

## Montana Veterans Home Loan Mortgage Policy

Veterans' Home Loan Mortgage Program is authorized under 90-6-6 M.C.A. The following Veterans' Home Loan Mortgage Policy applies to this statute. Loans under this program are purchased from eligible participating lenders by the Montana Board of Investments (MBOI) and serviced by the Montana Board of Housing (MBOH).

### **1. ELIGIBLE VETERAN**

- a) Veteran is or has been a member of the Montana national guard;
- b) Veteran is or has been a member of the federal reserve forces of the armed forces of the United States, serving pursuant to Title 10 of the United States Code;
- c) Veteran is serving or has served on federal active duty pursuant to Title 10 of the United States Code;
- d) Veteran is an un-remarried spouse of an individual who was otherwise an eligible veteran who was killed in the line of duty;
- e) An eligible veteran as defined pursuant to 90-6-602(3) M.C.A.;
- f) If previously a member of the armed forces, Veteran was discharged under honorable conditions;
- g) Veteran is a resident of the state of Montana maintaining a permanent place of abode within Montana and who has not established a residence elsewhere even though the individual may be temporarily absent from the state;
  - i. Proof of residency qualification can be a copy of a filed Montana tax return showing a full year of residency in Montana;
  - ii. Current Montana driver's license and/or a copy of a current Montana vehicle registration and/or other Montana identification acceptable to MBOH and MBOI.
- h) Veteran is a first-time homebuyer – income tax showing no interest in real estate for the previous three calendar years preceding the time of purchase or other MBOH required documentation;
- i) Veteran must complete a MBOH approved homebuyer education class;
- j) Veteran must provide a minimum of \$2,500 of their own funds invested in the transaction. The minimum contribution may be used towards paying for down payment or closing costs. The appraiser's predominant value will be an additional consideration, on a case-by-case basis.

### **2. PROPERTY ELIGIBILITY**

- a) Contract purchase price is limited to 95% of the MBOH's statewide range;
  - i. The statewide range is determined annually by the MBOH;
  - ii. In no case will the MBOI loan amount exceed the maximum guarantor's or insurer's allowed loan amount.
- b) Property must be located in Montana;
- c) Property must be secured by a first lien Trust Indenture on the property pursuant to the Small Tract Financing Act of Montana, 71-1-301 M.C.A.;
- d) Property, where the borrower is utilizing the VA guarantee program, must be in full repair prior to purchase by MBOI;
- e) If a new construction, the property and improvements must be fully completed prior to closing

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- f) Manufactured homes must be de-titled and on a permanent foundation;
    - i. Foundation must be certified as meeting FHA requirements;
    - ii. NO single-wide manufactured homes
    - iii. Manufactured home must be 1976 or newer.
  - g) Single family residence;
  - h) In the case of new construction, the appraised value of land cannot exceed 35% of the mortgage loan;
  - i) Condominiums are INELIGIBLE.
- 3. NO LONGER PRIMARY RESIDENCE**
- a) Veterans who cease to use the home as their primary residence must repay the loan in full;
    - i. As servicer, MBOH will request verification of continued primary residency from time to time;
    - ii. If borrower fails to provide documentation of primary residency, MBOI may declare the loan immediately due and payable and foreclose on the loan;
    - iii. Veterans have up to 12 months after the time they cease to use the home as their primary residence to repay the loan;
      - a. If the Veteran fails to repay the loan within 12 months, the note may become immediately due and payable and the property may be foreclosed;
      - b. The Veteran may request from MBOI an additional 12-month repayment period based upon the Veteran's inability to sell the property despite good faith efforts;
      - c. The MBOI, in its sole discretion, may extend or decline to extend the repayment period based upon consideration of the following factors:
        - 1. prompt and continuing listing of the property for sale;
        - 2. reasonableness of the listing price and other offering terms;
        - 3. any offers the Veteran has received or refused;
        - 4. market conditions;
        - 5. preservation of the loan collateral; and
        - 6. any other factors deemed relevant by the MBOI.
- 4. GENERAL LOAN INFORMATION**
- a) There is no limit on the maximum amount of income that may be earned by an eligible veteran for the purposes of a loan program;
  - b) Loan must be insured by VA, FHA or HUD 184;
  - c) Veteran must have all of their original VA eligibility available to apply under this program;
  - d) All loans must receive "approve/eligible" or other similarly high response from automated underwriting;
  - e) No manual underwriting or underwriting exceptions are allowed;

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- f) All participating lenders will be an approved lender with MBOI and have completed an Approved Lender Residential Service Agreement and an EFT Agreement;
- g) Veterans who are stationed elsewhere, but who do not establish a primary residence elsewhere, may obtain a rental waiver from the MBOI.
- h) Maximum loan term of 30 years;
- i) Interest rate to be determined by MBOH. Rates can be found at: <http://housing.mt.gov/About/homeownership/veteranratesandfunds.mcp>
- j) Complete replacement insurance coverage with a maximum \$1,500 deductible for hazard insurance;
- k) Maximum \$1,500 deductible for flood insurance, if needed;
- l) No cash back at closing;
- m) Veteran will be required to make monthly payments for taxes and insurance to MBOH, who is the servicer of the Montana Veterans' Home Loan Mortgage Program;
- n) Loan will be reserved, processed and serviced by MBOH;
- o) All loans will be endorsed to the Montana Board of Investments, without recourse;
- p) Trust Indenture will be assigned to the Montana Board of Investments. MBOI is not a "MERS" participating member;
- q) Trust Indenture must have a "due-on-sale" clause;
- r) Sweat equity will not be considered;
- s) The Veteran's loan may not be assumed by a non-veteran;
- t) Appraisals must be Uniform Appraisal Dataset (UAD) compliant;
- u) Repurchase of delinquent loans: MBOI retains the right to require repurchase of a program loan that is 30 days delinquent within the first 90 days or 60 days delinquent within the first 180 days of scheduled payments;
- v) Repurchase of loans: Lenders receiving a request to repurchase a loan have five (5) days from notification to repurchase the loan. For the first 30 days thereafter, the loan will accumulate interest at the note rate plus 250 basis points until payment is received. After 30 days, the loan will accumulate interest at the note rate plus 500 basis points until payment is received;
- w) All first Trust Indenture Loan Notes and Trust Indentures must be on either Fannie Mae or Freddie Mac accepted loan documents;
- x) Coal tax trust fund money will be used to fund the Montana Veterans' Home Loan Mortgage program as provided by 90-6-603 M.C.A.;
  - i. Maximum coal tax trust fund allocation is determined by 90-6-603(2) M.C.A.;
  - ii. This is a revolving loan fund program.

**For additional forms and assistance call or E-mail:**

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