

# GLACIER AFFORDABLE HOUSING FOUNDATION PROGRAM

Administered by:

*Montana HomeOwnership Network* **dba NeighborWorks® Montana**

**509 1<sup>st</sup> Avenue South, Great Falls, MT 59401**

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## **Deferred 2<sup>nd</sup> Mortgage Program- This is a Deferred Loan Program which also has an Appreciation Share Requirement**

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 **\$1,000.00** and the **maximum is \$40,000\***. The 2<sup>nd</sup> mortgage can be in conjunction with an approved, VA, Conventional or RD first mortgage. The **housing ratio** on the first mortgage must be **at least 29%** (unless there are exceptional circumstances) and the **total debt ratio** should not exceed **41%**. The mortgage does not accrue interest or have monthly repayments, but matures and becomes due and payable under the following conditions:

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 subordinate)
5. Upon payment in full of the 1<sup>st</sup> mortgage

### **Equity Share Requirement:**

Upon sale, refinance(s) or payoff, the appreciation will be shared between the borrower and GAHF at the ratio of the original GAHF contribution into the deal. For example, if the original purchase price was \$160,000 and the GAHF funds were \$40,000, then the appreciation sharing ratio will be 25%. GAHF's share will be 25% of the net appreciation. Net appreciation is defined as the appraised value at time of the payoff of the first mortgage (at time of sale or refinance), less the original sales price, less any "qualified home improvements" (with acceptable documentation), less closing costs, less the borrowers original investment when the property was purchased. NW will need a copy of an appraisal to determine the appreciation share.

### **Maturity Date Fee:**

Upon maturity, the borrower will pay GAHF a Maturity Date Fee of 1% of the appraised value of the property in addition to the original loan amount and a share of the appreciation.

### **Basic Qualifications:**

1. Homebuyer to be **either** a first time homebuyer, **or** single parent with dependent children **or** have a disabled family member.
2. Residence to be financed shall be occupied as borrower's **principal residence**
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 at <http://www.nwmt.org/schedule.htm>)
5. Borrower must contribute 1-2% of the purchase price from their own funds into the transaction (cannot be borrowed, but may be a gift), based on the following guidelines:

Income up to 59% of Area Median	1%
Income from 60-69% of Area Median	1.5%
Income from 70-80% of Area Median	2%

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 ***First Mortgage Loan Amount*** is the current FHA single family maximum for the State of Montana. The maximum ***Sales Price*** is the FHA single family maximum for the State of Montana.
8. Properties located in the following counties are currently **eligible: Flathead, Lincoln, Lake, Glacier, and Sanders Counties. Check availability of funds prior to sending reservation request.**
9. An **Environmental clearance** is required on all loans (this will be ordered by NW and usually takes **2 weeks** to complete).
10. A **Housing Quality Inspection** 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 property will **not be eligible**.
13. Any repair requirements listed on the Lenders appraisal must be completed **prior to closing**.
14. Any **manufactured** homes must be on permanent foundation (FHA foundation requirements apply) and must be larger than a singlewide.
15. Rehabilitation loans are **not eligible** under this program.
16. Refinances are **not eligible**.

#### **Loan Fees:**

A loan origination fee of **\$375.00**, HQS Inspection and environmental checklist fee (prices vary according to location), Courier fee, Title Insurance, Recording Fees and closing Fee as charged by the Title Company.

#### **Reservation Procedure:**

1. Lender will mail a completed reservation checklist and all applicable documents to the NW office in Great Falls. Written VOE's must be enclosed for all jobs, for all family members 18 and older who will be living in the property. All other sources of income must be documented and included in the reservation packet.
2. NW Loan Processor will check to make sure program guidelines have been met, and will order the environmental checklist. A reservation letter will not be issued until we have examined the appraisal. Disclosures will be mailed to the Borrower along with details of the **deferred payment** and **appreciation share** information. **Copies will be sent to the Lender and we expect the Lender to make sure that the Borrower is aware of and understands these conditions of the loan.**
3. Please allow at **least 3 weeks** processing time.

#### **Closing:**

NW Prepares the closing documents and funds the 2<sup>nd</sup> mortgage. NW will forward documents and funds directly to the Title Company. It is important to co-ordinate the closing figures as principal reductions are not allowed.