



## MONTANA

### STATE-HOME Deferred 2<sup>nd</sup> Mortgage Program

<b>Eligible Areas</b>	<p>Check for availability of funds prior to reservation – <b>Counties</b> approved: Anaconda-Deer Lodge, Beaverhead, Broadwater, Butte-Silver Bow, Carbon, Cascade, Fergus, Flathead, Glacier, Hill, Lake, Lincoln, Lewis &amp; Clark, Madison, Pondera, Stillwater and Yellowstone. Cities approved are: Baker, Choteau, Columbia Falls, Columbus, Conrad, Ennis, Havre, Helena, Kalispell, Laurel, Lewistown, Libby, Lima, Miles City, Polson, Red Lodge, Shelby, Thompson Falls and Whitefish.</p> <p><b>Cannot</b> be used in: <i>Cities of Great Falls, Billings, Missoula; Counties of Gallatin, Park and Meagher (served by Bozeman HRDC); Counties of Missoula, Mineral and Ravalli (served by HRC District XI).</i></p>
<b>Max Purchase Price</b>	<ul style="list-style-type: none"> <li>The maximum Sales Price is 95% of the median purchase price of that county (see list).</li> </ul>
<b>Program Summary</b>	<ul style="list-style-type: none"> <li>Available to households with 80% AMI or less annual income (all household income sources included)</li> <li>First time homebuyer (has not owned a home in the last 3 years) OR single parent with dependent children OR have a disabled family member is required</li> <li><b>Loan proceeds to be used for down payment or closing costs</b></li> <li>Single family properties</li> <li>Owner occupied for the term of the loan</li> <li>First mortgage to be FHA, RD, VA, sold to MBOH (use set-aside rate)</li> <li>RD Direct Loans may be eligible if they have an acceptable “match” of at least 5% of the HOME loan amount. Check with the NeighborWorks office before submission to confirm the source of match.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>Minimum loan amount: \$2,500</li> <li>Maximum Loan Amount, if needed: \$25,000*</li> <li>\$40,000 if there is a disabled family member living in the property OR in certain high cost areas (currently Flathead County, Carbon County &amp; the City of Red Lodge)</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>15-year mortgage, with extension of another 15 years, if the borrower still owns and occupies the property as their primary residence at the end of 15 years. Note will then mature at 30 years from original note date</li> <li>The note becomes due and payable upon maturity, or if any of the following occurs prior to the maturity date: 1.) Cessation of use as borrower(s) sole residence; 2.) The sale, lease, rental or transfer of the property; 3.) Death of borrower(s); 4.) Upon refinance of the 1<sup>st</sup> mortgage (unless NW agrees to resubordinate); 5.) Upon repayment of the 1<sup>st</sup> mortgage.</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>0%</li> </ul>
<b>Ratios</b>	<ul style="list-style-type: none"> <li>Maximum 32/41 unless there are valid compensating factors.</li> <li>Housing ratio must be <b>at least 29% (and no more than 32%)</b> of household gross income</li> </ul>
<b>CLTV</b>	<ul style="list-style-type: none"> <li>Max CLTV is 105%</li> </ul>
<b>Borrower investment</b>	<ul style="list-style-type: none"> <li>Borrower must contribute a minimum 1% of the sale price or \$1,000 whichever is higher.</li> </ul>
<b>Asset Limits After Closing</b>	<ul style="list-style-type: none"> <li>Total family <b>liquid assets</b> cannot exceed \$5,000</li> <li>Total <b>family assets</b> cannot exceed \$70,000</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>No fees paid by borrower, All loan fees will be paid by NeighborWorks.</li> </ul>
<b>Payments</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>An environmental review is required and ordered by NeighborWorks Montana.</li> <li>A housing quality inspection must be performed on each property, NWMT will order.</li> <li>Property cannot have been rented in the last 90 days. If appraisal identifies the property as vacant, then the seller will have to provide a statement that the property has not been rented in the last 90 days. If the appraisal states the property is tenant occupied, then this program cannot be used unless the tenant is the buyer</li> <li>Property built prior to 1978, that has peeling, or chipping paint identified on the HQS Inspection or appraisal, is ineligible for this program</li> <li>Any repair requirements must be completed prior to closing.</li> <li>Manufactured homes on a permanent foundation (FHA foundation requirements apply) larger than a singlewide. Manufactured home built prior to July 1976 are ineligible</li> <li>Additional manufactured home inspection is required and ordered by NW</li> <li>Rehabilitation loans are not eligible</li> <li>Refinances are not eligible</li> <li>New construction is acceptable, but other requirements apply (talk with loan specialist)</li> </ul>

#### **SEE RESERVATION PROCESS ON REVERSE SIDE**

**\*\* It is important that all parties of the transaction are aware of the longer time frame on these loans. We suggest that you allow at least 4 weeks processing time on the loans due to the contracted inspections that have to be performed.\*\***

**Borrowers are required to complete a NeighborWorks approved Homebuyer Education class prior to loan closing.**



#### RESERVATION PROCESS:

1. 1st mortgage lender sends in the loan package to NW using the reservation checklist which can be found on our website: [www.nwmt.org](http://www.nwmt.org). Full VOE's for everyone who will live in the property, **whether or not they are obligated on the loan**, must be included (Verbal VOE's are not acceptable). **Documentation for at least two months** for all forms of income received for all family members 18 or older must be submitted with the initial package. For example: Pay Stubs, Social Security award letters, 12 months child support payments (we will also need a copy of the divorce decree and or the parenting plan where it shows how much child support is due), retirement income statements, if self-employed the last 2 years federal tax returns and a YTD Profit and Loss statement
2. NW Loan Specialist will examine the loan package to make sure the family income meets the program guidelines for the family size and county where the property is located.
3. Within 3 days of receipt of application, NeighborWorks will send the borrower required Loan Estimate and initial disclosures; and will continue to review the file for items needed for loan approval.
4. When initial qualification has been established the Environmental review and HQS Inspections (or UPSC Inspection) will be ordered. The Loan Specialist will work closely with the 1st mortgage Lender on timing of these inspections.
  - **NOTE:** If environmental review shows that the property is in the 100-year Flood Zone, then NW will require Flood Insurance on the property for the term of the loan.
  - **NOTE:** If property is located within an airport hazard area, the property is not eligible for HOME financing
  - **NOTE:** If the property fails the HQS Inspection, the repairs must be completed prior to closing and a re-inspection by the HQS inspector is required to obtain a "PASS" on the HQS inspection.
  - **NOTE:** If deteriorating paint is noted on the HQS and the property was built prior to 1978, the property is not eligible for HOME financing
5. Once the Appraisal has been received NW will send a "**Voluntary Agreement**" or "**Seller's Right to Withdraw**" form to the Lender to obtain the buyers and sellers signatures. The original form with signatures must be returned to NW before we can apply to the funder for approval. This form advises the buyer and seller of the Fair Market Value of the property and informs the seller they cannot be forced to sell the property for less than the Fair Market Value. Seller is also given the right to withdraw if buy-sell was signed prior to receiving Fair Market Value.
6. NW will submit the file to Dept. of Commerce to reserve funds. The following documents are required to reserve funds: Appraisal, HQS environmental checklist and fully signed original voluntary agreement /Sellers Notice to Withdraw, Lead Based Paint Disclosure (**MDOC Form**) and MBOH reservation form.
7. When the file is ready to close NW will work with the 1st mortgage lender and the title company to schedule the closing. **THERE CANNOT BE A PRINCIPAL REDUCTION ON THIS NW HOME 2ND MORTGAGE** so extra time will be needed for NW to determine the exact loan amount and get the funds and loan documents to the title company for closing.
8. The reservation letter sent to 1<sup>st</sup> mortgage lender states the amount and term of first mortgage. NeighborWorks Montana will require additional underwriting if these items change.