

### Big Sky Down Payment Assistance Program Summary

<b>Product</b>	<ul style="list-style-type: none"> <li>• Big Sky Down Payment Assistance Program</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Available to residents of Madison or Gallatin counties for properties within the Big Sky Resort Area District (BSRAD).</li> </ul>
<b>Program Summary</b>	<p><i>Second mortgage available to assist qualified Borrowers with a down payment assistance loan.</i></p> <ul style="list-style-type: none"> <li>• Condo or Single Family home purchases, occupied as a principal residence for the duration of the loan.</li> <li>• Borrower must qualify for conventional 1<sup>st</sup> mortgage through a participating lender. Must receive approve/eligible finding.</li> <li>• Loans are available for homes purchased throughout the Big Sky area, defined as the boundaries of the Big Sky Resort Area District.</li> <li>• Second mortgage will be fully underwritten by Big Sky Community Housing Trust or HRDC.</li> <li>• 1<sup>st</sup> Mortgage Lender to provide appraisal.</li> <li>• Borrower must participate in Homebuyer Education class sponsored by HRDC.</li> <li>• Minimum 12 month residency in Gallatin/Madison counties prior to purchase date.</li> <li>• Must be employed at least 1,560 hours annually within the BSRAD for 12 months prior to and during loan term.</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Minimum loan amount: \$10,000</li> <li>• Maximum loan amount: \$55,000</li> <li>• DPA loan not to exceed 20% of value</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>• Match term of 1<sup>st</sup> Mortgage up to 30 years</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>• 0%. Repayment of principal and appreciation share deferred until sale of home, home is no longer borrower's primary residence, borrower no longer meets employment requirements, 1<sup>st</sup> mortgage is in default, or 1<sup>st</sup> mortgage is paid in full (either through full amortization, refinance, or other prepayment)</li> </ul>
<b>Shared Appreciation</b>	<ul style="list-style-type: none"> <li>• Appreciation share percentage will be the share of appraised value represented by the down-payment assistance loan, not to exceed 20%.</li> <li>• Appreciation share will be determined by appraisal at purchase. Repayment appreciation share will be determined by the appraisal at repayment.</li> </ul>
<b>Credit Guidelines</b>	<ul style="list-style-type: none"> <li>• Ratio maximum 33/43 unless valid compensating factors apply.</li> <li>• Credit Scores: 1<sup>st</sup> mortgage approval (copy of conditional approval provided by lender).</li> <li>• If less than 640, require BSCHT/HRDC manager approval.</li> <li>• Employment history of 2 years.</li> <li>• Non-occupying co-borrowers not permitted.</li> </ul>
<b>LTV</b>	<ul style="list-style-type: none"> <li>• Total loan to value cannot exceed 105% of the purchase price.</li> </ul>
<b>Cash Requirement</b>	<ul style="list-style-type: none"> <li>• Borrowers are required to contribute 1% of the purchase price from their own funds, with a minimum of \$1,000.</li> </ul> <p><i>More than minimum may be required to comply with the 105% CLTV maximum.</i></p>
<b>Asset Limits</b>	<ul style="list-style-type: none"> <li>• At least 2 months, but not more than 12 months of liquid reserves after transaction</li> <li>• Net Worth of not more than 0.5 times the value of the home being purchased.</li> <li>• Borrower cannot own any residential rental property.</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>• Underwriting fee-1% of BSCHT loan; <b>minimum of \$400.00</b></li> <li>• Title policy fee</li> <li>• Recording fee</li> <li>• Title Company closing fee</li> </ul> <p><i>These fees can be financed as long as the CLTV is within 105% or 1<sup>st</sup> mortgage requirements</i></p>

<p><b>Security</b></p>	<ul style="list-style-type: none"> <li>• Mortgage will be secured by a deed of trust. In the event that the property is subject to a leasehold interest, a promissory note equal to the amount of the assistance will be referenced in the Ground Lease Abstract. Recording the Ground Lease Abstract shall serve as security for the repayment of the assistance as set forth in both the Ground Lease and a promissory note.</li> <li>• Must be in 2<sup>nd</sup> lien position.</li> <li>• Loan is not assumable.</li> </ul>
<p><b>Payments</b></p>	<ul style="list-style-type: none"> <li>• Deferred until a repayment event occurs.</li> </ul>

**How it Works**

Households selected to receive down payment assistance will enter into a loan agreement with the Big Sky Community Housing Trust (BSCHT) that outlines the terms of the loan. Down payment loans are secured on title through second mortgages.

The amount of the Down Payment Assistance Loan available is a minimum of \$10,000 and a maximum of \$55,000.

On a case-by-case basis, alternatives less than 20% total down utilizing private mortgage insurance will be considered.

Down Payment Assistance loan funds may be used in conjunction with Rural Development Authority and Federal Housing Authority loan programs subject to limitations of those programs.

Other characteristics of the program include the following:

- Persons seeking funding to offset construction costs on land that they currently own are not eligible for funding.
- Homes with a second unit (such as an accessory or basement apartment) are eligible but multi-plex buildings as an entire unit are not. (Individual units within multi-plex buildings are eligible).
- If the home is not on municipal services (water and sewer), the water and septic systems must be inspected by a certified professional.
- If the home is a mobile home, title to the land must come with the purchase (freehold or condominium), year-round occupancy must be permitted, and the home must be on a permanent foundation.
- All properties must permit year-round occupancy.

Homeownership training is mandatory. Participants must attend and complete a training session with HRDC before the closing date of the home purchase.

**Eligible Purchasers**

Applicants who would like to purchase a home must apply to the Program and complete an 8 hour Home Buyer Education Class and attend a one on one budget counseling session. Applicants must also meet several qualification criteria, including:

- qualifying for a mortgage;

- Competency Requirement – Applicant must be of legal age to enter into this contract (18 +) and competent to consent and enter into legally binding contracts.
- Creditworthiness Requirement – The applicant household must be able to demonstrate a history of successful and responsible efforts to honor its financial obligations.
- Homebuyer Education Requirement – Applicant must attend and participate in designated BSCHT homebuyer orientation or counseling in preparation for entering into the DPA Program Agreement.
- Current Resident – Prospective buyer currently resides in Gallatin or Madison County (12 month minimum of Gallatin/Madison County Residence).
- Buyer must intend to have the home as their one and only residence (it cannot be transferred or leased to someone else). A buyer that currently owns a home, land or other real property must liquidate all interests in said real property before closing on a home assisted through the DPA program. Rental of rooms within the home are allowed as long as owner of record simultaneously occupies the home.
- After the purchase, buyers will have at least two, but not more than 12 months of liquid reserves sufficient to cover monthly payments including principal, interest, taxes and insurance (PITI). Reserves are identified as cash, checking accounts, savings accounts, bonds, stocks, mutual funds, and gift funds. Retirement funds such as 401K or IRA's are not included.
- All transactions must be "arms-length" in nature. Buying or selling to family members is not permitted within the DPA program.
- Buyer will not have a net worth (based on market values) greater than 0.5 times the value of the home being purchased.
- Third-party gifts for the buyer's portion of the down payment are allowed with a limit of 50% of the total required.

### Threshold Eligibility Requirements

- Primary Residency Requirement – Applicant will be in residence 12 months of the year (excluding normal vacation, etc. trips out of area).
- Local Workforce – The Head of Household or the spouse/domestic partner of the Head of Household must work a minimum of 1,560 hours per year within the Big Sky Resort Area District (BSRAD).
- If a borrower wishes to retire and stay in their unit, they must have 25 out of a possible 30 points based on the conditions outlined below:

10 Points      Must have worked in BSRAD area for 10 continuous years prior to retirement. If worked less than 10 years, they receive no points.

10 Points      Must have owned and lived in their unit for 10 continuous years. If owned less than 10 years, deduct 1 point for every years less than 10 years.

10 points      Must retire at age 65 or older. If retiring earlier than 65, deduct 1 point for every year below age 65.

BSCHT will annually review program participants' qualifications for the above threshold eligibility requirements. Participants who no longer meet these qualifications may be required to immediately repay the Down Payment Assistance loan and/or sale the property. BSCHT will consider, on a case by case basis, extraordinary circumstances such as disability or temporary unemployment.

**Program Waiting List**

Eligible applicants are placed on the waiting list. As funds become available, eligible applicants are contacted and provided with a Conditional Letter of Commitment.

Once a year, the Program sends households on the waiting list a letter asking them to update their status by confirming that they still meet the eligibility criteria and that they want to stay on the waiting list. The Program reserves the right to re-evaluate income eligibility prior to issuing a Conditional Letter of Commitment.

**Repayment of Loans**

Down payment assistance loans are 0%, deferred second mortgages. No repayment of principal or appreciation share is required as long as the home and borrowers continue to qualify for the program. Upon full amortization of the first mortgage, the down payment assistance principal and appreciation share shall be repaid in amount equal to the principal and interest payment of the previously held first mortgage.

Payment of the down payment assistance loan in full will occur if the household elects to prepay, refinance, or sell the home and property, or if the household is in default with the terms of the Trust Indenture, if the household no longer utilizes the home as a primary residence, if the household no longer consists of a qualified employed member, or if the household otherwise no longer qualifies for the program.

To continue to grow the DPA program for other participants, a share of the appreciation in the value of the home and property, together with the original amount of the second mortgage will be due at the time of: *cash-out refinance or other non-sale transfer of the home and property; sale of the home and property; the home's ceasing to be the primary residence of the household; or default of the terms of the Trust Indenture.* Valuation of the home and property will be determined using a lender recognized appraiser, or in the case of a sale, the fair market value upon transfer of the property. The appreciation share is determined by using the "Down Payment Assistance Loan to Original Appraisal Amount" – the percentage representing the ratio of BSCHT's Down Payment Assistance Loan amount to the original appraisal amount of the home and property. If the home has not appreciated in value, the homeowner is still responsible for repayment of the loan principal. For example, if the DPA loan was \$32,500 (10%) and the original home and property value was \$325,000, and the appraised value of the home and property ten years later is \$350,000, the appreciation is \$25,000. The Share of Appreciation due to BSCHT would be 10% of \$25,000 or \$2500 (in addition to the principal due to be repaid of \$32,500).

The entirety of the repayment goes into the revolving loan fund, and when enough funds become available, as households repay their down payment loans, a new loan is provided to the next household on the waiting list.

If the home is sold with a capital loss, the repayment amount is calculated so that the loss is charged first to the buyer's equity contribution, then to the DPA loan amount (net of repayments). In other words, proceeds (net of transaction costs) of the sale are applied to the outstanding first mortgage and then the outstanding DPA loan amount and last to the borrower.

If the first position mortgage loan goes into default, the homeowner must pay back the original principal amount of the DPA loan (less any principal), plus pro-rated share of capital gain as defined below.

### **Mortgage Conditions and Mortgage Loan Insurance**

Program participants may have a parent or another party not living in the home guarantee their first mortgage. However, the terms of the loan prohibit having a guarantor or co-signer on title or on the Ground Lease who will not be living with the participant in the home.

The Program loan must be registered as the second mortgage after registration of any mortgage securing the first mortgage loan. If a household requires additional financing, that mortgage will be registered as the third mortgage, after the Program's loan. Program participants are required to have mortgage loan insurance on their first mortgage, if over 80% LTV.

### **Non-Discrimination Policy**

**BSCHT complies fully with existing federal and state laws protecting the individual rights of applicants and residents, and any laws enacted subsequent hereto. BSCHT does not discriminate because of race, color, sex, sexual orientation, religion, age, handicap, disability, national origin, familial status or marital status.**