

First Time Homebuyer Funds  
City of Red Lodge

**Contact Us!**

**406-446-2123/800-752-2499**

**[Info@RedLodgeLand.com](mailto:Info@RedLodgeLand.com)**



**Prudential**

**Red Lodge Real Estate**

- Eligible Projects:
- \* construction of a new home
- \* purchase of a modular home
- \* purchase of an existing home

**“Creating homeownership opportunities by implementing a homebuyer assistance program to low and very low income applicants.”**

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- The home must be located within the City of Red Lodge;
- In order to assure there is no displacement or relocation, the homes to be purchased must be either vacant or owner occupied.
- The home must meet HUD Standards for FHA Insured Loans and Section 8 Housing Quality Standards, and Montana Board of Housing standards.
- The purchase price of the home can be no greater than its appraised value.
- The purchase price of the home cannot exceed the FHA Maximum Mortgage Limits for the Carbon County.
- The home may be a single family unit (detached or attached) or a modular home on a permanent foundation meeting FHA and Department of Revenue criteria for permanent foundations. Rental properties will not be eligible nor will mobile homes, cooperative units, or condos.
- The home must not have any environmental conditions that present a barrier to its cost effective purchase.
- There must be the ability to obtain title to the property that is free and clear of all liens and encumbrances.

## **Housing Standards**

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- 1 person household - \$34,650
- 2 person household - \$39,600
- 3 person household - \$44,550
- 4 person household - \$49,500
- 5 person household - \$53,450
- 6 person household - \$57,400
- 7 person household - \$61,400
- 8 person household - \$65,350

## **Eligible Income Levels**

**\* Subject to change within month**

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- The homebuyer shall at all times use and occupy the property purchase with program (HOME) assistance as their principal residence and shall not lease or rent the property to, or allow the temporary use or occupancy of the property by others throughout the term of the loan.
- To protect the Security of this Trust Indenture, the homebuyer must:
  - 1. Protect, preserve and maintain said property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of said property.
  - 2. Keep said premises fully insured from loss by fire and windstorm, and from such other casualties as may be required by said Beneficiary and the heirs, representatives, successors and assigns, for the benefit of the said
- Beneficiary and payable to keep all taxes and encumbrances, liens, and other charges maturing from time to time on said property promptly paid.

## **Occupancy Restrictions**

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- **First-time homebuyer** means an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with HOME assistance. The term first-time homebuyer also includes an individual who is a **displaced homemaker** or **single parent**:
- **Displaced homemaker** means an individual who:
  - Is an adult;
  - Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; **and**
  - Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
- **Single parent** means an individual who:
  - Is unmarried or legally separated from a spouse; **and**
  - Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

## Definition of First Time Homebuyer

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- \* The housing unit must be used as the permanent residence for year around occupancy;
- \* Any applicants that qualify for the MBOH (secondary mortgage market) set-a-side must qualify for an FHA or RD mortgage guarantee AND meet the first time homebuyer as defined by the HOME program:
- \* There will be a down payment required from the homeowner. The down payment requirement is set on a sliding scale as follows:
  - A down payment of 1% of the purchase price of the home for homebuyers with incomes of 0 - 50% AMI,
  - A down payment of 2% of the purchase price of the home for homebuyers with incomes of 51- 65% AMI,
  - A down payment of 3% of the purchase price of the home for homebuyers with incomes of 66-80% AMI.
  - In special circumstances based on financial need, the down payment requirement may be waived with lender approval.
- \* To qualify for HOME assistance an applicant's total household (family) assets should not exceed \$30,000 in value and \$10,000 in liquid assets. For income eligible applicants with assets exceeding these limits, additional down payment amounts may be required.
- \* Maximum purchase price shall not exceed \$200,160 for existing or new construction, or current FHA 203 (b) limits for Carbon County.

## Other Qualifications:

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- Down payment and closing cost assistance with HOME funds invested per unit is less than \$15,000 – 5 years; (Recapture payments will decrease by 20% per year until after 5 years. After 5 years, if the homeowner does not sell or vacate, they are not subject to recapture payments.)
- Down payment and closing cost assistance with HOME funds invested per unit is \$15,000 to \$40,000 - 10 years; (Recapture payments will decrease by 10% per year until after 10 years. After 10 years, if the homeowner does not sell or vacate, they are not subject to the recapture payments.)
- Down payment and closing cost assistance with HOME funds invested per unit is over \$40,000 – 15 years. (Recapture payments will decrease by 6.67% per year until after 15 years. After 15 years, if the homeowner does not sell or vacate, they are not subject to the recapture payments.)

## **Long Term Affordability Conditions**

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- The amount of HOME assistance an applicant may receive is dependent upon the cost of the housing unit to be acquired, the amount of the first mortgage approved, the amount of money the applicant has available to use towards down payment, and the results of a financial review that identifies the amount of indebtedness a household may have and keep housing costs at a percentage not exceeding 32% for PITI. The amount of HOME assistance will be sufficient to result in a PITI of not more than 32% of the household's income but not less than 26% of the household's income.
- Based on data from the City of Red Lodge Housing Plan the average HOME assistance is projected not to exceed \$70,000. This maximum may be waived with the Committee approval; however, in no case may the assistance exceed the Section 221(d)(3) per unit subsidy limit. In no case will the amount of HOME assistance be less than \$1,000.

## **Amount of Assistance**

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- 1. Homebuyer initiates application with a lender. (They can call Single Tree Consulting, LLC to make sure they fall within income limits or for additional information.)
- 2. Once application is made, Single Tree will review and do calculations to see whether the person is income qualified and figure out what they can afford for a mortgage and the amount of potential assistance for down payment/closing costs.
- 3. Homebuyer signs a buy sale with realtor. (Since I will need to do a visual inspection of the home, the homebuyer or realtor may want me to look at the home prior to signing a buy sale.)
- 4. Each homebuyer is required to take a homebuyer course provided by Beartooth RC&D on the 2<sup>nd</sup> Saturday of the month in Laurel. (Phone: 962-3914). Provide proof of homebuyer course certification to Single Tree Consulting, LLC.

## **Steps for Coordinating funding**

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- 5. Once the lender and Single Tree Consulting, LLC have determined the amount of assistance to be provided, Single Tree will meet with the affordable housing committee to approve the amount of assistance.
- 6. An appraisal must be completed and a copy needs to be submitted to Single Tree Consulting, LLC.
- 7. All participants purchasing a pre-1978 home will be provided with the EPA pamphlet titled *Renovate Right: Important Lead Hazard Information for Families, Child Care Providers and Schools*. In addition, for participants purchasing pre-1978 housing must receive Exhibit 2-TI, Disclosure of Information on Lead Based paint and/or Lead-Based Paint Hazards for homebuyers, which must be signed by both the homebuyer and the seller. The homebuyer will be responsible for maintaining a lead free environment.
- 8. All homebuyers and sellers must sign a Voluntary Agreement.

**Steps: continued**

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- 9. In addition to the appraisal, prior to sending in a draw for funds, Single Tree Consulting LLC, will need the following from the lender:
  - A. confirmation of reservation of funds from MBOH
  - B. draft closing cost statement that clearly identifies HOME funds as "MDOC HOME funds".
- 10. Once this is complete, Single Tree Consulting can request a release of funds from Helena. This may take several days.....
- 11. Once the closing date has been determined, Single Tree Consulting, LLC will work with the closing agency to provide a deed restriction, trust indenture, and promissory note.
- 12. Once the project is closed, Single Tree Consulting will need a copy of the signed final closing statement and a copy of the recorded deed restriction and trust indenture.

**Steps: continued**

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### Questions?

Call us...

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Presented by Julie Jones of Single Tree Consulting, LLC  
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