after you close your mortgage loan;

(b) Your home is disposed of as a result of your death;

(c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code;

(d) You dispose of your home at a loss; or Your household income is less than the adjusted qualifying income for the tax year in which you dispose of the home.

(e) The recapture amount, if any, can be expected to increase over time from $0 on the closing date to a maximum of 6.25% of the original principal balance of your mortgage note after five years; such recapture amount declines from years six through nine on a similar pro rata basis. The recapture amount, if any, may not exceed the lesser of 50 percent of the gain you realize by the sale of your home or 6.25% of the original principal balance of your mortgage note.

You may deem it necessary to consult a tax advisor as to a potential future tax liability resulting from the federally imposed recapture tax provisions. The Montana Board of Housing and the Lender are available to provide you information on recapture tax provisions, but neither the Montana Board of Housing nor the Lender takes any responsibility as a tax advisor or for the calculation of a recapture tax amount upon the disposition of the residence.

To continue the application process after reviewing the recapture tax provisions, please acknowledge your review and receipt of a copy of this Notice by signing, dating and returning this notice to your Lender. This executed notice is needed for the request for a reservation of funds or credit authority.

_____ _____

Applicant Date Applicant Date

Exhibit G

Montana Board of Housing

Qualification as "Veteran" Within the Meaning of 38 U.S.C. Section 101

In order to qualify as a "veteran" within the meaning of 38 U.S.C. Section 101, both (1) and (2) below must be satisfied:

(1) Borrower must have served in the active military, naval or air service in one of the following capacities (must mark (a), (b) or (c)):

___ (a) **Active duty** in one of the following manners:

_ (i) full-time duty (other than active duty for training) in the Armed Forces (United States Army, Navy, Marine Corps, Air Force, and Coast Guard, including the reserve components);

_ (ii) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to "full military benefits");

(iii) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor the Coast and Geodetic Survey (on or after July 29, 1945, or before that date if while on transfer to one of the Armed Forces or if while assigned to duty on a project for one of the Armed Forces in an area determined by Secretary of Defense to be of immediate military hazard during time of war or national emergency declared by President or if in the Philippine Islands on Dec. 7, 1941 and continuously in such islands thereafter; or

_ (iv) service as a cadet in the United States Military, Air Force or Coast Guard Academy, or as a midshipman at the United States Naval Academy; or

___ (v) authorized travel to or from such duty or service listed in (a)(i) through (iv) above.

___ (b) **Active duty for training** in one of the following manners if the member was disabled during such period from a disease or injury incurred or aggravated in the line of duty (specifically excludes any duty performed as a temporary member of the Coast Guard Reserve):

_ (i) full-time duty for training purposes in the Armed Forces Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States and Air National Guard of the United States);

_ (ii) full-time duty for training purposes as a commissioned officer of the Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to "full military benefits";

(iv) full-time duty for members of the Army National Guard or Air National Guard of any State under Title 32, Section 316 (detail of members of Army National Guard for rifle instruction of civilians), Section 502 (required drills and field exercises), Section 503 (participation in field exercises), Section 504 (National Guard schools and small arms competitions), or Section 505 (Army and Air Force schools and field exercises);

(v)_ duty performed as a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purposes of training or a practice cruise under Chapter 103 of Title 10 for a period of not less than 4 weeks and which must be completed by the member before the member is commissioned;

___ (v) authorized travel to or from such duty listed in items (b)(i) through (iv) above.

___ (c) **Inactive duty training** in one of the following manners if the member was disabled during such period from an injury incurred or aggravated in the line of duty or from an acute myocardial infarction, a cardiac arrest or a cerebrovascular accident occurring during such training (specifically excludes any work or study performed in connection with correspondence courses, attendance at an educational institution in an inactive status or duty performed as a temporary member of the Coast Guard Reserve):

(i) duty (other than full-time duty) prescribed for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under Section 206 of Title 37 or any other provision of law;

(ii) special additional duties authorized for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; or

(iii) training (other than active duty for training) by a member of, or applicant for membership (as defined in Section 8140(g) of Title 5) in the Senior Reserve Officers' Training Corps prescribed under

Chapter 103 of Title 10.

(2) Borrower has been discharged or released from the service referenced in (1) above under conditions other than dishonorable, including retirement or the satisfactory completion of the period of active military, naval or air service required if, due to enlistment or re-enlistment, discharge or release at the time of such completion was not awarded but was earned and would have been awarded under conditions other than dishonorable.

I hereby state under oath that each of the statements and the information in this worksheet is material and is required to obtain a Mortgage Loan and declare under penalty of perjury, fraud and misrepresentation, which are felony offenses, that the above statements are true, accurate and complete.

_____ _____

Borrower Date

Exhibit H

Montana Board of Housing

Mortgage Credit Certificate (MCC) Program

MCC Re-Issuance Application and Affidavit

(Please print or Type)

Borrower Name _____

Co-Borrower Name _____

Contact Phone Number _____

Contact Email Address _____

Property Address _____

Mailing Address (If different) _____

City, State, Zip _____

In support of my request for a Re-issued Mortgage Credit Certificate, I (inclusive of all borrowers) hereby submit the following:

1. A Certified check, cashier's check or Money Order payable to the Montana Board of Housing for the re-issuance fee in the amount of $100.00 (one hundred dollars); and

2. A copy of the payoff statement detailing the principal balance pay-off of the original MCC loan; and

3. A copy of the final signed Closing Disclosure Statement for the new loan; and

4. A copy of the signed Promissory Note (with all riders, addenda, and/or modifications) for the new loan; and

5. The original, or (if lost) a copy of the Mortgage Credit Certificate originally issued by MBOH to me as Borrower; and

6. If not all the original borrowers are on the new loan due to divorce or death, a copy of the Decree of Divorce or Death Certificate

All required documentation must be sent to:

Montana Board of Housing
Attn: MCC Re-Issuance
Po Box 200528
Helena, MT 59620-0528

Mortgage Credit Certificate Program (MCC)

Re-Issuance Request Affidavit

The undersigned, as an essential part of the application for the Re-issued Mortgage Credit Certificate, hereby swears or affirms to the Montana Board of Housing that:

1. The property described in the address on the application is the same property for which I was originally issued a Mortgage Credit Certificate (MCC) and continues to be my principal residence. No more than 15% of the area of the residence will be used in a trade or business.

2. The Mortgage Credit Certificate has not been revoked.

3. Except only for reason of death or divorce, I am the same person to whom the original MCC was issued.

4. I have refinanced my mortgage one or more times and am requesting that my MCC be re-issued for my new mortgage indebtedness, or such portion thereof as does not exceed the remaining outstanding balance of the certified mortgage indebtedness specified on the original MCC.

5. I understand that the re-issued MCC, if issued, will entitle me to an annual federal tax credit no greater than what we would have been eligible for under the terms and conditions of the original MCC.

6. I understand that the recapture provisions of my original MCC, under which I may incur a tax liability in the year that I sell the residence (or otherwise transfer to someone else), are still valid and in full effect.

7. I was not restricted as to which lender I used to refinance my mortgage loan and this lender did not provide a personal loan to me.

8. No part of the funding for the refinancing is from qualified mortgage revenue bonds or qualified veteran's mortgage bonds.

Dated: _____

Signed: _____ _____

(Borrower) (Co-Borrower)

State of Montana)

)ss

County of _____)

On this _____ day of _____, 20__, before me, the undersigned, a Notary Public in and for the State of Montana, personally appeared _____ _____, and acknowledged to me that _____ executed the within document.

In witness whereof, I have hereunto set my hand and affixed my official notary seal the day and year first above written.

_____

_____

Notary Public for the State of Montana

Residing at _____

My Commission expires: _____