

*You must check for availability of funds prior to reservation -*

Counties currently approved are: *Anaconda-Deer Lodge, Beaverhead, Broadwater, Butte-Silver Bow, Carbon, Cascade, Fergus, Flathead, Glacier, Hill, Lake, Lincoln, Lewis & Clark, Pondera, Stillwater and Yellowstone –*

***HOWEVER Incorporated Cities within the Counties MAY NOT be approved***

Cities approved are: *Baker, Choteau, Columbia Falls, Columbus, Havre, Helena, Kalispell, Laurel, Lewistown, Libby, Lima, Miles City, Red Lodge, Shelby & Whitefish*

**Montana HomeOwnership Network dba NeighborWorks® Montana**

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

### **This is a 0% Deferred Loan Program.**

This program is directed toward low to moderate income families to assist with the down payment and closing costs associated with purchasing a single-family dwelling. The **minimum** loan amount is **\$2,500.00** and the **maximum** is **\$25,000.00**. **If there is a disabled family member living in the property OR in certain high cost areas (currently only Flathead County, Carbon County & the City of Red Lodge are approved for the high cost additional loan amount) the maximum loan amount can be \$40,000.00 if needed.** The 2<sup>nd</sup> mortgage must be in conjunction with an approved MBOH/FHA **\*\***, MBOH/VA, or MBOH/RD guaranty first mortgage.

**UNDER CERTAIN CIRCUMSTANCES 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.**

**Borrowers must use at least 29% (and no more than 32%) of the families gross income for housing (if the family has income that you are unable to use we will still consider this as part of the 29%...therefore your loan analysis would have to show a higher housing ratio). The total obligations to income should not exceed 41%, unless valid compensating factors are present and approved by NW's high ratio approval procedure but can never exceed 42%.** The mortgage does not accrue interest or have monthly repayments, but will have a maturity date of 15 years from disbursement. If the borrower is still occupying the property as their primary residence at the end of the 15 years, the maturity date will be extended another 15 years with the same terms as the original note. 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 re-subordinate);
5. Upon repayment of the 1<sup>st</sup> mortgage

**\*\* For FHA 1<sup>st</sup> Mortgages we now can cover the 3.50% required FHA down payment. The subordinate mortgage will close in the name of the Montana Department of Commerce (MDOC) but NeighborWorks will act as their administrator, and will approve, close and service the mortgage.**

### **Basic Qualifications:**

1. 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.
2. Residence to be financed shall be occupied as borrowers **principal residence for the life of the loan**
3. Maximum Gross Annual Family Income from all sources not to exceed **80%** of the area median income for the County the home is located in (see **income spreadsheet on website**).
4. NW approved **Homebuyer education** is required (**check web site for class providers and schedules**)
5. Borrower must contribute a **minimum of 1% of the sales price or \$1,000.00 whichever is higher** of their own funds into the transaction
6. Family liquid assets cannot exceed **\$5,000.00** and total family assets not to exceed **\$70,000.00**. (Liquid assets are checking, savings, stocks and bonds; total assets include liquid assets **and** retirement accounts, personal property, autos etc)
7. **The maximum Sales Price is 95% of the median purchase price based on the county (see separate maximum purchase price limit sheets for existing properties & new construction).**
8. **Properties located in the following areas cannot use this program:** Cities of Great Falls, Billings, Missoula (entitlement Cities) or in any other place that has unspent HOME monies for down payment and closing costs assistance. **Other area's that cannot use this program are, the Counties of Gallatin, Park and Meagher (they are served by the Bozeman HRDC) & the Counties of Missoula, Mineral & Ravalli (they are served by HRC District XI).**
9. An **Environmental inspection** is required on all loans (this will be ordered by NW and usually takes 2 weeks to complete). **Check with NeighborWorks to ensure the local jurisdiction has approved the usage of HOME funds and there is a designated environmental review process.**
10. A **Housing Quality Inspection** (or UPSC Inspection by qualified Inspector) must be performed on each property using HOME funds. This HQS inspection will be ordered by NW (this will usually take at least **2 weeks**) and any required repairs must be completed prior to closing.
11. 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.

12. **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. (CHANGED 7/5/16)**
13. Any repair requirements listed on the Lenders appraisal must be completed **prior to closing** the loan.
14. Any **manufactured** homes must be on permanent foundation (FHA foundation requirements apply) and must meet HUD standards. **Manufactured homes that are built prior to July 1978 are ineligible for HOME funds.** If the manufactured home was not purchased directly from the manufacturer, an inspection from a “Certified Mobile Home Inspector” is required. NW will order this inspection.
15. Rehabilitation loans are **not eligible** under this program.
16. Refinances are **not eligible**.

#### **RESERVATION PROCESS:**

1. 1<sup>st</sup> 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. If file income qualifies, then the Loan Specialist will mail the RESPA required disclosures within 3 days. Loan Specialist will then continue to review the file for items needed for loan approval i.e. credit qualifying, cash to close, amount needed etc.
4. When basic qualification has been established the Environmental review and HQS Inspections ( or UPSC Inspection) will be ordered. The Loan Specialist will work closely with the 1<sup>st</sup> mortgage Lender on timing of these inspections, as if the loan does not close NW will bill the 1<sup>st</sup> mortgage Lender for fees incurred for these inspections. It will be the Lenders decision if these inspections are ordered before or after their Appraisal is completed.  
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. **ALSO 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 2<sup>nd</sup> mortgage.**
5. Any repairs items which do not prohibit the property buyer from using the HOME funds MUST be completed prior to the loan closing.
6. 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 form must be signed and returned to NW before we can apply to the funder for approval. **WE MUST HAVE THE FORM WITH THE ORIGINAL SIGNATURES AS THE FUNDER WILL NOT ACCEPT COPIES.** 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)**
7. NW will submit the file to Dept of Commerce to reserve funds. We have to have the following documents to reserve funds: Appraisal, environmental checklist and fully signed voluntary agreement /Sellers Notice to Withdraw, (with original signatures), Lead Based Paint Disclosure (**MDOC Form** not the buy-sell disclosure) and MBOH reservation form.
8. When the file is ready to close NW will work with the 1<sup>st</sup> mortgage lender and the title company to schedule the closing. **THERE CANNOT BE A PRINCIPAL REDUCTION ON THIS NW HOME 2<sup>ND</sup> 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.

#### **Loan Fees:**

All loan fees on this subordinate mortgage will be paid by NeighborWorks.

**It is important that all parties to 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 out inspections that have to be performed. **\*\* Please call the NW office 406-761-5861 to check if funds are available and inspectors in place for the specific area prior to reservation \*\*****

2/13/17