

*Neighborhood Housing Services, Inc. of Great Falls* dba NeighborWorks® Great Falls  
*Montana HomeOwnership Network* dba NeighborWorks® Montana  
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## STATE–HOME 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 \$25,000.00**. (Call us if you have a disabled borrower or if buying in the high cost areas of Ravalli or Missoula Counties (not City of Missoula), as we may be able to increase the maximum amount). The 2<sup>nd</sup> mortgage can be in conjunction with an approved FHA, VA, CONV or RD first mortgage. The **housing ratio** on the first mortgage must be **at least 29%** (unless there are exceptional circumstances) and the **total ratio** should not exceed **41%**, unless valid compensating factors are present and approved by NW's high ratio approval procedure. The mortgage does not accrue interest or have monthly repayments (**until #5 below**), but is 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 repayment of the 1<sup>st</sup> mortgage
6. If none of the above occurs, then the loan amount plus a share of the equity will become due and payable 30 years from the date of the loan.

### **Equity Share Requirement:**

Although this program does not carry an interest rate there is an appreciation share requirement, which means that the Borrower will be required to repay the original loan from NeighborWorks, plus a share in the net equity gained at sale, or when they vacate the property or refinance the 1<sup>st</sup> mortgage, at the same percentage that NW participated in the purchase of the property.

Upon sale, refinance(s) or payoff, the appreciation will be shared between the borrower and NW at the ratio of the original NW contribution into the deal. For example, if the original purchase price was \$100,000 and the NW HOME funds were \$10,000, then the appreciation sharing ratio will be 10%. NW's share will be 10% of the net appreciation. Net appreciation is defined as: sales price, less sales commission, less homeowner-paid improvements (with acceptable documentation) less seller-paid closing costs. In the case of a refinance or payoff where Borrower remains in the home, NW will need a copy of an appraisal to determine the appreciation share.

### **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 borrowers **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)
5. Borrower must contribute a **minimum of \$1,000.00** 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 ***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 **NOT eligible**: Broadwater, Carter, Flathead, Garfield, Jefferson, Lewis and Clark, McCone, Park, and Wheatland. **Also this program can never be used in the 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.**
9. An **Environmental inspection** 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** the loan.
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:**

There will be a **\$375.00** loan packaging fee and an HQS Fee (prices vary according to location) payable to NeighborWorks, Title Insurance (varies), Recording Fees (\$84), closing Fee as charged by the Title Company (usually \$50 - \$75), and courier fee of **approx \$13.40**.

#### **Reservation Procedure:**

1. Lender will mail a completed reservation checklist and all applicable documents to the NW office in Great Falls. Fully completed 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 check directly to the Title Company. **It is important to co-ordinate the closing figures as principal reductions are not allowed.**

**\*\* Please check the availability of funds prior to reservation.**