

*Neighborhood Housing Services, Inc.*  
**dba NeighborWorks® Great Falls**  
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## **CITY OF GREAT FALLS–HOME Deferred 2<sup>nd</sup> Mortgage for Low & Moderate Income Families**

This program is directed toward low and moderate income families to assist with the down payment and closing costs up to \$15,000.00 associated with purchasing a single-family dwelling. **These funds are intended for those with a demonstrated “need”, not just a means to lower their monthly housing payment. Applicants loan files will be reviewed to make sure that the house they are purchasing is not larger than needed for the occupants (for example a single person family may not be able to use these funds if purchasing a 3 bedroom home). Also if a large gift is part of the financing this may cause the funder to prohibit use of the loan funds.**

The second mortgage can be in conjunction with an approved FHA, VA or Conventional first mortgage. **If the Borrower using an FHA 1<sup>st</sup> mortgage NW can include the FHA required 3.5% down payment in our loan.** 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 presented and approved by NWGF’s high ratio approval procedure. The mortgage does not accrue interest or have monthly repayments, 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 Borrowers
4. Upon refinance of the 1<sup>st</sup> mortgage (unless NWGF 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 appreciation will be due and payable 30 years from the date of the loan.

### **Appreciation Share Requirement:**

Although this program does not carry an interest rate, there is an appreciation share requirement, which means 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. The percentage of the share of appreciation will be at the ratio of the original purchase price divided by the amount of the NWGF deferred mortgage. This ratio will then be applied to the net appreciation, which is defined as the appraised value at time of the payoff of the 1<sup>st</sup> mortgage, less the original sales price, less any “reasonable costs of improvements” (with acceptable documentation), less closings costs, less the borrowers original investment when property was purchased.

### **Basic Qualifications:**

1. Homebuyer to be either a first time homebuyer; **or** single parent with dependent children **or** disabled family member.
2. Residence to be financed shall be occupied as the 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 Cascade County.
4. Property must be in the **City of Great Falls.**
5. Property **cannot** have been **rented in the last 90 days.**

6. The maximum sales price is 95% of the median purchase price for a 1-unit property in Cascade County which is currently \$162,000 for an existing property or \$228,000 for new construction.
7. The funder requires an HQS (Housing Quality Standards) Inspection to be completed. If the house does not pass this inspection then the required repairs must be completed by the seller prior to loan closing. **If the seller will not complete the HQS required repairs then HOME funds cannot be used.**
8. If property was built **before 1978** and **peeling, scaling or chipping paint is identified** on the HQS Inspection, then the property **may not** be eligible for financing. Repair items must be completed prior to closing.
9. Total family **liquid assets** not to exceed **\$5,000.00** and **total family assets** not to exceed **\$70,000.00**.
10. Refinances are not eligible.
11. Borrower must contribute a minimum of **\$1,000.00** of own funds into the transaction. **More than \$1,000.00 may be required to comply with the 105% maximum CLTV requirement.**
12. The buyer must have completed full Homebuyer Education provided by an NeighborWorks approved provider.
13. There will be a loan underwriting fee of \$375.00, Title insurance, recording, closing fee and HQS inspection fee of \$150.00. If lead based paint abatement process is triggered, then clearance testing fees will apply (can be as much as \$250-\$300)

**Reservation Procedure:**

1. Lender will forward a reservation checklist with all applicable documents to the NWGF office. **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 verified and included in the reservation packet.
2. Loan Processor will check income and other program guidelines, and co-ordinate HQS inspection with the Lender. Once the HQS and appraisal have been examined and approved, if all program guidelines have been met the confirmation of approval (reservation letter) will be faxed to Lender.
3. Please allow at least 2 weeks for processing application.

**Closing:**

NWGF prepares the closing documents and funds the 2<sup>nd</sup> mortgage. NWGF will forward documents and check directly to the Title Company. If the full amount of the loan is not needed, the Title Company is to issue a principal reduction to the second mortgage.