

Frequently Asked Questions

Montana Board of Housing Score Advantage Down Payment Assistance (DPA) Program

What is the Score Advantage Down Payment Assistance Program, and who is it designed to help?

Answer: The program is designed to assist borrowers eligible for the Montana Board of Housing (MBOH) Regular Bond Program, but lack funds for down payment and closing costs. This program will be of greatest assistance to borrowers financing their home purchase with an FHA-insured loan, which requires a 3.5% borrower contribution towards down payment. Home buyers will receive two loans from their local lender. The first-position loan will be a traditional 30-year loan, and the Score Advantage DPA loan will be a 15-year junior lien on the property.

How much down payment assistance can a borrower receive?

Answer: The Score Advantage DPA loan can be up to 5% of the purchase price, with a maximum assistance of \$6,500.

Are payments required?

Answer: Yes. The Score Advantage DPA loan is a 15-year, fixed-rate second loan with no prepayment penalties. Monthly payments are required. The interest rate is based on borrower's credit scores. Borrowers with higher credit scores will receive lower interest rates than borrowers with lower scores. A table with the interest rates is included in the Terms and Conditions posted on the Score Advantage DPA web page <http://housing.mt.gov/about/homeownership/scoreadvantagedpa.mcp>

How do credit scores determine interest rates in the DPA program?

Answer: A borrower's mid-credit score is used to determine the rate. In cases involving multiple loan applicants, MBOH will look to the borrower with the HIGHEST mid-credit score to determine the rate. Both loans will have the same rate of interest.

Will the interest rate change over the life of the loan if a borrower's credit scores change?

Answer: No. The interest rate is set at closing, and is fixed for the life of the 15-year loan.

If one borrower has a mid-credit score of 680, and a co-borrower has a credit score of zero, are the applicants eligible for the DPA program?

Answer: Yes. MBOH will base the interest rate for the DPA program on the higher mid-credit score.

What if a single person purchasing a home has no credit?

Answer: Borrowers with no credit history (a credit score of zero) may be eligible for the DPA program. The originating lender must confirm the loan application meets underwriting standards set by FHA, VA, RD, or HUD.

How much money does a home buyer have to contribute to the transaction?

Answer: Home buyers must invest a minimum of \$1,000 of their own funds in the purchase. The lender's DPA application fee can be included in this amount.

Can the \$1,000 borrower investment be gift funds?

Answer: Yes. The borrower's contribution can be a gift. There can be no cash back to the borrower on the HUD-1.

What is the maximum borrower income limit for the DPA Program?

Answer: All criteria under the Regular Bond Program will apply to the DPA program, including income limits, purchase price limits, prior ownership limits, and business use limits. Please refer to the 2012 Invitation to Participate and the Mortgage Purchase and Servicing Guide found on the MBOH "Documents" page <http://housing.mt.gov/About/homeownership/homeownershipdocs.mcp>

Are co-signers allowed in the DPA program?

Answer: Co-signers are allowed in the program, provided the file underwrites to the standards set by FHA, VA, RD or HUD, based on the applicant's income only, and co-signers do not take ownership interest in the property and do not appear on title (such as cases involving non-occupant co-borrowers).

Are non-occupant co-borrowers allowed in the DPA program?

Answer: No. Just like the Regular Bond Program, all parties who appear on title to the property must meet all criteria of the Regular Bond Program, which includes occupancy, prior ownership limitations and income limits.

Are all borrowers required to take home buyer education?

Answer: Yes. Each borrower in this program is required to take an approved home buyer education class. MBOH-approved classes can be located www.nwmt.org

Are borrowers allowed to take Home Buyer Education on-line?

Answer: MBOH prefers borrowers take an on-site class. If a local class is not available, the local Home Buyer Education provider may refer buyers to an on-line alternative, and combine the on-line course with a one-on-one session to obtain a certificate. Access to the on-line course can only be provided by the local instructor, to ensure the correct on-line class is completed.

Can a borrower utilize multiple down-payment programs to purchase a home?

Answer: Yes, provided they meet criteria established by each program, and contribute a minimum of \$1000 to the transaction. MBOH Score Advantage DPA loan must be a second-position lien on the property. Additional requirements will apply if other DPA programs include amortizing loans. For instance, payments for all amortizing loans must be included in calculations while underwriting the first mortgage, to prevent a homeowner from being placed in an unsustainable mortgage.

Can the Program be used to finance condos or manufactured homes?

Answer: Maybe. The property and transaction must meet all criteria established by FHA, VA, RD, or HUD.

How do lenders receive commitments from MBOH for DPA loans?

Answer: Lenders will submit loan requests for both, first- and second-loan funds via fax, using the Fax Cover Sheet and supporting documents found on the Score Advantage DPA web page. Once loans are committed into Lender Online by MBOH staff, all information will be available to loan originators to proceed with closing

Why can't lenders key DPA loans directly into Lender Online, saving time for lenders and MBOH staff?

Answer: The MBOH Score Advantage DPA program is being made available to participating lenders as of November 1, 2012, and is restricted to individual lenders who have taken training specific to this new program.

When and how will MBOH reimburse lenders for funds expended for the DPA second loan?

Answer: MBOH will reimburse lenders for DPA loan funds when the first-position loan is purchased. Lenders can obtain Purchase Advice documentation via Lender Online.

How much will a lender earn under the DPA program?

Answer: Lenders can earn up to 2.75% compensation on the first-position loan, and up to \$175 on the DPA loan.

How can lenders earn up to 2.75% on the first-position loan?

Answer: Lenders are allowed to collect up to 1% at closing from the buyer. MBOH will provide an additional 1% compensation by purchasing the first-position loan at 101%. If lenders elect MBOH as servicer for the DPA program, MBOH will also pay 0.75% Service-release premium, for a total possible lender compensation of 2.75%.

What compensation will lenders earn on the DPA loan?

Answer: Lenders are allowed to collect \$175 from the borrower. MBOH reimburses lenders for the DPA loan at par.

Can lenders use MBOH DPA loans with a purchase-money mortgage being sold into other markets?

Answer: No. MBOH Score Advantage DPA loans can only be used in connection with a purchase-money mortgage sold to MBOH under the Regular bond Program.

Can lenders use a Score Advantage DPA loan with a purchase-money mortgage under the Montana Veterans' Home Loan Program?

Answer: No. Montana Veterans' Home Loan Program loans are sold to the Montana Board of Investments, not to the Montana Board of Housing.

What is the minimum DPA Loan amount?

Answer: The minimum DPA loan amount is \$1,500

Why is the mortgage rate on the first loan higher than the regular Bond Program rate?

Answer: Rates for loans under this program are determined by the borrower's credit score. Higher scores benefit by receiving a lower mortgage rate. Both loans bear interest at the same rate to support the program.

Does MBOH underwrite the DPA loan?

Answer: No. Loan originators underwrite the purchase-money mortgage according to the criteria set out by whichever entity is insuring or guaranteeing the loan (FHA, VA, RD, or HUD), while taking into consideration the principal and interest payment of the second loan.

Does MBOH require a title insurance policy on the DPA second-position loan?

Answer: No. MBOH only requires title insurance on the first-position loan.

Can a loan be manually underwritten for this program?

Answer: Yes. Lenders will underwrite loans to standards required by FHA, VA, RD or HUD. MBOH does not provide underwriting guidance, and does not waive underwriting criteria set by the insuring entity.

Why can MBOH provide the 3.5% down payment on an FHA loan, when other organizations can't?

Answer: MBOH is a designated "Instrumentality of Government", and as such, is authorized to provide this assistance statewide. Some other organizations also have this same designation, but only within their governmental jurisdiction. Loan originators work closely with local organizations to provide prospective home buyers with all available financing options.

Can lenders retain servicing on the Purchase-money mortgage and transfer servicing on the DPA loan to MBOH?

Answer: No. Both loans will be serviced by the same entity – either through the lender's normal process under the MBOH Mortgage Purchase and Servicing Guide, or by MBOH directly.

Will lenders interim-service the loans, pending purchase of the loan by MBOH?

Answer: No. If MBOH is selected by the lender to service DPA program loans, the servicing will transfer to MBOH at closing and the first mortgage will be purchased at the original loan amount.

If lenders select MBOH to service their DPA loans, will they be required to transfer servicing on all MBOH loans?

Answer: No. Lenders who currently service loans under the Regular Bond Program continue to service their portfolio under the criteria set out in the MBOH Mortgage Purchase and Servicing Guide. Only first- and second-loans originated under the MBOH Score Advantage DPA program will be serviced by MBOH.

When will originators be paid the 75bps Service Release Premium?

Answer: The SRP will be paid to originators by the 10th day of the calendar month succeeding the month the first mortgage is purchased.

Dated: October 30, 2012