

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

<b>Product</b>	<ul style="list-style-type: none"> <li>STATE-HOME Deferred 2<sup>nd</sup> Mortgage</li> </ul>
<b>Eligibility</b>	<p>Check for availability of funds prior to reservation – Counties approved: Anaconda-Deer Lodge, Beaverhead, Broadwater, Butte-Silver Bow, Carbon, Cascade, Fergus, Flathead, Glacier, Hill, Lake, Lincoln, Lewis &amp; Clark, Pondera, Stillwater and Yellowstone. Cities approved are: Baker, Choteau, Columbia Falls, Columbus, Havre, Helena, Kalispell, Laurel, Lewistown, Libby, Lima, Miles City, Red Lodge, Shelby and Whitefish.</p> <p><i>Cannot be used in: City of Great Falls, Billings, Missoula (entitlement Cities). The Counties of Gallatin, Park and Meagher served by Bozeman HRDC, &amp; the Counties of Missoula, Mineral and Ravalli (served by HRC District XI).</i></p> <ul style="list-style-type: none"> <li>The maximum Sales Price is 95% of the median purchase price of that county (see included list).</li> </ul>
<b>Program Summary</b>	<ul style="list-style-type: none"> <li>Low to moderate income families to assist with the down payment and closing costs associated with purchasing a single family dwelling.</li> <li>Homebuyer to be either a first time homebuyer (someone who has not owned a home in the last 3 years) OR single parent with dependent children OR have a disabled family member.</li> <li>Maximum gross annual family income from all sources not to exceed 80% of the area median income for the County the where home is located.</li> <li>Residence financed shall be occupied as borrower's <b>principle residence</b> for the life of the loan.</li> <li>The 2<sup>nd</sup> mortgage must be in conjunction with an approved MBOH/FHA, VA, or RD guaranty first mortgage.</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: \$25,000</li> <li>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), the maximum loan amount can be \$40,000 if needed.</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>15 year mortgage.</li> <li>If the borrower still owns and occupies the property as their primary residence at the end of 15 years, the maturity date will be extended another 15 years with the same terms as the original note.</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>Ratio 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 the families' gross income for housing.</li> </ul>
<b>CLTV</b>	<ul style="list-style-type: none"> <li>Max CLTV is 105%</li> </ul>
<b>Cash Requirements</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</b>	<ul style="list-style-type: none"> <li>Total family <b>liquid assets</b> cannot exceed \$5,000 – after closing</li> <li>Total <b>family assets</b> cannot exceed \$70,000</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>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.</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 stating that the property has not been rented in the last 90 days. If the appraisal states the property is inhabited by a tenant then this program cannot be used unless the tenant is the prospective buyer.</li> <li>If property was built before 1978, and any peeling or chipping paint is identified on the HQS Inspection or appraisal, then the property will not be eligible for this program.</li> <li>Any repair requirements must be completed prior to closing.</li> <li>Manufactured homes must be on a permanent foundation (FHA foundation requirements apply) and must be larger than a singlewide. Manufactured home built prior to July 1978 are ineligible for HOME funds.</li> <li>Rehabilitation loans are not eligible.</li> <li>Refinances are not eligible.</li> <li>Review max HOME and Sales Price Limits sheet included.</li> </ul>

**SEE RESERVATION PROCESS ON REVERSE SIDE**

**\*\* It is important that all parties of the transaction are made 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, 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 (P&L can be handwritten).
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 RESPA disclosure, then 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 the property fails the HQS Inspection then repairs must be completed prior to closing and a re-inspection by the HQS inspector will be required to obtain a "PASS" on the HQS inspection. There will be an additional fee charged if a re-inspection is required.  
**NOTE:** If deteriorating paint is noted on the HQS and the property was built prior to 1978 then the property will not be eligible for the HOME 2nd mortgage.
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 must be signed and 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. **(CHANGED 1/6/16)**
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.