Montana Board of Housing (the Board or MBOH)

Terms and Conditions for the

Veteran's Home Loan Program

Authorized by 90-6-6 MCA

Revised April 2026

Purpose:

The Montana Veterans' Home Loan Mortgage Program is to provide first mortgage funds to Montana residents serving or who have served in the military through the federal armed services and the Montana National Guard. Funds for the program are provided from the Montana Housing Trust within the Montana Growth and Opportunity Trust. The Montana Board of Housing will administer the program. VHLP is a revolving fund; additional loans will be made as the principal is available once the initial funding has been used. The program is available to qualifying veterans on a first-come, first-served basis.

Program Details:

1. Lenders are required to contact MBOH for further documents that are required to participate in this program.
2. Borrower must be an eligible veteran under program guidelines. To be eligible, the veteran must be in active service or have been discharged from military service under honorable conditions. "Under honorable conditions" means a discharge or separation from military duty characterized by the armed forces as under honorable conditions, the term includes honorable discharge and general discharge. The term does not include a dishonorable discharge, or another administrative discharge characterized by military regulation as other than honorable. Military Service means membership in the Montana National Guard,

membership in the Federal Reserve forces of the armed forces of the United States pursuant to Title 10 of the U.S. Code, or Service on federal active duty pursuant to Title 10 of the U.S. Code. An un-remarried spouse of an eligible veteran killed in the line of duty is also eligible. Proof of veteran eligibility consists of copies of current orders, 0D214 or other official documentation that states the character of discharge, or military "died in line of duty" death certificate.

3. No income or asset limits for borrowers.

4. Homebuyers must be a true first-time homebuyer, never owned their primary residence. There are no exceptions to this requirement for targeted areas, and a three-year rule does not apply. Prior ownership of factory-made housing, including a manufactured home on a chassis that is not permanently affixed to land owned by the homebuyer will not disqualify a borrower.

5. Borrower must be a resident of Montana as evidenced by copy of the previous year's signed and filed Montana tax return or a legible copy of a valid Montana Driver's License.

6. Borrowers must have a minimum of $2,500 of their own funds invested in the transaction. The minimum contribution may be used toward paying for down payment or closing costs.

7. Sweat equity is not counted towards any portion of the $2,500 investment.

8. Grant or gift funds for down payment and/or closing cost assistance are allowed; however, no portion of gift funds can count towards the borrower's $2,500 required investment.

9. Borrower must complete a first-time homebuyer class approved by MBOH.

10. Property must be the borrower's primary residence and borrower takes occupancy within 60 days of loan closing. Home must be maintained as the borrower's principal residence while any portion of the mortgage loan remains outstanding.

11. MBOH will monitor the residency status of borrowers. Failure to respond with documentation of residency in a timely way may cause the loan to be declared immediately due. Borrowers who are unable to demonstrate the property is their primary residence will have 12 months to refinance or sell the property. The 12-month period may be extended at the sole discretion of the MBOH.

Property Requirements:

1. Single-family home.
2. No purchase price limit; loan limit as stated below.
3. Property must be fee-simple residential property in Montana secured by a first priority trust indenture under the Montana Small Tract Financing Act.
4. **Condominiums are not eligible under this program**.
5. 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.
6. Double-wide or larger manufactured homes only. **No single-wide manufactured homes are allowed**.

7. MBOH will allow escrow holdbacks as long as they meet agency guidelines, such as no cash back to the buyer. MBOH will not manage the details of the holdback or the work

8. being done; the lender 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 Escrow Holdback Agreement must be included in the purchase package, and the Letter of Completion must be provided as a to-follow document.

9. 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, 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.

    b. The maximum deductible amount is the lesser of 5% of the dwelling coverage or $10,000 for all perils. 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.

Mortgage Loan Terms:

1. Each mortgage loan shall be fully insured or guaranteed by FHA, VA or HUD184.

2. The maximum loan amount the borrowers can finance will be the purchase price plus the FHA upfront premium or the VA guarantee fee, or the Section 184 upfront premium to the extent permitted by such insurer or guarantor up to 95% of the MBOH statewide purchase price limit under the Regular Bond Program. **Purchase price limits are posted on MBOH's website**. On a case-by-case basis, the predominant value determined by appraisal will be an additional consideration in establishing the maximum loan amount.

3. All loans must receive “approve/eligible” or other similar high response from automated underwriting. **MBOH will not accept loans underwritten manually or containing underwriting exceptions.**

4. The fixed rate of interest on the mortgage loans shall be 1% lower than the MBOH Regular Bond Program rate as posted on MBOH's website and updated periodically.

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. Title Insurance policy must have extended coverage and be written on the current long form approved by the American Land Title Association and naming **Montana Board of Housing** as named insured.

7. Funds are available on a loan-by-loan first-come, first-served basis. 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 MBOH website for more detail.

8. There shall be no cash back allowed at closing.

9. Trust Indentures must be assigned to Montana Board of Housing.

10. All first mortgage loan notes and trust indentures must be on either Fannie Mae or Freddie Mac accepted loan documents.

11. Loans are purchased by MBOH and with Montana Board of Housing acting as program administrator. The mortgage note must be delivered to MBOH within 30 days of the note date. The purchase file will be delivered via Edocs within 30 days of the note date and must contain the documents in the order listed on the VHLP Submission Voucher Form found on Lender Online. **The note must be endorsed to Montana Board of Housing, without recourse**.

Required original documents such as the note, 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

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 Housing.

b. If lender fails to send in all the missing documents at one time, i.e., Montana Board of Housing 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 ninety (90) days of loan purchase.

12. The MBOH purchases loans at 100% and does not provide lender compensation. Lenders may charge up to 2% origination fees; however, charges to the borrower must not exceed what is allowed by the insurer/guarantor.

13. Loans will be serviced by the MBOH.

a. Procedures for selling servicing to MBOH are as follows: MBOH will pay 75 basis points of the principal balance purchased for the servicing rights. Service-release premiums will be remitted to the originator on the day 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 MBOH.

c. MBOH uses a tax service. Therefore, a **tax service fee** 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. Hazard insurance policy must list **Montana Board of Housing** as mortgagee.

e. 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

f. For mortgage loans serviced by MBOH, 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 funding 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.

14. Assumption of the loan may be allowed if assumptor qualifies under the same terms as the original home buyers and meets requirements of the mortgage insurance/ guarantee provider. All assumptions must be approved by MBOH-provided assumption package.

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.