



MONTANA
HOUSING

MONTANA BOARD OF HOUSING – BOARD MEETING

- Date:** Tuesday, May 23, 2023
- Time:** 8:30 a.m.
- Board Chair:** Sheila Rice
- Location (In-Person):** Best Western Great Northern – 835 Great Northern Blvd., Helena, MT
- Remote Attendance:** Join our meetings remotely via Zoom and/or phone
- Conference Call:** Dial: 1 646 558 8656 | Meeting ID: 842 2979 5626 Password: 053761
- Register for Webinar:** [Meeting Registration - Zoom](#)
- Board Offices:** Montana Housing
301 S Park Ave., Room 240, Helena MT 59601

AGENDA ITEMS

- ❖ Meeting Announcements
- ❖ Introductions
- ❖ Public Comments - Public comment is welcome on any public matter that is not on the agenda and that is within the jurisdiction of the agency.

Minutes

- ❖ Approve Prior Board Meeting Minutes

Multifamily Program (Manager: Jason Hanson)

- ❖ LOI Selection
- ❖ Bigfork Senior Resolution
- ❖ Multifamily Update

Finance Program (Manager: Ginger Pfankuch)

- ❖ Financial Update

Montana Housing works with community partners across the state, and together we ensure Montana families have access to safe and affordable homes.



MONTANA
HOUSING

Homeownership Program (Manager: Vicki Bauer)

- ❖ Bond Resolution Approval
- ❖ Lender Approval
- ❖ Income Limit Approval
- ❖ Homeownership Update

Mortgage Servicing (Manager: Mary Palkovich)

- ❖ Servicing Policy Manual Approval
- ❖ Servicing Update

Operations / Executive Director (Joe DeFilippis / Cheryl Cohen)

- ❖ Operations Update (Joe DeFilippis)
 - ARPA Housing Programs (ERA & HAF)
- ❖ Executive Director / Legislative Update (Cheryl Cohen)

Miscellaneous

Meeting Adjourns

*All agenda items are subject to Board action after public comment requirements are fulfilled.

*We make every effort to hold our meetings at fully accessible facilities. Any person needing reasonable accommodation must notify the Housing Division at 406.841.2840 or TDD 406.841.2702 before the scheduled meeting to allow for arrangements.

2023 CALENDAR

January						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

March						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April						
Su	Mo	Tu	We	Th	Fr	Sa
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July						
Su	Mo	Tu	We	Th	Fr	Sa
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2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August						
Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

December						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

Montana Housing works with community partners across the state, and together we ensure Montana families have access to safe and affordable homes.

April 2023

17 – Board Training – Springhill Suites Kalispell MT
18 - Board Meeting – Springhill Suites Kalispell MT

May 2023

15-17 – Housing Partnership Conference - Delta Colonial Helena
22 – Letter of Intent Presentation – Helena Great Northern Hotel
23 – Board Meeting – Helena Great Northern Hotel

June 2023

12 – Board Meeting via Zoom

July 2023

10 – Board Meeting via Zoom

August 2023

14 – Board Meeting via Zoom

September 2023

11 – Board Strategic Planning – Miles City Sleep Inn
12 – Board Meeting – Miles City Sleep Inn

October 2023

15–18 – NCSHA Annual Conference - Boston
23 – Board Meeting Housing Credit Award Determinations / QAP – via Zoom

November 2023

13 - No Board Meeting

December 2023

11 - No Board Meeting



MONTANA HOUSING

Zoom
May 23, 2023

ROLL CALL OF BOARD

MEMBERS:

Sheila Rice, Chairwoman (Present)
Adam Hertz (Absent)
Tonya Plummer (Present)
John Wright (Present)

Jeanette McKee (Present)
Bruce Posey (Present)
Cari Yturri (Present)

STAFF:

Cheryl Cohen, Executive Director
Joe DeFilippis, Operations Manager
Ginger Pfankuch, Accounting Program
Bruce Brensda, Multifamily Program
Kylee Hughes, Exec Assistant
Jason Hanson, Multifamily Program
Chandler Rowling, Community Housing
Charlie Brown, Homeownership Program

Vicki Bauer, Homeownership Program
Nicole McKeith, Multifamily Program
Jen Stepleton, Community Housing
Julie Flynn, Community Housing
Mary Palkovich, Servicing Program
Nicole Newman, Community Housing
Sharon Lofftus, Community Housing

COUNSEL:

Nathan Bilyeu, Jackson Murdo & Grant
John Wagner, Kutak Rock

Drew Page, Kutak Rock

UNDERWRITERS:

Mina Choo, RBC Capital

Patrick Zhang, RBC Capital

FINANCIAL ADVISORS:

Gene Slater, CSG Advisors

Mark Shelburne, Novogradac

OTHERS:

Julia Hope
Jackie Girard
Jennifer Wheeler
Ron Gapp
Joe Post
June Beartusk
Emily Harris-Shears

Larry Phillips
Jennifer Olson
Heather McMilin
Nicholas Nyland
Logan Anderson
Tracy Menuetz
Gerald Fritts



MONTANA HOUSING

Emily Alvarado
Austin Trunkle
Sherry Arey
Paul Capps
Austin Richardson
Don Sterhan
Jason Boal
Seth O'Connell
Amber Robbins
Alex Burkhalter
Shane Walk

Joseph Walsh
Beki Brandborg
Lauren Moore
Lindsey Hale
Courtney Campo
Ryan Kucich
Andrew Chanania
Gene Leuwer
Chris Ruddman
Tyler Currence

These written minutes, together with the audio recordings of this meeting and the Board Packet, constitute the official minutes of the referenced meeting of the Montana Board of Housing (MBOH). References in these written minutes to tapes (e.g., FILE 1 – 4:34) refer to the location in the audio recordings of the meeting where the discussion occurred, and the page numbers refer to the page in the Board Packet. The audio recordings and Board Packet of the MBOH meeting of this date are hereby incorporated by reference and made a part of these minutes. The referenced audio recordings and Board Packet are available on the MBOH website at [Meetings and Minutes](#).

CALL MEETING TO ORDER

0:00 Chair Sheila Rice called the Montana Board of Housing (MBOH) meeting to order at 8:30 a.m.
1:38 Introductions of Board members and attendees were made.
5:02 Chair Rice asked for public comment on items not listed on the agenda.

APPROVAL OF MINUTES

April 18, 2023 MBOH Board Meeting Minutes – page 5 of packet

5:15 Motion: Bruce Posey
Second: Cari Yturri
The March 13, 2023 MBOH Board meeting minutes were approved unanimously.

MULTIFAMILY PROGRAM

LOI Selection – page 9 of packet

6:01 Presenters: Jason Hanson
Motion: Bruce Posey
Second: John Wright



MONTANA HOUSING

The motion to approve the listed LOI's to proceed to full application for 2024 Housing Credits was approved unanimously.

Twin Creek Apt 9 (&4)
Timber Meadows
Mitchell Court
Elmore Roberts
Grand Apts
Bridge Apts
7th and Aspen 9 (&4)
Riverstone Senior Res

10 minute break

29:58-40:25

Bigfork Senior in Bigfork Bond Resolution Approval – page 65 of packet

42:34 Presenter: Jason Hanson

Motion: Cari Yturri

Second: Bruce Posey

The motion to approve resolution 23-0523-MF05 (Bigfork Senior) was approved unanimously.

Multifamily Update – page 84 of packet

46:50 Presenters: Jason Hanson

FINANCE PROGRAM

Finance Update – page 85 of packet

49:23 Presenter: Ginger Pfankuch

HOMEOWNERSHIP PROGRAM

Approval of Bond Resolution 23-0523-SF01_2023A – page 88 of packet

51:48 Presenter: Vicki Bauer

Motion: Bruce Posey

Second: John Wright

The motion to approve the bond resolution for 23-0523-SF01_2023A as attached was approved unanimously.

Lender Approval: Axia Home Loans – page 94 of packet

54:32 Presenter: Vicki Bauer

Motion: Cari Yturri

Second: Bruce Posey

The motion to approve Axia Home Loans as a participating lender for Montana Board of Housing was approved unanimously.

Lender Approval: Churchill Mortgage – page 95 of packet

56:31 Presenter: Vicki Bauer



MONTANA HOUSING

Motion: Bruce Posey

Second: John Wright

The motion to approve Churchill Mortgage as a participating lender for Montana Board of Housing was approved unanimously.

Lender Approval: OneTrust Home Loans – page 96 of packet

58:44 Presenter: Vicki Bauer

Motion: Cari Yturri

Second: Bruce Posey

The motion to approve OneTrust Home Loans as a participating lender for Montana Board of Housing was approved unanimously.

Purchase Price Limit Review and Income Limit Approval – page 97 of packet

1:00:53 Presenter: Vicki Bauer

Motion: Bruce Posey

Second: John Wright

The motion to approve the attached income limits was approved unanimously.

Homeownership Update – page 100 of packet

1:06:12 Presenters: Vicki Bauer

MORTGAGE SERVICING PROGRAM

Servicing Policy Manual Approval – page 102 of packet

1:09:37 Presenter: Mary Palkovich

Motion: Bruce Posey

Second: Cari Yturri

The motion to approve the 2023 Servicing Policy Manual was approved unanimously.

Servicing Update – page 165 of packet

1:11:26 Presenter: Mary Palkovich

OPERATIONS/ EXECUTIVE DIRECTOR

Operations/Executive Director Update – page 166 of packet

1:13:39 Presenter: Cheryl Cohen

MEETING ADJOURNMENT

1:22:40 Meeting was adjourned at 9:54 a.m.

DocuSigned by:

Amber Parish

39DB66266A1641E...

Amber Parish, Secretary

7/18/2023

Date

BOARD AGENDA ITEM

BOARD MEETING DATE

May 22 & 23, 2023

PROGRAM

Housing Credit Program – Multifamily

AGENDA ITEM

2024 Housing Credit Letter of Intent (LOI) Presentations and Board Selection of Projects for Invitation to submit full Applications.

BACKGROUND

The deadline for submittal of the Housing Credit Letters of Intent was April 10, 2023, and The Board received 9 LOI's.

Federal code requires that MBOH will not award more than 90% of the state's Credit ceiling to Projects not involving a nonprofit. We only have one project in our list that qualifies, Timber Meadows in Polson. If this project is not awarded a final allocation of credit in October, we will need to carry 10% of our ceiling estimated at \$3,185,000 forward to our 2025 round.

In your packet you will find:

- LOI Memo
- LOI's Submitted Summary
- Board Worksheet to use for notes
- Spreadsheet showing project comparative information
- Spreadsheet packets showing summary project information
- Montana Economic and Demographic Data
- LOI's Include:
 - Narrative for each project
 - Mini Market Summaries
 - Public Support letters submitted

Selection Logistics

- No more than **8 Projects** will be selected during the LOI Round. Each Project selected by the Board will be invited to submit a Full Application.
- The maximum award to any one Project is \$6,500,000.
- First day of the Board meeting: each project will be allowed 15 minutes to present their project with additional time for any public comment.
- Second day of the Board meeting: each board member will select 8 projects. They will split their top picks into three categories. Three projects in their top category, three in the middle, and two at the bottom. Each project will be awarded 3, 2, or 1 points, corresponding with those

BOARD AGENDA ITEM

categories. The eight projects with the most points will be included on the slate for consideration to move forward.

Award Determination Selection & Process

The MBOH Board will select Applications to receive an Award that it determines best meet the most pressing affordable housing needs of low-income people in Montana, taking into consideration:

- all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides, priorities and data (including without limitation the statistical data in the MBOH Statistical Data Form) set forth in this QAP and all federal requirements (together referred to in this QAP as the “Selection Criteria”);
- the Development Evaluation Criteria; and
- all other information provided to the MBOH Board regarding the applicant Projects.

The awarding of points to Projects pursuant to the Development Evaluation Criteria is for purposes of determining that the Projects meet at least the minimum Development Evaluation Criteria required for further consideration and to assist the MBOH Board in evaluating and comparing Projects. Development Evaluation Criteria scoring is only one of several considerations taken into account by the MBOH Board and does not control the selection of Projects that will receive an Award of Housing Credits.

In addition to any other Selection Criteria, the MBOH Board may consider the following factors in selecting Applications for an Award:

1. The geographical distribution of Housing Credit Projects;
2. The rural or urban location of the Projects;
3. The overall income levels targeted by the Projects (including deeper targeting of income levels);
4. The need for affordable housing in the community, including but not limited to current Vacancy Rates;
5. Rehabilitation of existing low-income housing stock;
6. Sustainable energy savings initiatives;
7. Financial and operational ability of the Applicant to fund, complete and maintain the Project through the Extended Use Period;
8. Past performance of an Applicant in initiating and completing Tax Credit Projects;
9. Cost of construction, land and utilities, including but not limited to costs/Credits per square foot/unit;
10. The Project is being developed in or near a historic downtown neighborhood;
11. The frequency of Awards in the respective areas where Projects are located;
12. Preserving project rental assistance or have or are planning to add Section 811 units to an existing project; and/or
13. Augmentation and/or sources of funds.

If the MBOH Board Awards Credits to an Applicant where the Award is not in keeping with the Selection Criteria of this QAP, it will publish a written explanation that will be made available to the general public pursuant to Section 42(m)(1)(A)(iv) of the Internal Revenue Code:

“a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.”

BOARD AGENDA ITEM

QAP Requirements- Set Asides

Non- Profit

Ten percent of each state's credit ceiling must be set aside for buildings which are part of one or more Projects involving Qualified Nonprofit Organizations.

The 10% non-profit set-aside requirement may be met by an Award to a Project involving a Qualified Nonprofit Organization out of any other set-aside or the general pool. If no Project Awarded HCs involves a Qualified Nonprofit Organization, the non-profit set aside will be held back for later Award to a Project involving a Qualified Nonprofit Organization.

Small Rural & Tribal Project

MBOH staff materials provided to the Board will show Tribal and Small Rural Projects and other Projects in separate groupings. In considering Applications for Award of Credits, the Board may first consider Award to the Small Rural & Tribal Projects applying for Credits. After any such initial consideration of Small Rural & Tribal Project Applications, the Board will consider Award of remaining Credits to any Applicant. The Board may but is not required by this provision to select any Small Rural or Tribal Project for an Award of Credits.

A Small Rural Project is a Project: (1) for which the submitted tax credit Application requests tax credits in an amount up to but no more than 12.5% of the state's Available Annual Credit Allocation, and (2) proposed to be developed and constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, or Missoula.

“Tribal” means an application sponsored by a Tribally Designated Entity(TDHE).

STAFF RECOMMENDATION (if any)

Staff supports selecting 8 projects to proceed to full application.

MOTION OPTION(S)

1. Move to approve the listed LOI's to proceed to full application for 2024 Housing Credits.

**Montana Housing
2024 Housing Credit Awards**

										Letter of Intent HC Request	
City	County	Project Name	Sponsor / Developer	Entity Type	Set-aside	Housing Type	Construction Type	Units	10 yr total		
Letter of Intent											
1	Polson	Lake	Polson Gardens	Housing Solutions	For-Profit	General	Senior	New	20	\$ 6,300,000	
2	Helena	Lewis & Clark	Twin Creek Apts 9 (& 4)	United Housing Ptnrs	For-Profit	General	Family	New	20	\$ 6,500,000	
3	Polson	Lake	Timber Meadows	Immanuel Lutheran / CR Bldrs	Non-Profit	General	Senior	New	24	\$ 6,500,000	
4	Billings	Yellowstone	Mitchell Court	GL Development	For-Profit	General	Family	New	30	\$ 6,500,000	
5	Great Falls	Cascade	Elmore Roberts	Community Preservation Ptnrs	For-Profit	General	Family	Acq/Rehab	60	\$ 6,484,330	
6	Butte	Silverbow	Grand Apts	Summit Housing Group	For-Profit	General	Family	Acq/Rehab	24	\$ 6,500,000	
7	Missoula	Missoula	Bridge Apts	Blueline Development	For-Profit	General	Family	Acq/Rehab	20	\$ 3,009,650	
8	Bozeman	Gallatin	7th and Aspen 9 (& 4)	Boundry Dev & HRDC	For-Profit	General	Family	New	23	\$ 6,350,000	
9	Hamilton	Ravalli	Riverstone Senior Res	Housing Solutions	For-Profit	General	Senior	New	20	\$ 6,500,000	
Total Projects									241	54,643,980	

* - The above was randomly selected and is the order presentations will be given at the May meeting.

2024 Current Year Credits (estimated)	31,850,000
2023 Credits Remaining	810,100
Returned Credits	-
2024 National Pool Credits from 2023	
Available Credits:	32,660,100
Minimum Required to be Awared to Non-Profits (10%):	3,185,000
Maximum Request for a Small Rural Project (12.5%):	3,981,250
Maximum Credit Per Project:	6,500,000

Project Name	Sponsor / Developer	City	ST	Contact	email	Telephone
Polson Gardens	Housing Solutions	Missoula	MT	Alex Burkhalter	alex@housing-solutions.org	(406) 203-1558
Twin Creek Apts	United Housing Ptnrs	Missoula	MT	Tyson O'Connell	tyson@uhousingpartners.com	(406) 531-4745
Timber Meadows	Immanuel Lutheran / CR Bldrs	Kalispell	MT	Jason Cronk	jcronk@ilcorp.org	(406) 752-9143
Mitchell Court	GL Development	Helena	MT	Gene Leuwer	gleuwer1139@msn.com	(406) 459-5332
Elmore Roberts	Community Preservation Ptnrs	Irvine	CA	Karen Buckland	kbuckland@cpp-housing.com	(949) 246-6083
Grand Apts	Summit Housing Group	Missoula	MT	Austin Richardson	austinr@summithousinggroup.com	(406) 802-4487
Bridge Apts	Blueline Development	Missoula	MT	Jason Boal	jason@bluelinedevelopment.com	(406) 214-4788
7th and Aspen 9 (& 4)	Boundry Dev & HRDC	Bozeman	MT	Crosby Branch	crosby@boundarydev.com	(763) 248-3004
Riverstone Senior Res	Housing Solutions	Missoula	MT	Alex Burkhalter	alex@housing-solutions.org	(406) 203-1558

**2024 Housing Credit Letter of Intent
Comparative Data for Presentation to the Board**

Project Name	HC Request 10 yr total	Total Cost / Unit	Cost per Unit Hardcost	Hard Costs / Sq Ft	Total / Sq Ft
Polson Gardens	\$ 6,300,000	\$ 318,466	\$ 212,440	\$ 261	\$ 392
Twin Creek Apts 9 (& 4)	\$ 6,500,000	\$ 267,369	\$ 194,259	\$ 190	\$ 262
Timber Meadows	\$ 6,500,000	\$ 341,818	\$ 251,563	\$ 242	\$ 328
Mitchell Court	\$ 6,500,000	\$ 317,101	\$ 234,567	\$ 244	\$ 329
Elmore Roberts	\$ 6,484,330	\$ 194,474	\$ 81,769	\$ 85	\$ 203
Grand Apts	\$ 6,500,000	\$ 296,008	\$ 131,882	\$ 108	\$ 243
Bridge Apts	\$ 3,009,650	\$ 209,075	\$ 113,500	\$ 146	\$ 268
7th and Aspen 9 (& 4)	\$ 6,350,000	\$ 279,458	\$ 171,367	\$ 205	\$ 334
Riverstone Senior Res	\$ 6,500,000	\$ 329,896	\$ 218,416	\$ 227	\$ 343

Project Name	% Total Costs Paid by HC's	HC's / Sq Ft	Construction Start
Polson Gardens	84.07%	\$ 388	Jul-24
Twin Creek Apts 9 (& 4)	103.31%	\$ 318	Sep-24
Timber Meadows	68.13%	\$ 299	Jun-24
Mitchell Court	58.07%	\$ 225	May-24
Elmore Roberts	48.90%	\$ 149	Mar-24
Grand Apts	77.76%	\$ 296	May-24
Bridge Apts	60.45%	\$ 193	Apr-24
7th and Aspen 9 (& 4)	86.76%	\$ 330	Apr-24
Riverstone Senior Res	83.73%	\$ 338	Jul-24

City
County
Project Name
Developer Name
Set-aside (small project / general)
Set-aside (for-profit / non-profit)
HC Requested (10 yr total)
Project Type
Construction Type
Minimum Set-aside
Projected Construction Start
Projected Completion

Polson	Helena	Helena	Polson	Billings	Great Falls
Lake County	Lewis and Clark	Lewis and Clark	Lake	Yellowstone	Cascade
Polson Gardens	Twin Creek Apts 9	Twin Creek Apts 4	Timber Meadows	Mitchell Court	Elmore Roberts
Housing Solutions, LLC	United Housing Ptnrs LLC	United Housing Ptnrs LLC	Immanuel Luth/CR Blders	GL Development	Community Pres Ptnrs
General	General	General	General	General	General
For-Profit	For-Profit	For-Profit	Non-Profit	For-Profit	For-Profit
\$ 6,300,000	\$ 6,500,000	\$ 3,369,580	\$ 6,500,000	\$ 6,500,000	\$ 6,484,330
Senior	Family	Family	Senior	Family	Family
New	New	New	New	New	Acq/Rehab
40/60	Ave Inc	Ave Inc	40/60	40/60	40/60
Jul-24	Sep-24	Sep-24	Jun-24	May-24	Mar-24
Jul-25	May-26	May-26	Jun-25	May-25	Apr-25

Unit Numbers

Target

0-bdrm 60%
 1-bdrm 30%
 1-bdrm 40%
 1-bdrm 50%
 1-bdrm 60%
 1-bdrm 70%
 2-bdrm 30%
 2-bdrm 40%
 2-bdrm 50%
 2-bdrm 60%
 2-bdrm 70%
 3-bdrm 30%
 3-bdrm 50%
 3-bdrm 60%
 3-bdrm 70%
 other mkt
 other mgr(60%)

	-				
	1	2	2		
1					
5	2		7	10	29
3		2	1	2	
	2	3			
	1	2	2		
1					
5	2		7	10	30
4		2	1	6	
	4	6			
	2	1			
	2			1	
		2		1	
	4	5			
	-	-	4		
1					1

Total Units

Average Income Targeting

20	20	25	24	30	60
53.00%	56.00%	59.60%	47.50%	53.00%	50.17%

Square Footage

Income Resticted Units
 Managers Unit(s)
 Common Space
 Market/Commercial

Total

14,935	17,135	20,619	16,160	25,280	41,400
715	-	-	-		
600	3,311	3,985	5,608	3,600	2,000
	-	-	3,232		14,000
16,250	20,446	24,604	25,000	28,880	57,400

City
County
Project Name
Unit Rents

0-bdrm	60%
1-bdrm	30%
1-bdrm	40%
1-bdrm	50% (HM/HTF)
1-bdrm	50%
1-bdrm	60%
1-bdrm	70%
1-bdrm	
2-bdrm	30%
2-bdrm	40%
2-bdrm	50% (HM/HTF)
2-bdrm	50%
2-bdrm	60%
2-bdrm	70%
2-bdrm	
3-bdrm	30%
3-bdrm	50%
3-bdrm	60%
3-bdrm	70%
other	mgr(60%)

Polson	Helena	Helena	Polson	Billings	Great Falls
Lake County	Lewis and Clark	Lewis and Clark	Lake	Yellowstone	Cascade
Polson Gardens	Twin Creek Apts 9	Twin Creek Apts 4	Timber Meadows	Mitchell Court	Elmore Roberts
	553	553	335		
595					
				659	
745	922	922	634	722	745
890	1,107	1,107	783	881	
	1,291	1,291			
			900		
	663	663	388		
715					
				856	
890	1,106	1,106	634	856	893
1,070	1,327	1,327	925	1,047	
	1,548	1,548			
			1,200		
	766	766			
	1,278	1,278		980	
	1,533	1,533		1,200	
	1,789	1,789			
-					894

Project Costs

Land
Building/Acquisition
Site Work
Construction / Rehab
Soft Costs
Developer Fees
Reserves
Total Project Costs
Supportive Services Costs
Residential Costs

360,000	153,150	296,851	200,000	100,000	590,000
	16,166	31,334		40,000	2,560,000
675,000	144,586	280,251		1,200,000	100,000
3,573,800	3,740,597	7,250,445	6,037,500	5,837,000	4,806,116
941,665	824,036	1,597,232	1,191,125	1,456,200	1,894,590
750,000	413,124	800,760	700,000	700,000	1,242,741
68,864	55,727	108,016	75,000	179,819	475,000
\$ 6,369,329	\$ 5,347,386	\$ 10,364,889	\$ 8,203,625	\$ 9,513,019	\$ 11,668,446
\$ 6,369,329	\$ 5,347,386	\$ 10,364,889	\$ 8,203,625	\$ 9,513,019	\$ 11,668,446

Financing Sources

Hard Loan
Soft Loan
State HOME
State NHTF
Other
Other
Other
Deferred Dev Fee
HC Equity Competative
HC Equity Non-Competative
Total Sources:
% of Project Financed by HC:

800,000	1,612,462	3,125,439	700,000	1,320,000	4,173,000
	136,133	263,867	1,000,000		
				1,980,000	
	708,492	1,373,272	800,000		
				350,000	130,000
					243,899
					1,166,989
214,864	35,487	68,812	114,184	338,571	248,918
5,354,465	5,524,449		5,589,441	5,524,448	5,705,640
		2,863,860			
\$ 6,369,329	\$ 8,017,023	\$ 7,695,250	\$ 8,203,625	\$ 9,513,019	\$ 11,668,446
84.07%	103.31%	27.63%	68.13%	58.07%	48.90%

City
County
Project Name
Costs versus Sources

Polson	Helena	Helena	Polson	Billings	Great Falls
Lake County	Lewis and Clark	Lewis and Clark	Lake	Yellowstone	Cascade
Polson Gardens	Twin Creek Apts 9	Twin Creek Apts 4	Timber Meadows	Mitchell Court	Elmore Roberts

Total Project Costs
Total Financing Sources
Difference

\$ 6,369,329	\$ 5,347,386	\$ 10,364,889	\$ 8,203,625	\$ 9,513,019	\$ 11,668,446
\$ 6,369,329	\$ 8,017,023	\$ 7,695,250	\$ 8,203,625	\$ 9,513,019	\$ 11,668,446
\$ -	\$ (2,669,637)	\$ 2,669,639	\$ -	\$ -	\$ 0

Return on Sale of HTC

HTC Requested
HTC Equity
HTC Return on Sale

\$ 6,300,000	\$ 6,500,000	\$ 3,369,580	\$ 6,500,000	\$ 6,500,000	\$ 6,484,330
\$ 5,354,465	\$ 5,524,449	\$ 2,863,860	\$ 5,589,441	\$ 5,524,448	\$ 5,705,640
0.85	0.85	0.85	0.86	0.85	0.88

Per Unit Comparison

Limits

Cost per unit total
Cost per unit residential only
Cost per unit Const / Rehab
Credits per unit

n/a
\$350,000
n/a
n/a

\$ 318,466	\$ 267,369	\$ 414,596	\$ 341,818	\$ 317,101	\$ 194,474
\$ 318,466	\$ 267,369	\$ 414,596	\$ 341,818	\$ 317,101	\$ 194,474
\$ 212,440	\$ 194,259	\$ 301,228	\$ 251,563	\$ 234,567	\$ 81,769
\$ 315,000	\$ 325,000	\$ 134,783	\$ 270,833	\$ 216,667	\$ 108,072

Per Square Foot Comparison

Construction / Rehab per sq ft
Total Project Cost per sq ft
Credits per sq ft
Credits per sq ft (residential only)

\$ 261	\$ 190	\$ 306	\$ 242	\$ 244	\$ 85
\$ 392	\$ 262	\$ 421	\$ 328	\$ 329	\$ 203
\$ 388	\$ 318	\$ 137	\$ 299	\$ 225	\$ 149
\$ 388	\$ 318	\$ 137	\$ 299	\$ 225	\$ 149

Utilities Paid by (Tenant / Owner)

Owner	Tenant	Tenant	Tenant	Tenant	Owner
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Market Study Data:

Units needed for Targeted AMI's

84	690	690	126	1,131	663
----	-----	-----	-----	-------	-----

Development Evaluation Criteria and Selection

Lower Income Tenants

Income and Rent Level Targeting.
Project-Based Rental Subsidy.

YES	56.0%	59.6%	47.5%	50% & 60% AMI	100% @ 50% AMI
NO	NO	NO	NO	NO	YES

Project Characteristics

Amenities
Small Town/Tribal Designation Area
Affordable Housing Stock
Historic Preservation

Grocery & Medical	Grocery & Medical	Grocery & Medical	Grocery Store	Grocery & Medical	Grocery & Medical
Small & Tribal	na	na	Small Town	na	na
na	na	na	na	na	Preservation
na	na	na	na	na	Historic Preservation

Local Involvement

Community Input
Qualified Census Tract / Local
Community Revitalization Plan
Communication / Relationships

Local Community Input					
na	na	na	na	na	QCT & Local Plan
Local Entity Participation					

Green & Energy Stds

Green & Energy Std Met					
------------------------	------------------------	------------------------	------------------------	------------------------	------------------------

Tenant Populations

Family Projects
Elderly Projects

na	Family Project	Family Project	na	Family Project	Family Project
Elderly Project	na	na	Elderly Project	na	na

City
County
Project Name
Developer Name
Set-aside (small project / general)
Set-aside (for-profit / non-profit)
HC Requested (10 yr total)
Project Type
Construction Type
Minimum Set-aside
Projected Construction Start
Projected Completion

Butte	Missoula	Bozeman	Bozeman	Hamilton
Butte-Silver Bow	Missoula	Gallatin	Gallatin	Ravalli County
The Grand Apartments	Bridge Apartments	7th and Aspen 9%	7th and Aspen (4%)	Riverstone Senior Res
Summit Housing Group	Inc.	Boundary Dev and HRDC	Boundary Dev and HRDC	Housing Solutions, LLC
Small/Rural	General	General	General	General
For-Profit	For-Profit	For-Profit	For-Profit	For-Profit
\$ 6,500,000	\$ 3,009,650	\$ 6,350,000	\$ 2,081,593	\$ 6,500,000
Family	Family	Family	Family	Senior
Acq/Rehab	Acq/Rehab	New	New	New
40/60	40/60	40/60	40/60	40/60
May-24	Apr-24	Apr-24	Apr-24	Jul-24
May-25	Apr-25	Apr-25	Apr-25	Jul-25

Unit Numbers

Target

0-bdrm 60%
 1-bdrm 30%
 1-bdrm 40%
 1-bdrm 50%
 1-bdrm 60%
 1-bdrm 70%
 2-bdrm 30%
 2-bdrm 40%
 2-bdrm 50%
 2-bdrm 60%
 2-bdrm 70%
 3-bdrm 30%
 3-bdrm 50%
 3-bdrm 60%
 3-bdrm 70%
 other mkt
 other mgr(60%)

4				
	20			
				1
		10		7
8		4	10	5
				1
		4		3
12		1	5	2
		3		
		1	2	
				1

Total Units
 Average Income Targeting

24	20	23	17	20
60.00%	30.00%	52.61%	60.00%	53.00%

Square Footage

Income Restricted Units
 Managers Unit(s)
 Common Space
 Market/Commercial

Total

19,480	14,000	15,648	11,328	12,492
-				600
2,500	1,600	3,607	2,612	6,156
7,240				
29,220	15,600	19,255	13,940	19,248

City
County
Project Name
Unit Rents

0-bdrm	60%
1-bdrm	30%
1-bdrm	40%
1-bdrm	50% (HM/HTF)
1-bdrm	50%
1-bdrm	60%
1-bdrm	70%
1-bdrm	
2-bdrm	30%
2-bdrm	40%
2-bdrm	50% (HM/HTF)
2-bdrm	50%
2-bdrm	60%
2-bdrm	70%
2-bdrm	
3-bdrm	30%
3-bdrm	50%
3-bdrm	60%
3-bdrm	70%
other	mgr(60%)

	Butte	Missoula	Bozeman	Bozeman	Hamilton
	Butte-Silver Bow	Missoula	Gallatin	Gallatin	Ravalli County
	The Grand Apartments	Bridge Apartments	7th and Aspen 9%	7th and Aspen (4%)	Riverstone Senior Res
	834				
		20			
					595
			826		745
	894		1,013	1,013	890
					715
			976		890
	1,072		1,200	1,200	1,070
			1,117		
			1,376	1,376	
					-

Project Costs

Land
Building/Acquisition
Site Work
Construction / Rehab
Soft Costs
Developer Fees
Reserves
Total Project Costs
Supportive Services Costs
Residential Costs

	200,000	200,000	575,000	425,000	400,000
	1,300,000	800,000	11,500	8,500	
	-	150,000	201,250	148,750	675,000
	3,165,168	2,120,000	3,740,180	2,764,481	3,693,317
	1,499,219	340,500	788,178	582,566	1,073,984
	868,408	494,000	683,708	505,350	690,000
	71,407	77,000	427,707	316,131	65,617
	\$ 7,104,202	\$ 4,181,500	\$ 6,427,523	\$ 4,750,778	\$ 6,597,918
	\$ -				
	\$ 7,104,202	\$ 4,181,500	\$ 6,427,523	\$ 4,750,778	\$ 6,597,918

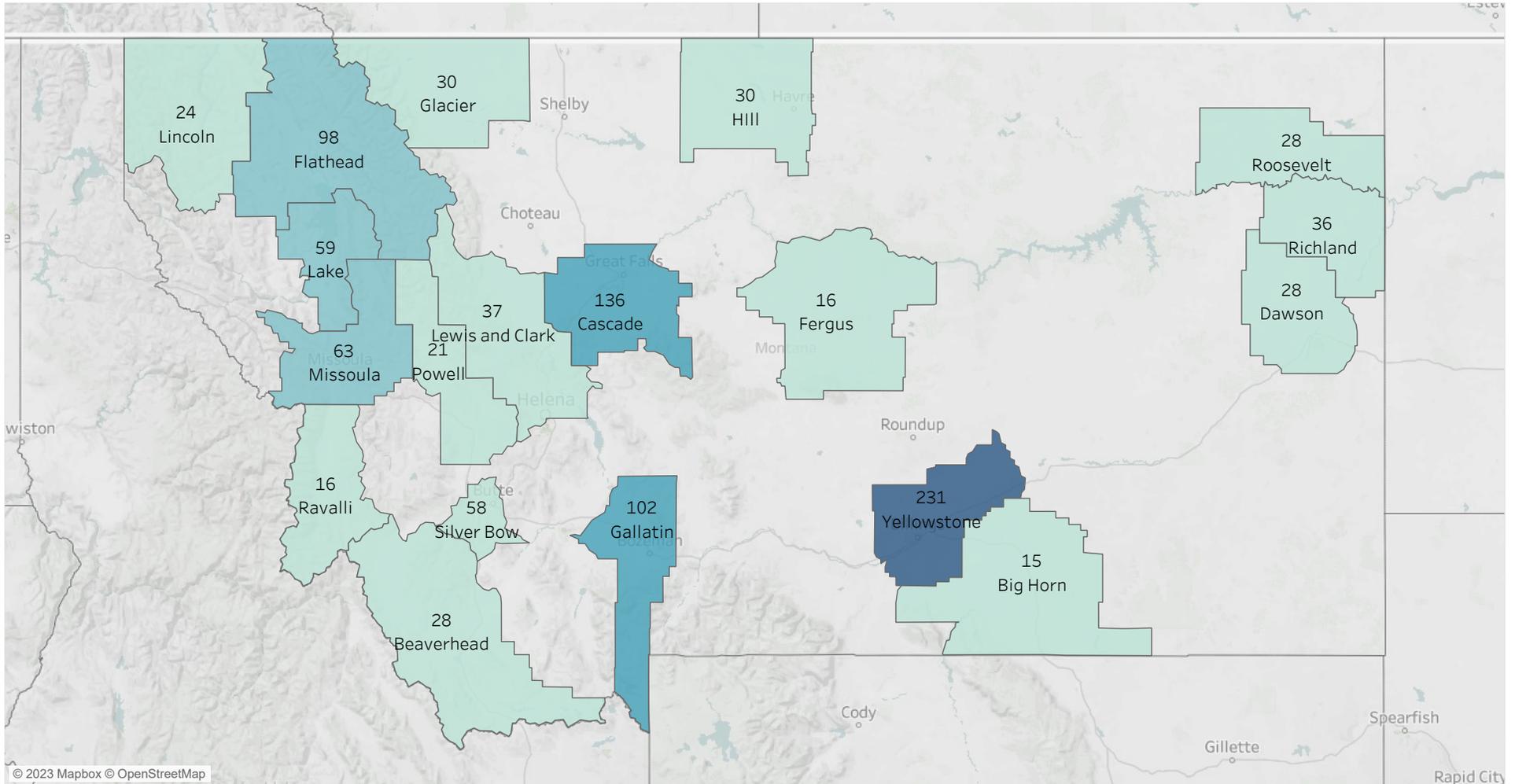
Financing Sources

Hard Loan
Soft Loan
State HOME
State NHTF
Other
Other
Other
Deferred Dev Fee
HC Equity Competative
HC Equity Non-Competative
Total Sources:
% of Project Financed by HC:

	1,461,000	900,000	851,302	2,918,976	850,000
		720,000			
	118,754	33,647	-	-	223,470
	5,524,448	2,527,853	5,576,220	1,831,802	5,524,448
	\$ 7,104,202	\$ 4,181,500	\$ 6,427,523	\$ 4,750,778	\$ 6,597,918
	77.76%	60.45%	86.76%	38.56%	83.73%

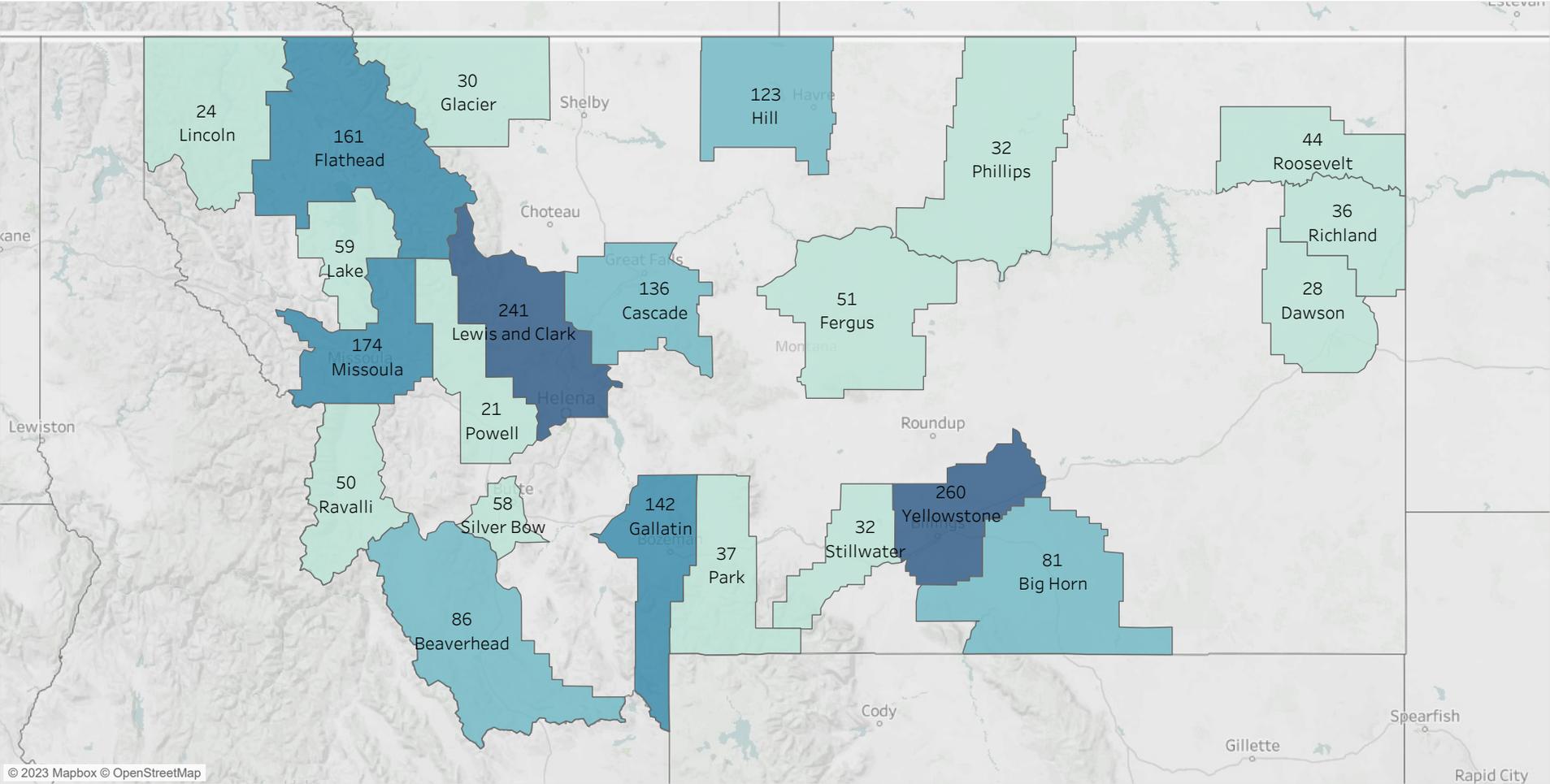
City	Butte	Missoula	Bozeman	Bozeman	Hamilton
County	Butte-Silver Bow	Missoula	Gallatin	Gallatin	Ravalli County
Project Name	The Grand Apartments	Bridge Apartments	7th and Aspen 9%	7th and Aspen (4%)	Riverstone Senior Res
Costs versus Sources					
Total Project Costs	\$ 7,104,202	\$ 4,181,500	\$ 6,427,523	\$ 4,750,778	\$ 6,597,918
Total Financing Sources	\$ 7,104,202	\$ 4,181,500	\$ 6,427,523	\$ 4,750,778	\$ 6,597,918
Difference	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Sale of HTC					
HTC Requested	\$ 6,500,000	\$ 3,009,650	\$ 6,350,000	\$ 2,081,593	\$ 6,500,000
HTC Equity	\$ 5,524,448	\$ 2,527,853	\$ 5,576,220	\$ 1,831,802	\$ 5,524,448
HTC Return on Sale	0.85	0.84	0.88	0.88	0.85
Per Unit Comparison					
	Limits				
Cost per unit total	n/a	\$ 296,008	\$ 209,075	\$ 279,458	\$ 329,896
Cost per unit residential only	\$350,000	\$ 296,008	\$ 209,075	\$ 279,458	\$ 329,896
Cost per unit Const / Rehab	n/a	\$ 131,882	\$ 113,500	\$ 171,367	\$ 218,416
Credits per unit	n/a	\$ 270,833	\$ 150,483	\$ 276,087	\$ 325,000
Per Square Foot Comparison					
Construction / Rehab per sq ft	\$ 108	\$ 146	\$ 205	\$ 209	\$ 227
Total Project Cost per sq ft	\$ 243	\$ 268	\$ 334	\$ 341	\$ 343
Credits per sq ft	\$ 296	\$ 193	\$ 330	\$ 149	\$ 338
Credits per sq ft (residential only)	\$ 296	\$ 193	\$ 330	\$ 149	\$ 338
Utilities Paid by (Tenant / Owner)					
	Tenant	Owner	Tenant	Tenant	Owner
Market Study Data:					
Units needed for Targeted AMI's	24	1,096	4,210	4,210	148
Development Evaluation Criteria and Selection					
Lower Income Tenants					
Income and Rent Level Targeting.	60.0%	30.0%	Yes, Weighted below 53%	Yes, Weighted below 53%	YES
Project-Based Rental Subsidy.	NO	YES	NO	NO	NO
Project Characteristics					
Amenities	Grocery & Medical	Medical Services	Grocery Store	Grocery Store	Grocery & Medical
Small Town/Tribal Designation Area	Small Town	na	na	na	Small Town
Affordable Housing Stock	na	Preservation	na	na	na
Historic Preservation	Historic Preservation	na	na	na	na
Local Involvement					
Community Input	Local Community Input	Local Community Input	Local Community Input	Local Community Input	Local Community Input
Qualified Census Tract / Local Community Revitalization Plan	QCT & Local Plan	na	QCT & Local Plan	QCT & Local Plan	na
Communication / Relationships	Local Entity Participation				
Green & Energy Stds					
	Green & Energy Std Met				
Tenant Populations					
Family Projects	Family Project	Family Project	Family Project	Family Project	na
Elderly Projects	na	na			Elderly Project

No. of Units of New 9% Projects by County - Last 10 Years



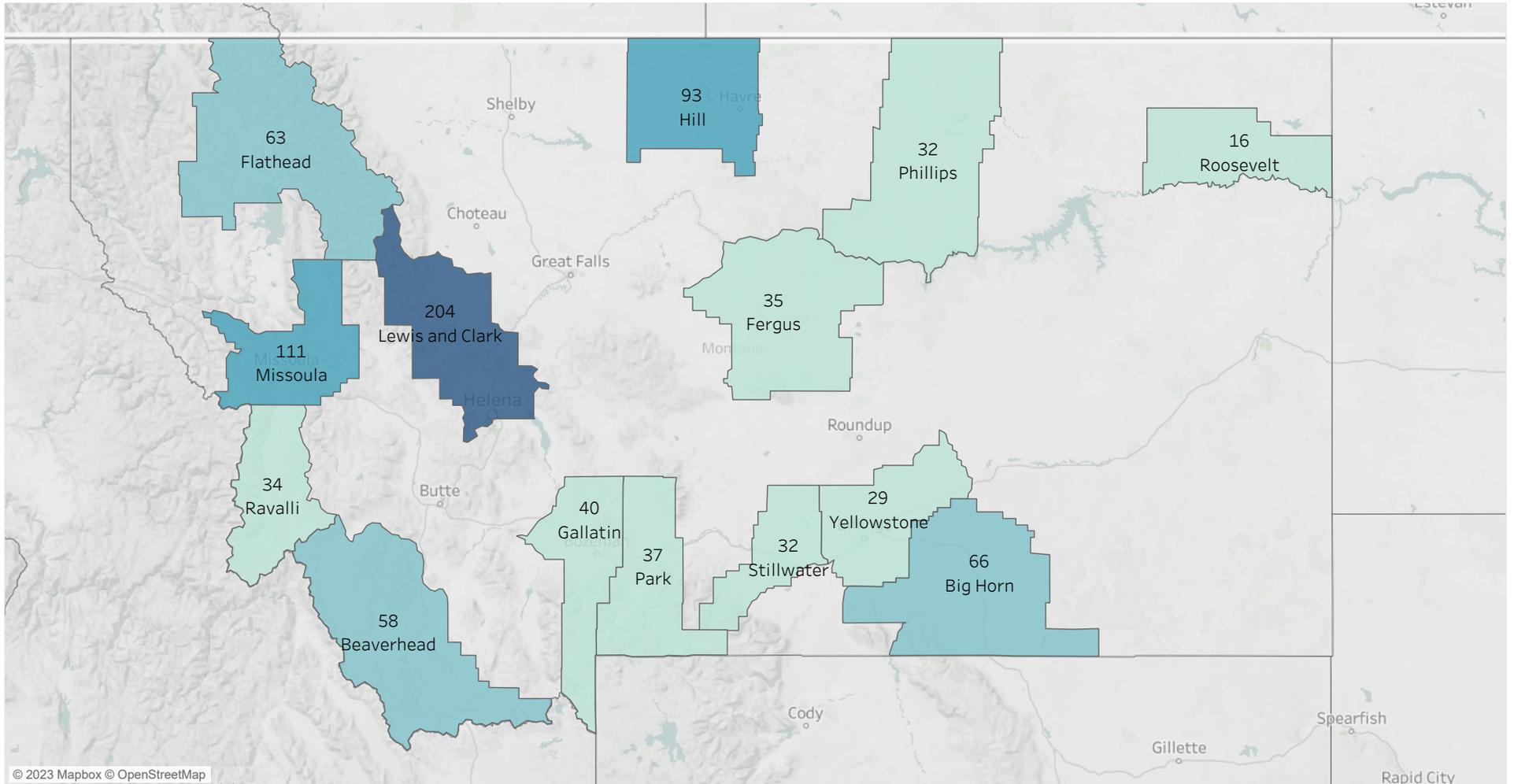
Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Map based on Longitude (generated) and Latitude (generated). Color shows sum of No. of Units. The marks are labeled by County and sum of No. of Units. Details are shown for County. The data is filtered on Credit Type, Year Allocated and ACTIVE or INACTIVE. The Credit Type filter keeps 4%. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active.

No. of units of 9% projects by County - Last 10 years



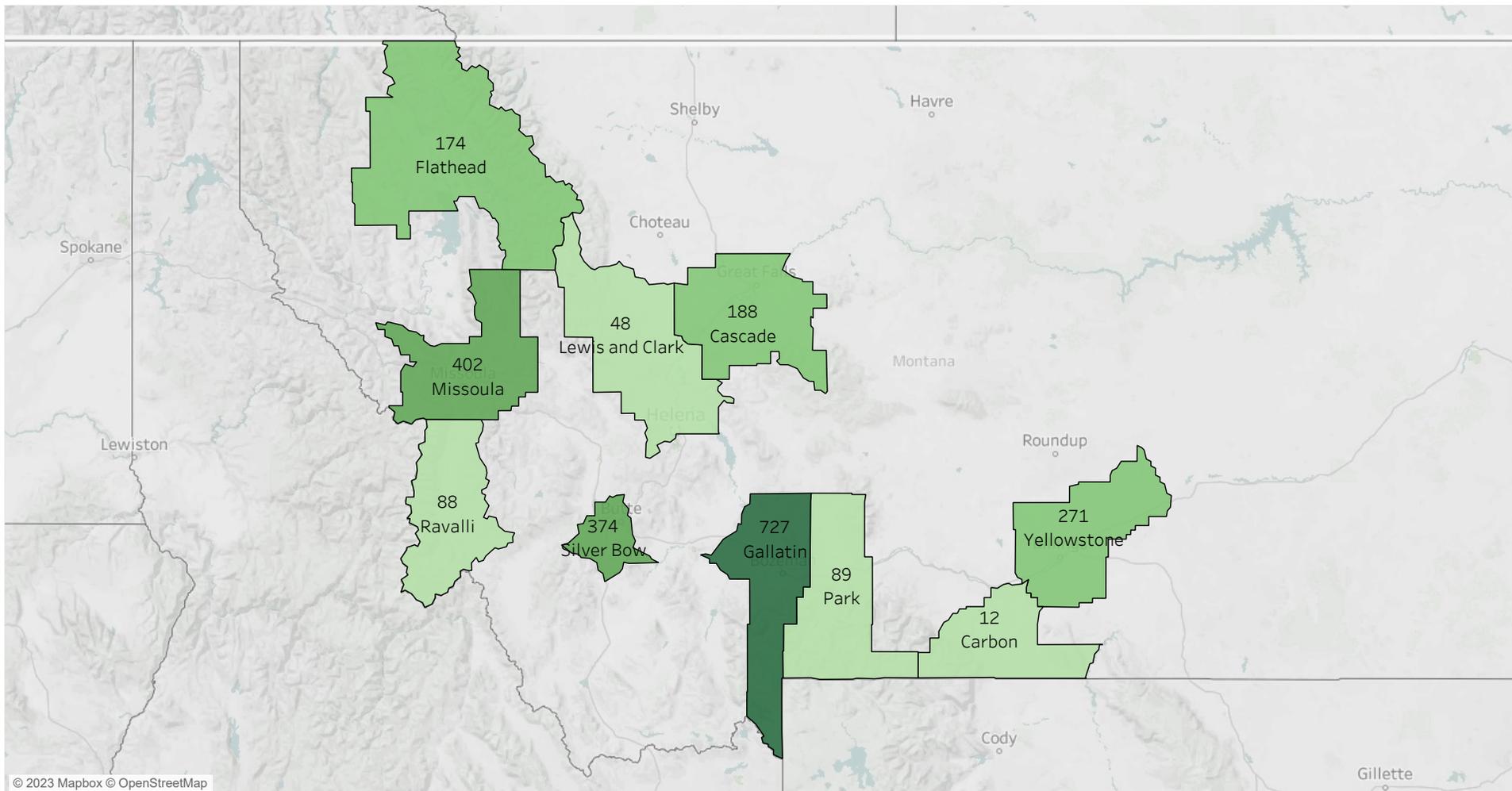
Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Map based on Longitude (generated) and Latitude (generated). Color shows sum of No. of Units. The marks are labeled by sum of No. of Units and County. Details are shown for County. The data is filtered on Credit Type, Year Allocated and ACTIVE or INACTIVE. The Credit Type filter keeps 9%. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active.

No. of Units of Acq/Rehab 9% Projects by County - Last 10 Years



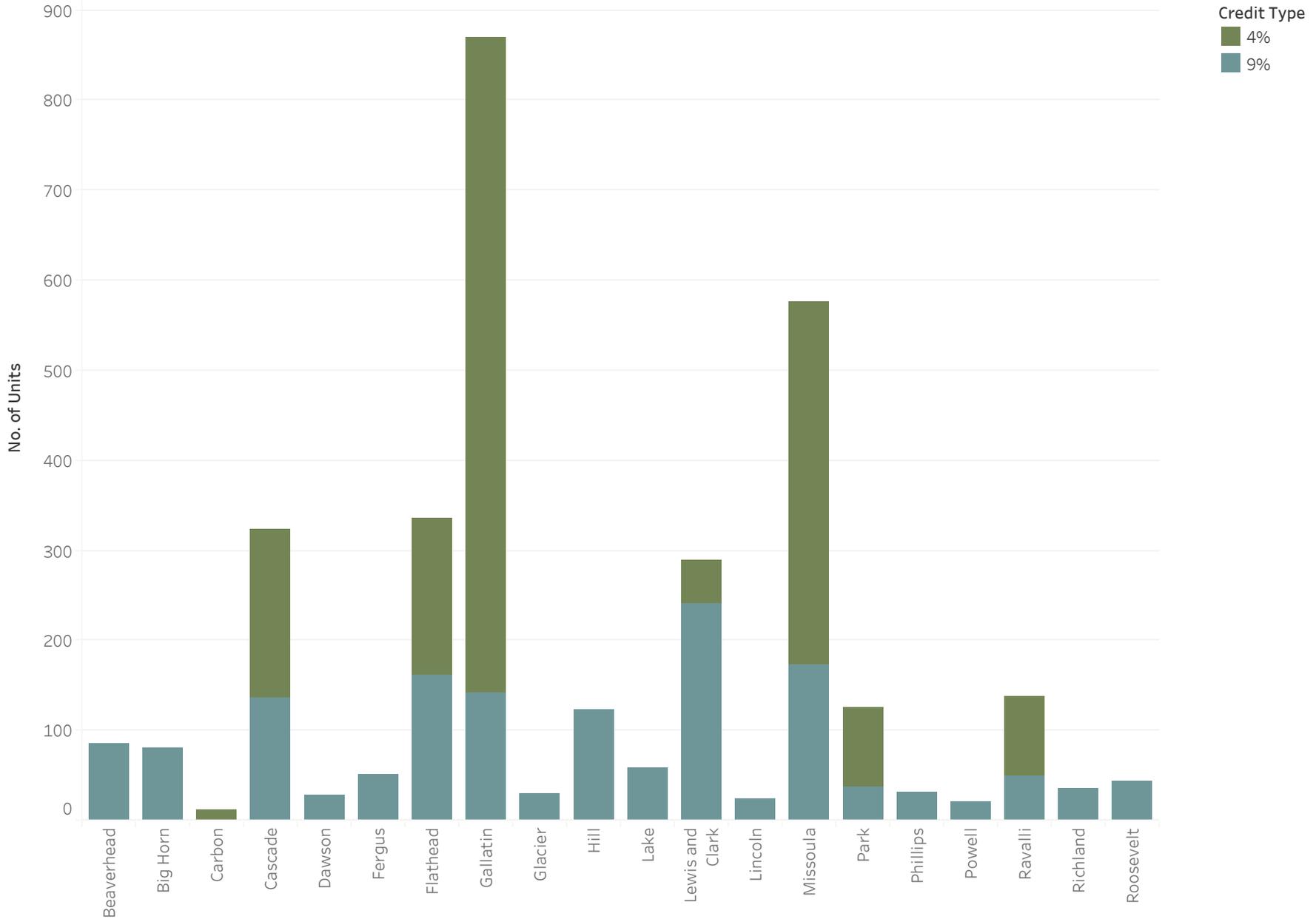
Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Map based on Longitude (generated) and Latitude (generated). Color shows sum of No. of Units. The marks are labeled by County and sum of No. of Units. Details are shown for County. The data is filtered on Credit Type, Year Allocated and ACTIVE or INACTIVE. The Credit Type filter keeps 4%. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active.

No. of units of 4% projects by County - Last 10 Years



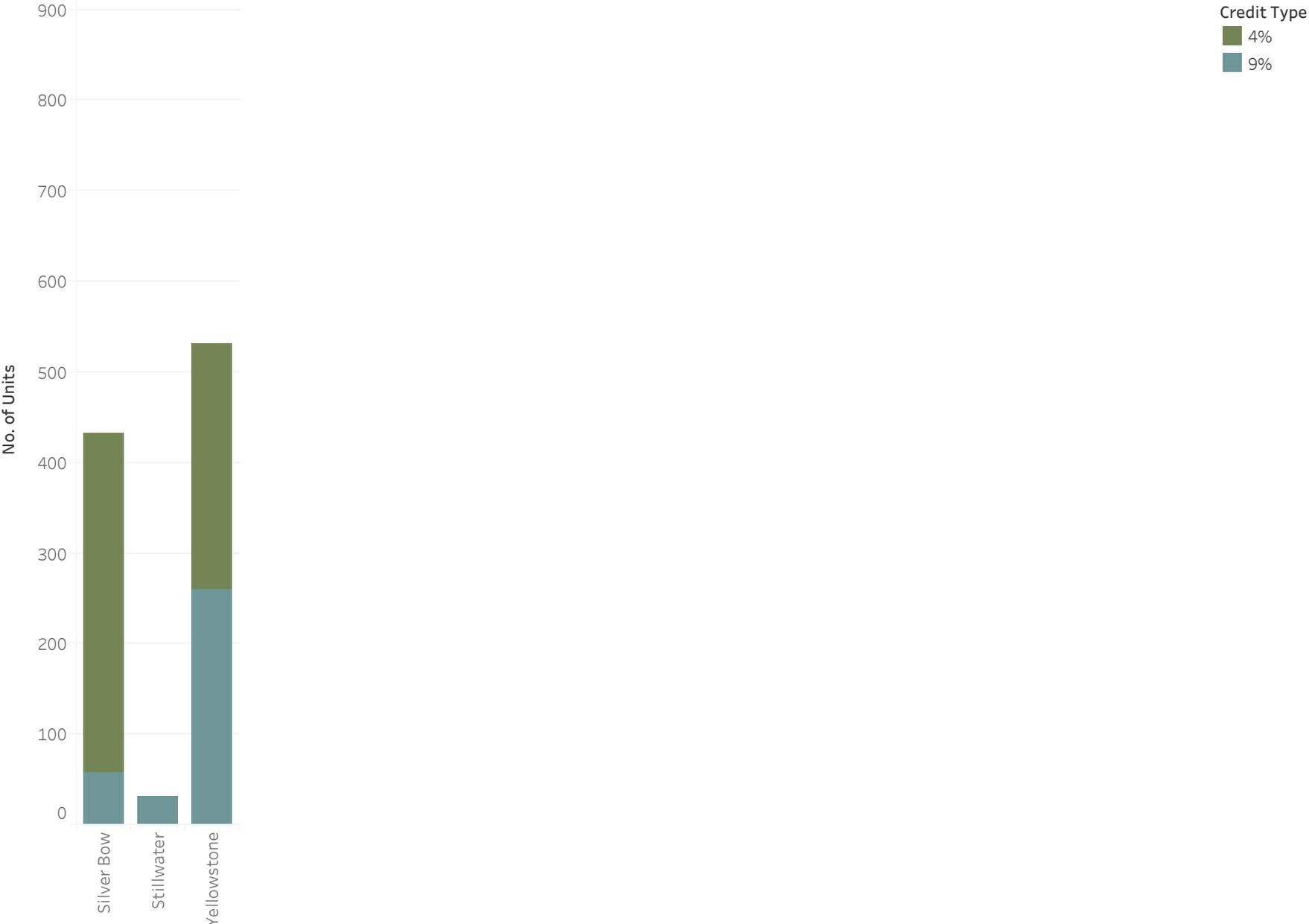
Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Map based on Longitude (generated) and Latitude (generated). Color shows sum of No. of Units. The marks are labeled by County and sum of No. of Units. Details are shown for County. The data is filtered on Credit Type, Year Allocated and ACTIVE or INACTIVE. The Credit Type filter keeps 4%. The Year Allocated filter ranges from 2015 to 2022. The ACTIVE or INACTIVE filter keeps Active.

4% & 9% Projects by County - Last 10 years



Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Sum of No. of Units for each County. Color shows details about Credit Type. The data is filtered on Year Allocated and ACTIVE or INACTIVE. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active. The view is filtered on Credit Type, which keeps 4% and 9%.

4% & 9% Projects by County - Last 10 years



Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Sum of No. of Units for each County. Color shows details about Credit Type. The data is filtered on Year Allocated and ACTIVE or INACTIVE. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active. The view is filtered on Credit Type, which keeps 4% and 9%.

Geographic Region	Geographic Location	Population 2010	Population 2020	Population 2021	Total 9% HC Homes Created	Total 4% Bond Homes Created	% of 2020 State Population	% of Statewide 9% Homes
Statewide	Total	989,415	1,084,225	1,104,271	6,422	3,551	100.00%	100.00%
Beaverhead	Total	9,246	9,371	9,524	110	0	0.86%	1.71%
	Dillon	4,134	3,880	3,976	110	0	0.36%	1.71%
Big Horn	Total	12,865	13,124	12,957	98	0	1.21%	1.53%
	Crow Agency	1,616	1,657		58	0	0.15%	0.90%
	Hardin	3,505	3,818	3,685	40	0	0.35%	0.62%
Blaine	Total	6,491	7,044	6,980	110	0	0.65%	1.71%
	Chinook	1,203	1,185	1,175	12	0	0.11%	0.19%
	Fort Belknap	1,293	1,567		87	0	0.14%	1.35%
	Hays	843	996		11	0	0.09%	0.17%
Carbon	Total	10,078	10,473	10,847	33	12	0.97%	0.51%
	Joliet	595	577	599	1	12	0.05%	0.02%
	Red Lodge	2,125	2,257	2,339	32	0	0.21%	0.50%
Cascade	Total	81,327	84,414	84,511	414	349	7.79%	6.45%
	Great Falls	58,505	60,442	60,403	414	349	5.57%	6.45%
Chouteau	Total	5,813	5,895	5,916	10	0	0.54%	0.16%
	Fort Benton	1,464	1,449	1,511	10	0	0.13%	0.16%
Custer	Total	11,699	11,867	11,916	53	0	1.09%	0.83%
	Miles City	8,410	8,354	8,397	53	0	0.77%	0.83%
Daniels	Total	1,751	1,661	1,686	11	0	0.15%	0.17%
	Scobey	1,017	999	1,024	11	0	0.09%	0.17%
Dawson	Total	8,966	8,940	8,904	28	0	0.82%	0.44%
	Glendive	4,935	4,873	4,871	28	0	0.45%	0.44%
Deer Lodge	Total	9,298	9,421	9,491	10	0	0.87%	0.16%
	Anaconda	9,298	9,421	9,491	10	0	0.87%	0.16%
Fergus	Total	11,586	11,446	11,617	75	0	1.06%	1.17%
	Lewistown	5,901	5,952	6,048	75	0	0.55%	1.17%
Flathead	Total	90,928	104,357	108,454	719	421	9.63%	11.20%
	Big Fork	4,270	5,118		55	0	0.47%	0.86%
	Columbia Falls	4,688	5,308	5,545	56	36	0.49%	0.87%
	Kalispell	19,927	24,558	26,110	460	385	2.27%	7.16%
	Whitefish	6,357	7,751	8,492	148	0	0.71%	2.30%
Gallatin	Total	89,513	118,960	122,713	598	727	10.97%	9.31%
	Belgrade	7,389	10,460	11,608	92	0	0.96%	1.43%
	Big Sky	2,308	3,591		25	0	0.33%	0.39%
	Bozeman	37,280	53,293	54,539	449	727	4.92%	6.99%
	Manhattan	1,520	2,086	2,128	16	0	0.19%	0.25%
	Belgrade.				16	0		0.25%
Glacier	Total	13,399	13,778	13,785	217	0	1.27%	3.38%
	Browning	1,016	1,018	1,007	149	0	0.09%	2.32%
	Browning & Heart Butte				35	0		0.55%
	Cut Bank	2,869	3,056	3,046	14	0	0.28%	0.22%
	Cutbank				19	0		0.30%
Hill	Total	16,096	16,309	16,179	225	32	1.50%	3.50%
	Box Elder	87	85		33	0	0.01%	0.51%
	Havre	9,310	9,362	9,314	192	32	0.86%	2.99%
Lake	Total	28,746	31,134	32,033	334	0	2.87%	5.20%
	Arlee	636	720		10	0	0.07%	0.16%
	Elmo	180	244		10	0	0.02%	0.16%
	Pablo	2,254	2,138		101	0	0.20%	1.57%
	Polson	4,488	5,148	5,357	137	0	0.47%	2.13%

Population Source: Data compiled 8/30/2022 by the Research & Information Services Bureau (RIS), MT Dept of Commerce.

Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet.

Population 2010, Population 2020, Population 2021, Total 4% Bond Homes Created, Number of 9% HC Projects, Total 9% HC Homes Created, Percent of State 9% Units and % of 2020 State Population broken down by Geographic Region and Geographic Location. Filtered by Active and Comp Fulfilled. Credit Type filtered keeping 4% and 9%.

Geographic Region	Geographic Location	Population 2010	Population 2020	Population 2021	Total 9% HC Homes Created	Total 4% Bond Homes Created	% of 2020 State Population	% of Statewide 9% Homes
Lake	Ronan	1,871	1,955	2,142	67	0	0.18%	1.04%
	St. Ignatius	842	768	786	9	0	0.07%	0.14%
Lewis and Clark	Total	63,395	70,973	72,223	587	48	6.55%	9.14%
	Fort Harrison (Helena)				42	0		0.65%
	Helena	28,190	32,091	33,120	545	48	2.96%	8.49%
Lincoln	Total	19,687	19,677	20,525	34	0	1.81%	0.53%
	Libby	2,628	2,775	2,903	34	0	0.26%	0.53%
Madison	Total	7,691	8,623	1,718	48	0	0.80%	0.75%
	Big Sky	2,308	3,591		48	0	0.33%	0.75%
Meagher	Total	1,891	1,927	1,964	10	0	0.18%	0.16%
	White Sulphur Springs	939	955	1,052	10	0	0.09%	0.16%
Mineral	Total	4,223	4,535	4,860	32	0	0.42%	0.50%
	St. Regis	319	313		8	0	0.03%	0.12%
	Superior	812	830	884	24	0	0.08%	0.37%
Missoula	Total	109,299	117,922	119,533	849	667	10.88%	13.22%
	Lolo	3,892	4,399		40	0	0.41%	0.62%
	Missoula	66,788	73,489	74,822	809	667	6.78%	12.60%
Park	Total	15,636	17,191	17,473	79	89	1.59%	1.23%
	Livingston	7,044	8,040	8,386	79	89	0.74%	1.23%
Petroleum	Total	494	496	519	6	0	0.05%	0.09%
	Winnett	182	188	194	6	0	0.02%	0.09%
Phillips	Total	4,253	4,217	4,192	32	0	0.39%	0.50%
	Malta	1,997	1,860	1,847	32	0	0.17%	0.50%
Powell	Total	7,027	6,946	6,999	45	24	0.64%	0.70%
	Deer Lodge	3,111	2,938	2,935	45	24	0.27%	0.70%
Ravalli	Total	40,212	44,174	45,959	212	112	4.07%	3.30%
	Corvallis	976	1,125		0	36	0.10%	0.00%
	Darby	720	783	828	0	16	0.07%	0.00%
	Hamilton	4,348	4,659	4,905	166	60	0.43%	2.58%
	Stevensville	1,809	2,002	2,092	46	0	0.18%	0.72%
Richland	Total	9,746	11,491	11,283	56	0	1.06%	0.87%
	Sidney	5,191	6,346	6,197	56	0	0.59%	0.87%
Roosevelt	Total	10,425	10,794	10,821	110	0	1.00%	1.71%
	Poplar	810	758	773	42	0	0.07%	0.65%
	Poplar/Wolf Point				24	0		0.37%
	Wolf Point	2,621	2,517	2,611	28	0	0.23%	0.44%
	Wolf Point/Culbertson				16	0		0.25%
Rosebud	Total	9,233	8,329	8,124	71	0	0.77%	1.11%
	Forsyth	1,777	1,647	1,591	36	0	0.15%	0.56%
	Lame Deer	2,052	1,897		35	0	0.17%	0.55%
Sanders	Total	11,413	12,400	12,959	9	0	1.14%	0.14%
	Plains	1,048	1,106	1,157	9	0	0.10%	0.14%
Sheridan	Total	3,384	3,539	3,527	4	0	0.33%	0.06%
	Medicine Lake	225	244	245	4	0	0.02%	0.06%
Silver Bow	Total	34,200	35,133	35,411	159	434	3.24%	2.48%
	Butte	33,525	34,494	34,768	159	434	3.18%	2.48%
Stillwater	Total	9,117	8,963	9,044	64	0	0.83%	1.00%
	Absarokee	1,150	1,000		64	0	0.09%	1.00%
Sweet Grass	Total	3,651	3,678	3,723	24	0	0.34%	0.37%
	Big Timber	1,641	1,650	1,673	24	0	0.15%	0.37%
Toole	Total	5,324	4,971	5,011	24	0	0.46%	0.37%

Population Source: Data compiled 8/30/2022 by the Research & Information Services Bureau (RIS), MT Dept of Commerce.

Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet.

Population 2010, Population 2020, Population 2021, Total 4% Bond Homes Created, Number of 9% HC Projects, Total 9% HC Homes Created, Percent of State 9% Units and % of 2020 State Population broken down by Geographic Region and Geographic Location. Filtered by Active and Comp Fulfilled. Credit Type filtered keeping 4% and 9%.

Geographic Region	Geographic Location	Population 2010	Population 2020	Population 2021	Total 9% HC Homes Created	Total 4% Bond Homes Created	% of 2020 State Population	% of Statewide 9% Homes
Toole	Shelby	3,376	3,169	3,153	24	0	0.29%	0.37%
Treasure	Total	718	762	768	12	0	0.07%	0.19%
	Hysham	312	276	278	12	0	0.03%	0.19%
Valley	Total	7,369	7,578	7,537	6	0	0.70%	0.09%
	Glasgow	3,250	3,202	3,180	6	0	0.30%	0.09%
Yellowstone	Total	147,972	164,731	167,146	868	636	15.19%	13.52%
	Billings	104,170	117,116	117,445	809	586	10.80%	12.60%
	Laurel	6,718	7,222	7,180	59	50	0.67%	0.92%
Jefferson	Total	11,406	12,085	12,470	36	0	1.11%	0.56%
	Boulder	1,183	1,201	1,214	36	0	0.11%	0.56%

Population Source: Data compiled 8/30/2022 by the Research & Information Services Bureau (RIS), MT Dept of Commerce.

Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet.

Population 2010, Population 2020, Population 2021, Total 4% Bond Homes Created, Number of 9% HC Projects, Total 9% HC Homes Created, Percent of State 9% Units and % of 2020 State Population broken down by Geographic Region and Geographic Location. Filtered by Active and Comp Fulfilled. Credit Type filtered keeping 4% and 9%.

No. of Units by Project Name - Last 10 Years

Credit Year	Credit Type	Project Name	City	No. of Units
2014	9%	Apsaalooke Warrior	Crow Agency	15
		Cedar View	Malta	32
		Chippewa Cree Homes	Box Elder	33
		Sunset Village	Sidney	36
		Voyageur Apartments	Great Falls	38
		Yellowstone Commons (Pearson Place)	Glendive	28
2015	4%	Larkspur Commons 4%	Bozeman	136
	9%	Antelope Court	Havre	30
		Cascade Ridge II (See Add'L Credits In 2016)	Great Falls	16
		Gallatin Forks	Manhattan	16
		Guardian Apartments	Helena	118
		River Ridge	Missoula	70
		Stoneridge Apartments	Bozeman	47
		Sweet Grass Commons	Missoula	27
2016	4%	River Run Apartments 4%	Great Falls	96
	9%	Big Sky Villas	Belgrade	24
		Cascade Ridge II - Additional Allocation See 2015 Orig	Great Falls	
		Little Jon Rehab (resyndicated)	Big Fork	31
		North Star (see add'L credits 2018)	Wolf Point	
		Red Fox	Billings	30
		Valley Villas	Hamilton	34
2017	4%	Big Sky Manor resynd 4%	Kalispell	60
		Rockcross 4%	Great Falls	92
	9%	Blackfeet VI	Browning	30
		Gateway Vista	Billings	24
		Polson Landing	Polson	35
		Rockcross 9%	Great Falls	32
		Roosevelt Villas (see add'L credits 2018)	Wolf Point/Culbertson	
2018	4%	Copper Ridge 4%	Butte	32
		Starner Gardens 4%	Billings	101
	9%	Bluebunch Flats (see add'l credits 2019)	Livingston	37
		Copper Ridge 9% (includes orig + add'L credit)	Butte	32
		Cottonwood Creek (see add'l credits 2019)	Deer Lodge	21
		Courtyard Apartments	Kalispell	32
		Freedoms Path (refreshed credits fr 2016)	Ft Harrison (Helena)	42
		Meadows Senior	Lewistown	35
		North Star (see orig credits 2016)	Wolf Point	28
		Roosevelt Villas (see orig credits 2017)	Wolf Point/Culbertson	16
Starner Gardens 9%	Billings	40		
2019	4%	Red Alder 4%	Helena	48
	9%	Alpenglow	Whitefish	38
		Bluebunch Flats (see original credits 2018)	Livingston	
		Chapel Court	Billings	54
		Cottonwood Creek (see orig credits 2018)	Deer Lodge	
		Meadowlark Vista	Ronan	24
Oakwood Village	Havre	60		

Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Sum of No. of Units broken down by Measure Names vs. Year Allocated, Credit Type, Project Name and Project City. The data is filtered on Year Allocated and ACTIVE or INACTIVE. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active.

No. of Units by Project Name - Last 10 Years

Credit Year	Credit Type	Project Name	City	No. of Units
2019	9%	Red Alder 9%	Helena	37
2020	4%	Arrowleaf Park Apartments 4%	Bozeman	136
		Elm Street 4%	Butte	35
		Emporda 4%- Resyd Courtyard I & II	Corvallis	36
		Leggat 4%	Butte	30
		Perennial Park Apartments 4%	Bozeman	96
		Ponderosa Acres 4%	Billings	120
		Rosalie Manor 4%	Butte	65
		Silver Bow 4%	Butte	212
	9%	Burnt Fork Place	Stevensville	16
		Fire Tower Apts	Helena	44
		Homestead Lodge	Absarokee	32
		Pioneer Meadows	Dillon	28
		Skyview	Missoula	36
		Timber Ridge Apts (9% of 4/9)	Bozeman	30
2021	4%	Bitterroot Valley Apts (old Bitt Comm2 of 2, 4% of 4/9)**Resyd	Darby	16
		Bitterroot Valley Apts (old Mtn View (1 of 2, 4% of 4/9)**Resyd	Hamilton	36
		Boulevards Apts 4%	Bozeman	41
		Castlebar 4%	Bozeman	72
		Darlinton Manor Apts 4%	Bozeman	100
		Miles Building 4%	Livingston	40
		Sherwood Apts 4%	Livingston	49
		Trinity 4%	Missoula	202
		Villagio 4%	Missoula	200
	9%	Apsaalooke HA Homes I	Crow Agency	43
		Creekside Commons	Kalispell	36
		Crowley Flats(orig credits see add'l credits above)	Lewistown	16
		Jackson Court 9%	Billings	38
		Laurel Depot	Laurel	19
		MRM Unified Campus	Billings	29
2022	4%	Comstock Apts (resyn Comstock I, II, II)	Bozeman	86
		Junegrass Place 4%	Kalispell	114
		Spruce Grove_Joliet 4%	Joliet	12
		Spruce Grove-Laurel 4%	Laurel	50
	9%	Baatz Perm Supp Apts	Great Falls	25
		Bicentennial Apts	Dillon	58
		Crowley Flats (add'l credits see orig below)	Lewistown	
		Junegrass Place 9%	Kalispell	24
		Riverview Apts	Big Sky	25
		Tapestry Apts	Billings	26
2023	9%	ANHA LIHTC #2	Crow Agency	23
		Cabinet Aff Housing	Libby	24
		Carter Commons	Great Falls	25
		Creekside Apartments 9%	Missoula	41
		Meadowlark	Butte	26

Housing Credit Information Source: Montana Board of Housing TC-SUM spreadsheet. Sum of No. of Units broken down by Measure Names vs. Year Allocated, Credit Type, Project Name and Project City. The data is filtered on Year Allocated and ACTIVE or INACTIVE. The Year Allocated filter ranges from 2014 to 2023. The ACTIVE or INACTIVE filter keeps Active.



Letter of Intent Narrative

April 10, 2023

Montana Board of Housing
PO Box 200528
Helena, MT 59620-0528

RE: HC-LOI (Housing Credit - Letter of Intent)

Dear Board of Montana Housing:

The property being submitted is as follows:

Property Name:	Polson Gardens
City:	Polson
County:	Lake County
Developer:	Housing Solutions, LLC
Developer Contact Info:	Alex Burkhalter 406-203-1558 alex@housing-solutions.org
General Partner Owner:	HS Polson Gardens, LLC
Management Company:	Infinity Management and Investments, LLC
HC Consultant:	Not applicable
Property Type (Family/Senior):	Senior / New Construction
Profit/Non-profit:	Profit
Minimum Set-aside:	40/60

Some board members may recall this proposal being brought before the Board in 2021. In that round, the project missed an invitation to submit a full application by only one vote. This motivated us to bring this back for its second LOI submission. Polson Gardens would serve senior residents in Polson (age 55+) by bringing 20 new homes to the community. We are proposing five single story four-plex buildings for a total of 10 two-bedroom homes and 10 one-bedroom homes. We chose the four-plex development style because we felt it better accommodates the large size of the site and fits well with the surrounding housing types.

The City of Polson fully supports this project and has expressed willingness to put its resources behind the project through up to as much as \$160,000 in TIF funding. This type of local buy in both leverages the tax credit dollars and is a large component to the beginnings of a successful project. We have also sought and expect to receive support from the Confederated Salish & Kootenai Tribes for this proposal as Polson Gardens will benefit members of the S&K community as well.

Some of the challenges Polson faces in creating new affordable housing comes from its proximity to Flathead Lake. Local builders and tradesmen have work booked out for months, and sometimes years, with out of state clients building vacation or seasonal homes in the area. For those projects, budgets and costs are no obstacle, so there is little to no capacity left for entry level or rental homes to be brought to market. It’s exactly due to some of these factors that the Polson Growth Policy 2016 (the most recent

growth policy) on page 24 notes the cost burden for renters in the area. More specifically, page 85 of the growth policy mentions the goal of encouraging development of additional housing units for low-income, rental and elderly populations which is the exact type of housing Polson Gardens would bring to the community.

Compounding to these issues is the fact that Polson has not received a senior tax credit award for over 20 years. The last senior award in Polson was Sunnyslope Vista in 2002¹.

The site itself is in a great location on Hillcrest/Seventh Ave. E. near downtown Polson and adjacent to the walking trail. The local Super 1 Foods, Healthcare Plus Pharmacy, Glacier Bank and other amenities are within walking distance for residents. The heart of downtown Polson is also less than a mile away with the senior center being well under a mile and within walking distance as well.

The mini market study shows that there are 254 eligible senior households in the primary market area yielding a very low 8.2% penetration rate (Mini MS - Pages 7-8). These 254 eligible households translate to a new unit demand for 84 new senior homes needed in the primary market area today (Mini MS - Page 7). Furthermore, the need for senior homes in the community is projected to remain strong over the next couple of years with the senior (age 55+) age group projected to account for 57% of the households in the primary market area in 2025 (Mini MS - Page 5). Historically, the senior age group has also accounted for much of the growth in the primary market area with the 65-74 age range showing 4.3% population growth from 2010-2023 relative to the next highest growth rate for those under 55+ of 1.4% for the 35-44 age band during the same period (Mini MS - Page 4).

Polson Gardens itself will include an on-site manager and community gardens. These spaces are both cost efficient to build and well-loved at our other senior properties. They provide a sense of community for the residents and are a critical part of our senior communities.

The size of each home at 715 SF for a one bedroom and 850 SF for a two bedroom will be slightly larger than our typical senior home which is another benefit of the four plex style. The in-home amenities will be similar to our other senior proposals. The individual homes will include all standard appliances including a double sink with garbage disposal, dishwasher, microwave, and in unit washer and dryer. The bathrooms will have a mix of tubs and showers. Monthly rent will *include all utilities* with rates ranging from \$595-\$890 for a one-bedroom home and \$715-\$1,070 for a two-bedroom home.

The same longstanding development team is prepared to develop this project. Alex Burkhalter of Housing Solutions, LLC has over 20 years of experience developing with Housing Tax Credits in Montana. The Construction Team also has over 20 years of experience with Housing Tax Credit properties. The property will be managed by Infinity Management and Investment LLC, a professional management firm with over 30 years of experience managing all types of affordable housing, including Housing Tax Credit properties.

The development team is positioned to take the project from housing tax credit award to serving seniors in Polson throughout the compliance period. As always, we are aware of how difficult it is to make these decisions and we would urge you to carefully consider this project. Please don't hesitate to reach out with any questions about Polson Gardens.

Sincerely,



Alex Burkhalter

¹ All references to past awards taken from MBOH Current List of Tax Credit Properties Excel file <https://housing.mt.gov/Multifamily-Development/websitepropertylist.xlsm> (accessed 4/10/23)

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	Polson Gardens
Project Market Area:	Lake County

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom			
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

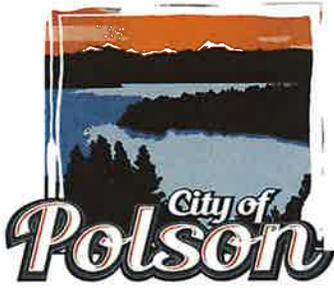
miles to grocery store (convenience store does not count)

miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



CITY OF POLSON

Office of the City Manager
106 1st Street E. | Polson, MT 59860
T: 406-883-8207 | F: 406-883-8238
E: citymanager@cityofpolson.com
W: www.cityofpolson.com

May 9, 2023

Tyler Currence
Housing Solutions LLC
PO Box 2099
Missoula, MT 59806

RE: Polson Shores
Senior Affordable Housing

Dear Chair Rice & Members of the Board:

On behalf of the City of Polson, I am pleased to submit this letter of support for the proposed Polson Gardens affordable housing project. Northwest Montana's rapid population growth has left Polson with a significant lack of supply in the housing market. The proposed project will construct 20 residential units for affordable senior living.

The location of this project on 7th Ave E. provides access to existing public infrastructure, the Carol Sherick Walking Trail, proximity to downtown Polson, and other amenities. In addition, the project resides within the city's urban renewal district and could be eligible for Tax Increment Fund District grants. If this proposal is invited forward, we look forward to discussing with the developer the possibility of utilizing TIF funding for eligible activities within the Polson Gardens development.

For these reasons, we would like to offer our support for the Polson Gardens project. Please keep me updated as this project progresses, and please reach out if I can be of any assistance.

Respectfully,


Ed Meece
City Manager



LAKE COUNTY HOUSING ASSISTANCE OFFICE



Housing Assistance Programs Provided by

Lake County Community Housing Organization and City of Ronan Housing Authority

P.O. Box 146

111 - 2nd Avenue SW

Ronan, MT 59864

Telephone: 406-676-5900

Fax: 406-676-5903

TTY-TDD: 711

E-mail: housing@ronan.net

<http://www.lakecountyhousing.org>

April 24, 2023

Chair Rice & Members of the Board
Montana Housing
301 S. Park Ave., Ste. 240
Helena, MT 59620-0528

RE: Polson Gardens

Dear Chair Rice & Members of the Board:

I am writing to express support for the Polson Gardens project. This proposal would bring 20 much needed senior homes to the community. [REDACTED]

Lake County Community Housing's mission is to provide safe, accessible, and affordable housing to the residents of Lake County, Montana. As the local housing authority for the majority of Lake County we see the extreme need for new senior housing daily. Rents and home prices in Lake County have rapidly increased over the past couple of years due to influx of renters and homeowners moving here from out of state. This shift in population has driven an even greater need for new affordable housing.

The location of this project off of 7th Ave. in particular is excellent. The proposal would be centrally located near the senior center, downtown Polson, grocery and other services in the area. The single story four plex style of the development would fit in well with community and provide privacy to the residents.

Thank you for your consideration of Polson Gardens and the need for these new homes in Polson.

Sincerely,

Ramonda Addington
Operations Manager

LCCHO is an equal opportunity provider and employer.

To file a Civil Rights program complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 voice, or (202) 720-6382 (TDD)

Letter of Intent Narrative

May 10, 2023

Montana Board of Housing
PO Box 200528
Helena MT 59620-0528

RE: HC-LOI (Housing Credit – Letter of Intent)

Dear Board of Housing:

This letter with attachment meets the requirements of the Qualified Allocation Plan as it relates to submission of a “Letter of Intent.” The proposed project will be a new construction project consisting of 45-units of affordable housing in Helena, Montana, to be known as Twin Creek Apartments (“the Project”). The Project being submitted is as follows:

Name:	Twin Creek Apartments
City:	Helena
County:	Lewis and Clark
Developer/General Partner:	United Housing Partners LLC
Project Type:	Family
Set-aside:	General

Project Description:

United Housing Partners LLC (UHP) proposes to construct 45-units of affordable housing on a 1.76-acre tract of land located at the west corner of Alice Street and Dorothy Street. The Project is a twinned 4% / 9% Low Income Housing Tax Credits (LIHTC) project that will serve a wide range of residents through income averaging, with nine apartments for residents earning 30% or below of the Average Median Income (AMI), six apartments for residents earning 50% or below the AMI, and the remaining 30 apartments for residents earning 70% or below the AMI.

The Project is located within close proximity to various services and amenities such as the Walmart Supercenter & Pharmacy (1.5 miles), Riverwood Health Montana Urgent and Primary Care (1.4 miles), Big Lots (1.4 miles), and St. Peter’s Hospital (3.1 miles).

The tract is appropriately zoned B-2 for “high-density residential uses” as stated in the 2019 City of Helena’s Growth Policy and abuts to R-4 zoning near Janet Park and north of the South Helena Interchange. The Project will utilize multiple financing avenues in addition to 9% and 4% LIHTCs and follow the requirements of Montana Housing’s 2024 Qualified Application Plan (QAP).

As UHP’s principal and lead developer, Tyson O’Connell has over twelve years of experience developing affordable housing throughout the country and recently returned to Helena, where he was born and raised, to complete the rehabilitation of Fire Tower Apartments. UHP is headquartered in Missoula, with an office in Helena, and many of its team members and consultants have also worked with Wishcamper Development Partners LLC. Together, we have over 25 years of combined experience in LIHTC and affordable housing development.

Financing Plan and Use of Tax Credits:

The Project will utilize a construction/permanent loan, Helena Affordable Housing Trust Funds (HAHTFs), National Housing Trust Funds (NHTFs), Tax Exempt Bonds, as well as LIHTC equity. With the uncertainty of financing today, UHP has had proactive discussions with some of the industry’s leading equity and debt providers to assure that its assumptions and project parameters are attainable. UHP has applied to the City of Helena for HAHTF funding, and if invited to apply for the full application round of LIHTCs, hopes to have received the HAHTF award prior to submitting the full LIHTC application in August.

Twin Creek Apartments is a twinned 4% / 9% LIHTC project that will maximize the reach of competitive tax credits using other funding sources to ensure the Project is successfully built and leased with long term affordable restrictions. The two projects will be separated by building.

- The 9% project (Building 1) is 20 apartments, five 1-bedroom, seven 2-bedroom, and eight 3-bedroom units. The rent restrictions for this unit mix will be four 30% AMI units (one 1-, one 2-, and two 3-bedrooms), six 50% AMI units (two 1-, two 2-, and two 3-bedrooms), and ten 70% AMI units (two 1-, and four 2- and 3-bedrooms).
- The 4% project (Building 2) is 25 apartments, seven 1-bedroom, ten 2-bedroom, and eight 3-bedroom units. The rent restrictions for this unit mix will be five 30% AMI units (two 1-, two 2-, and one 3-bedrooms), six 60% AMI units (two 1-, two 2-, and two 3-bedrooms), and fourteen 70% AMI units (three 1-, six 2-, and five 3-bedrooms).

Our third-party mini market study shows the need, our proforma and economic analysis shows the financial viability, and our timeline and experience show our capacity to complete the Project. Most importantly, this project will demonstrate clear alignment with the priorities and goals of both the City of Helena and Montana Housing.

Anticipated Amenities and Justification for Need:

Affordable housing continues to be one of the state’s largest development shortcomings. In October 2022, Governor Gianforte said, “I think this affordability and attainability of housing is probably the biggest issue facing working families in Montana,”¹ and he created a Housing Task Force in 2022 to help find housing solutions. Governor Gianforte has also recently said that the affordable housing crunch is primarily a “supply side problem.”²

As the capital city, Helena is no exception in its need to expand the number of safe, efficient, and functional homes available to the most vulnerable demographic of our population. Through careful and widespread vetting and research, the UHP team has identified the Project as fitting the most urgent criteria to meet the affordable housing demands of the community. Rocky Mountain Development Council Inc. (“Rocky”), owns and manages 400 affordable apartments in the area and has expressed the need for workforce and family apartments as a greater need than senior specific homes. Twin Creek Apartments is designed around this need and provides an appropriate mix of one-, two-, and three-bedroom apartments. This has also been confirmed through a third-party party mini-market study that shows great need and demand for the proposed unit-mix and income levels.

The Project will incorporate minimal irrigation landscaping and include a playground and green space. All homes will include energy efficient appliances, low flow toilets, LED lighting, and air conditioning.

UHP also intends to offer residents in-unit washers/dryers and a limited number of reserved carport spaces as optional amenities.

Sincerely,

Tyson O’Connell
<https://uhousingpartners.com>
Tyson@uhousingpartners.com
406-531-4745

¹ <https://montanafreepress.org/2022/10/27/gianforte-pushes-trades-education-construction-as-housing-affordability-fixes/>

² https://news.mt.gov/Governors-Office/Governor_Gianforte_Shares_Priorities_to_Further_Improve_States_Business_Climate#:~:text=%E2%80%9CThe%20biggest%20issue%20facing%20working,more%20affordable%2C%20attainable%20housing.%E2%80%9D

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	Twin Creek Apartments
Project Market Area:	Helena, MT

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom	N/A for Mini Study		
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

miles to grocery store (convenience store does not count)

miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



Letter of Intent Narrative

April 10, 2023

Montana Board of Housing
PO Box 200528
Helena MT 59620-0528

RE: HC-LOI (Housing Credit - Letter of Intent)

Dear Board of Housing:

This letter with attachment meets the requirements of the Qualified Allocation Plan as it relates to submission of a "Letter of Intent" and if invited will be eligible to submit a full application.

The property being submitted is as follows:

Property Name:	Timber Meadows
City:	Polson
County:	Lake
Developers:	Immanuel Lutheran Communities & CR Builders, LLC
Developer Contact Info:	Jason Cronk
Email & phone #:	jcronk@ilcorp.org & (406) 261-8125
General Partner Owner:	"ILC Holdings, LLC"
Management Company:	Syringa Property Management
HC Consultant:	Mountain Plains Equity Group, Inc.
Property Type (Family/Senior):	Senior
Profit/Non-profit:	Non-profit
Minimum Set-aside:	
20/50 _____	
40/60 <u> X </u>	
Average Income _____	

Property Description:

Immanuel Lutheran Communities ("Immanuel Lutheran Communities", "Immanuel" or "ILC") is a Montana 501(c)(3) nonprofit organization located in Kalispell, MT, with the express goal of offering senior living communities that demonstrate compassion, provide excellence in care, and respect the value of each resident. ILC was organized in 1953 to provide housing and healthcare services to older adults in Northwest Montana. Today, the community consists of 147 independent living residences, 74 assisted living residences, and 155 licensed skilled nursing beds with 123 licensed beds in operation.

The Timber Meadows development will be located on land owned by Immanuel Lutheran Communities in Polson, Montana. Timber Meadows will allow residents in the Polson community to live in a comfortable apartment close to family and friends in the community they call home. As currently envisioned, the development will be a 2-story structure that will house twelve (12) one-bedroom apartments and twelve (12) two-bedroom apartments. Of the 24 units, 20 will be LIHTC units and 4 will be market rate units.

Immanuel Lutheran

— COMMUNITIES —

In addition to the Timber Meadows apartment residences, it is Immanuel's vision to develop assisted living and memory support residences on land adjacent to Timber Meadows within the existing Mission Bay Housing Development. Further, the overall masterplan contemplates additional development, including the potential for a restaurant for the public, a salon/spa, multi-family, and workforce housing.

Once completed, Timber Meadows will be managed by Syringa Property Management.

Anticipated Amenities and justification for need:

To create quality affordable housing, each of the 24 apartment residences at Timber Meadows will include a full kitchen with an oven and cook top, microwave, refrigerator, dishwasher, window blinds, carpeting, washer and dryers, outdoor patio, and heating and air conditioning. All appliances will be Energy Star rated. In addition to the previously mentioned in-unit amenities, the project will also include an elevator, a community room, a fitness room, and a large outdoor community patio area. Residents of Timber Meadows will have priority access to assisted living and skilled nursing services on the existing Immanuel Lutheran Communities campus in Kalispell. The amenities package that will be offered at Timber Meadows will allow the project to compete well in the marketplace, while providing the residents with a comfortable living environment. Over and above the project's amenities, the project site is in close proximity to many amenities and is less than five minutes' drive from the heart of Polson and the shoreline of beautiful Flathead Lake. The site is also adjacent to newer, single-family homes and is just east of Polson Bay Golf Course.

Immanuel Lutheran Communities' mission is to create vibrant communities where residents live engaged, purposeful lives in a compassionate, Christian environment dedicated to dignity and vitality throughout life, and the addition of Timber Meadows to the community of Polson will allow Immanuel Lutheran Communities to continue to advance its mission by investing further in the Flathead Valley in a way that will enable residents to thrive financially, spiritually, and relationally.

Your consideration of this proposal is greatly appreciated. Should you have any questions or would like additional information concerning the Timber Meadows project or Immanuel Lutheran Communities, please feel free to contact me directly at 406-261-8125. If you'd like to learn more about our organization and the work we are doing, please visit our website at <https://www.ilcorp.org/>.

Sincerely,



Jason R. Cronk
President & CEO
Immanuel Lutheran Communities

Attachments:

- Letter of Intent Property Information Spreadsheet
- Mini Market Study

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	Timber Meadows
Project Market Area:	Lake County

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom			
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

miles to grocery store (convenience store does not count)
 miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).

Letter of Intent Narrative

April 10, 2023

Montana Board of Housing
PO Box 200528
Helena MT 59620-0528

RE: 9% Housing Credit - Letter of Intent **Mitchell Court**

Dear Board of Housing:

This letter with attachment meets the requirements of the Qualified Allocation Plan as it relates to submission of a "Letter of Intent" and if invited will be eligible to submit a full application.

The property being submitted is as follows:

Project Name:	<u>Mitchell Court</u>
City:	Billings
County:	Yellowstone
Developer:	GL Development
General Partner:	TBD LLC
Management Company:	Syringa Property Management
HC Consultants:	Anderson Consulting Services & North Fork Development
Property Type (Family/Senior):	Family / New Construction
Profit/Non-profit:	Profit
Minimum Set-aside:	40/60

Property Description:

Mitchell Court will be a new family housing development consisting of 30 rental homes Billings' residents can afford targeting tenants at 50% and 60% of AMI. Mitchell Court will offer 12 one-bedroom, 16 two-bedroom, and 2 three-bedroom homes, and it will be located in the heart of Billings at 4154 Mitchell Ave - within walking distance of public parks, schools, and opportunities like the Boys and Girls Club of Billings. A walking path running along the north edge of the property provides easy access to Billings public transportation.

Anticipated Amenities and justification for need:

There is a clear and growing need for new affordable homes for families in the Billings market. According to the mini market study, Billings has an immediate need for an additional 1,131 new housing units serving households making between 0 and 60% of AMI. Furthermore, the mini market study shows Billings is expected to gain 315 households per year through 2028, meaning Billings will need an additional 2,706 units by 2028 if additional housing serving 0-60% AMI households.

As the mini market study shows, there are currently only 93 new family LIHTC units planned or under construction. If all 93 units come online in 2023, Billings will still lack 1,038 affordable homes, let alone

keep pace with the year-over-year demand increase. It is critical to maintain a pipeline of new affordable housing developments to avoid falling farther behind.

According to the adopted 2022-2023 City of Billings Annual Action Plan, over 80% of low-income households have been paying more than 30-50% of their income for housing costs, and it notes that, according to HomeFront, (the local public housing authority formerly known as the Housing Authority of Billings) there were over 5,500 households on waiting lists for public housing. Further, the City of Billings has specifically stated that one of their goals is to, "Expand access and availability of decent, affordable housing citywide; improve the physical quality of affordable housing; and foster suitable living environment and quality of life through the improvement of physical conditions include infrastructure for housing projects and housing developments."

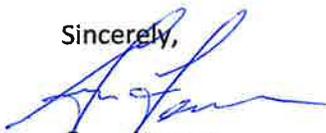
Net monthly rents will range from \$659 to \$881 per month for one-bedroom, \$856-\$1,047 for two-bedroom, and \$980 - \$1,200 for three-bedroom apartments, serving the 3,428 Billings households that the mini market study says can afford the proposed rent. These same low-income families struggle to afford market rents; Mitchell Court will help the City of Billings move closer to serving its residents needs and meeting its stated objectives.

As proposed, Mitchell Court will have two buildings, with accessible ground floor apartments. All apartments will offer air conditioning, energy efficient appliances including a refrigerator, oven/range, microwave, dishwasher, and in-unit washer/dryers. Project design will include sustainable construction practices and energy efficient building designs and components, durable finishes, community space, play area, and easy access all the services and amenities Billings has to offer through its fixed bus route.

An adjacent development serving Billings' South Side income-eligible residents, known as Jackson Court, will offer 38 of the 93 affordable apartments currently under development when it comes online later this year. This project has been a catalyst for other investment in this historically underserved part of Billings, and it's allocation of \$643,500 annual LIHTCs has leveraged \$7,522,025 in other state, local, and private financing. Siting another development in such proximity will allow these two projects to share resources park space, outdoor common areas, playgrounds and jointly shoulder reduced costs such as rental office space, maintenance and grounds keeping because of the economy of scale. Integrating Mitchell Court and Jackson Court in this way will ensure a greater portion of the scarce LIHTC and other subsidies necessary to develop affordable housing are spent directly on housing rather than unnecessarily duplicating amenities and add-ons.

Please contact me at (406) 459-5332 or gleuwer1139@msn.com with questions.

Sincerely,



Gene Leuwer
GL Development

Enclosed Attachments:

Letter of Intent Attachment Spreadsheet
Mini Market Study

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	Mitchell Court
Project Market Area:	City of Billings

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom	N/A for Mini Study		
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

miles to grocery store (convenience store does not count)
 miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



Letter of Intent Narrative

Date: April 10, 2023

Montana Board of Housing
PO Box 200528
Helena, MT 59620-0528

RE: HC-LOI (Housing Credit – Letter of Intent)

Dear Board of Housing:

This letter with attachments meets the requirements of the Qualified Allocation Plan as it relates to submission of a "Letter of Intent" and if invited will be eligible to submit a full application.

The project being submitted is as follows:

Name: Elmore Roberts
City: Great Falls
County: Cascade
Developer: Community Preservation Partners, LLC (CPP)
General Partner Owner: CPP – Elmore Roberts GP, LLC
Managing General Partner: FFAH V Elmore Roberts, LLC
Management Company: FPI Management
HC Consultant: N/A
Project Type: Family
Set-aside: 40% of eligible units at 60% AMI

Project Description:

Elmore Roberts is a 60-unit family community located in Great Falls, MT. This property is not currently in the LIHTC program but does benefit from two HUD Mod-Rehab contracts covering 100% of the units (less manager's unit). The contracts are set to expire on December 27, 2023, and January 31, 2024, respectively, putting the property at-risk of losing its affordability and converting to a market rate property, potentially displacing 60 families. Built in 1917, the property has been admitted to the National Register of Historic Places administered by the National Park Service. The historic 4-story building consists of a commercial ground floor, 3 residential floors located directly above the commercial space, and an underground basement. There is a leasing office and laundry facility located on the ground floor. The property also provides uncovered open parking and a playground.

CPP is seeking a 9% tax credit award to acquire, rehabilitate and preserve the affordability of this property. Because the existing affordability restrictions expire in less than 1-year, Elmore Roberts is considered a Preservation Project. In order to preserve the very low-income units and prevent displacement of the residents, CPP will guide the project through the RAD conversion process with HUD and put in place a new 20-year HAP contract while simultaneously encumbering the property with a new LURA to ensure affordability for a minimum of 50 years under the LIHTC program.



In addition to 9% tax credit equity, a new conventional loan, federal and state historic tax credits, local Great Falls TIF funds, deferred developer fee and net operating income will be used to finance the project. The property will also benefit from a property tax exemption. The project will target 100% of residents at 50% AMI, thereby exceeding the property tax exemption requirement that at least 50% of units be targeted at 50% AMI. If awarded, the applicant will move in earnest to finalize the RAD conversion process with HUD and complete the historic tax credit application. Acquisition closing/construction commencement is targeted for March 2024.

Post-rehabilitation units will include energy star rated refrigerators, stoves and ceiling fans. New low VOC vinyl plank flooring will be installed, along with LED lighting fixtures, formaldehyde free cabinets and counters, low VOC paint and low flow plumbing fixtures. Exteriors will be updated with new energy rated windows, paint, roof replacement and siding repair. ADA path of travel to all common area facilities will be designated and the parking lot resurfaced. Additional work will focus on preserving the façade and original elevator as well as other historical features of the property both on the interior and exterior.

Market conditions for Elmore Roberts shows strong demand, the mini market study's PMA evidences a low average vacancy of 0.8%. The low-income property currently is 95% leased and does not face lease up risk. The mini market study did assume an 85% tenant retention rate post-rehabilitation for an overall capture rate of 1.3%. The capture rate indicates that the property would be fully absorbed quickly upon rehabilitation completion.

CPP is an established preservation developer, actively promoting, preserving and assisting existing owners with recapitalizing and revitalizing their affordable housing portfolios since 2004. CPP has successfully acquired, developed, and rehabilitated over 11,000 units of affordable multifamily housing across the US, including in Montana. FPI Management, formed in 1968, specializes in the management of affordable housing with a current portfolio of over 1,000 low-income properties including five in MT. They have expertise and experience in addressing the complex eligibility and reporting requirements often associated with diverse financing of tax credit properties and project-based Section 8 transactions.

Anticipated Amenities and justification for need:

The redevelopment plan for Elmore Roberts will include amenities focused on improving the residents' quality of life. We plan to make use of the abundant ground floor space to build a community room so that it may be more functional for residents. The community space will be used to host social programming and encourage residents to gather which will create a stronger community. The community space will also provide a business center/computer lab and library to expand tenant resources for job searching and educational needs, while inspire positive interactions with their neighbors. Sitewide Wi-Fi will be provided to the residents free of charge, which is a valuable amenity that will also allow residents to further their education, help in searching for jobs, and expand their communication skills. Post-rehabilitation Elmore Roberts will implement a smokefree policy and video surveillance will be installed. An updated playground, along with a barbeque and seating area will be provided for the residents to enjoy.

If you have any questions, please contact me at (209) 981-4595 or rkucich@cpp-housing.com.

Sincerely,

Ryan Kucich
Senior Development Manager

714.662.5565 | 714.662.4412 F
17782 Sky Park Circle, Irvine, California 92614



Mini Market Study Summary

The mini market study must clearly identify the following on a summary sheet.

Average (comparable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

0 Bedroom	\$ _____	_____ %	
1 Bedroom	\$ <u>745</u>	<u>-34.99</u> %	
2 Bedroom	\$ <u>893</u>	<u>-32.24</u> %	
3 Bedroom	\$ _____	_____ %	
4 Bedroom	\$ _____	_____ %	Reference Page: <u>23</u>
# of New Units Needed:	<u>663</u>		Reference Page: <u>29</u>
Vacancy Rate:	<u>0.8</u> %		Reference Page: <u>24</u>
Capture Rate:	<u>1.3</u> %		Reference Page: <u>29</u>
(projected income eligible tenants who will move in next year/proposed units)			
Units Needed in Market Area:	<u>663</u>		Reference Page: <u>29</u>
Absorption Rate:	<u>N/A</u>		Reference Page: <u>22</u>
(proposed units/existing LIH, market area units required)			
Penetration Rate:	<u>1.3</u> %		Reference Page: <u>N/A</u>
(existing LIH units/total eligible households)			
Number of LI households that can afford rent of proposed project:	<u>663</u>		Reference Page: <u>29</u>

Distances to essential services as listed in Development Evaluation Criteria #3.

List of essential services must contain the list below and list the distance:

Grocery store, public schools, Senior Center, Bank, Laundromat (only if washer/dryer not included in unit or onsite), Medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.), Pharmacy services appropriate and available to all prospective tenants, Gas station and/or convenience store, Post Office, Public Park, Shopping (department, clothing or essentials – does not include convenience store), and Public Library. Reference Page: 16



Narrative – The Grand Apartments

Project Name: The Grand Apartments

Project Address: 120 W Broadway St. Butte, MT 59701

Property Type: Acquisition Rehab/ Historical Preservation



The Grand Apartments will be an Acquisition Rehab/ Historical Preservation development located in uptown Butte, which has a significant shortage of affordable housing. This development will not only meet the town's needs of adding affordable housing stock but is also in line with Butte's adapt and reuse existing structures initiative while converting the historic Grand Hotel to a modern housing project. The Grand will not only be engineered to meet the Enterprise Green

Communities standard but also utilize the existing structure and layout of this historic property. The project will offer many amazing amenities and conveniences such as a walkable uptown location as well as easily accessible bus routes in front of the development. The ground floor will include the office, community room with seating and big-screen TV, fitness room to encourage exercise, a business office with free Wi-Fi, computers, a printer, a lounge area and easy access from the street front. Within each unit, residents will enjoy Luxury Vinyl Plank flooring, LED lighting throughout, solid surface countertops, a full set of appliances with garbage disposal and a washer / dryer.

The project's six-story building will provide amazing views of uptown from each resident's unit. This development has strong support from Butte-Silverbow as well as the local housing authority. Based on the recently released housing needs from the city of Butte we believe this development should be awarded due to the significant housing shortage in the area as well as the renovation and preservation of this iconic structure. The location is ideal in that it has quick

access to the city's amenities, is located in a QCT, Qualified Opportunity Zone, is eligible for Historic Tax Credits and is within the URA District for incentives of revitalization.

Easy access to transportation is key in this development. Butte offers a free bus system which has a stop is outside the front door. The location in Butte's uptown district allows residents easy access to city services, grocery, restaurants, and other retail and entertainment options.

Each unit will be provided with energy star rated appliances for the kitchen. The washer and dryers will also be energy star rated. This project will use enterprise green communities to help overall unit efficiencies.

The development has a high level of support from the town, its residents, and the local businesses. The town will help make sure this development receives funding as well as a quick process of approval for permits.



Summit Housing Group is a highly qualified and experienced LIHTC developer based in Missoula, Montana. In Montana, SHG has developed 9 LIHTC projects as the general partner and managing agent over the last 20 years. SHG has also developed 34 developments throughout Wyoming, South Dakota, Colorado, and Utah. We are owners, developers, and managers with a long-term outlook and a commitment to the communities in which we operate.

If the Grand receives an award of tax credits, we anticipate construction to commence in April 2024 which would put us well within the carryover requirements. The subject parcel is currently zoned and is grandfathered in which means no approvals needed besides the permitted plans. The project's overall financial feasibility is supported by conservative underwriting assumptions as well as the cost of each component of the development. The project's construction and soft costs are based on initial schematic design drawings that have been created by Wallace Architects and reviewed by SHG and CS Structures, the local general contractor.

This project promotes equity in the community by increasing the pool of affordable housing access to residents in the City of Butte. The Grand Apartments in uptown Butte will continue the redevelopment process of older historic structures while providing much needed housing targeted at tenants in the 60% AMI level and below.

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	The Grand Apartments
Project Market Area:	Butte, MT

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom	N/A for Mini Study		
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom			
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

<input style="width: 20px;" type="text"/>	miles to grocery store (convenience store does not count)
<input style="width: 20px;" type="text"/>	miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



April 10th, 2023

RE: Bridge Apartments- Missoula, MT- LOI Narrative 2024 Tax Credit Allocation

Dear Montana Board of Housing Board Members,

The Bridge Apartments has been a cornerstone affordable housing development in the Missoula community since 1997. These apartments were initially developed by Western Montana Mental Health in effort to provide stable housing for the community's most vulnerable population- those suffering from mental health issues and who are unhoused or at risk of homelessness. In 2021, Western Montana Mental Health determined that owning and operating the Bridge Apartments no longer fit the organization's business model, and the development was publicly listed for sale. The City of Missoula, through the Missoula Redevelopment Agency, purchased the development to preserve this crucial affordable housing for the community. Subsequently, the City partnered with Blueline Property Management to manage and operate the property.

Blueline Development is proposing an acquisition and rehab of the existing Bridge Apartments. Since its construction in 1997, the Bridge Apartments has not benefited from rehabilitation and needs substantial capital improvements as a result of deferred maintenance. The current development is comprised of 20 one-bedroom units which will remain unchanged. The proposed rehabilitation activities include replacement of heating and cooling systems, kitchen, appliances, flooring, doors, windows, and other energy-efficient upgrades. A full capital needs assessment will be conducted by a licensed architect to substantiate the proposed scope of work and identify any other upgrades that need to be addressed.

When the City purchased the Bridge Apartments in 2021, it was an effort to preserve affordable housing in the community immediately and a short-term solution. The City is not equipped to be long-term affordable housing owners and operators, so the City entered into an agreement with Blueline Property Management to manage the Bridge Apartments, and it also provided the option to Blueline Development to develop the property. Although the property is currently maintaining its affordability levels, the best option for guaranteeing long-term affordability is to bring the Bridge Apartments into the LIHTC program.

The tenants at the Bridge Apartments currently benefit from Housing Choice Vouchers which are administered through the Missoula Housing Authority. If selected for tax credit funding, the Housing Authority will continue to administer the vouchers and proceed with ensuring they are project-based at the Bridge Apartments. These vouchers are critical to the success of Bridge Apartments as all 20 units of the development will serve those individuals and families making 30% of area median income or less.

The Bridge Apartments is centrally located right downtown Missoula, which is ideal for tenants to benefit from living in close proximity to the amenities that downtown Missoula has to offer. The location offers tenants bus stops, grocery stores, medical facilities, parks, and trails which are all within walking



distance. Additionally, the development is located within a block of the Povorello Center which offers food distribution among many other services to those in need.

The mini-market study conducted by Prior and Associates indicates a great need for affordable housing in Missoula. The study identifies 3,321 income and size qualified renter households and a need for 1,096 additional units in the market area. This equates to a capture rate of 1.8% for Bridge Apartments. Additionally, the study forecasts a stable growth of 0.5% per year through 2028 which will only increase the demand for affordable housing. Preserving the affordability of the Bridge Apartments will help alleviate future affordable housing needs in the community.

The rehabilitation of the Bridge Apartments will consist of replacing major systems, energy efficiency improvements, and livability improvements. The amenity upgrades will include new energy efficient appliances including washers, dryers, dishwashers and garbage disposals. These upgrades will improve the tenants' standard of living as well as increase energy efficiencies. The development will also have an onsite property manager as well as a tenant service coordinator. An onsite property manager and tenant service coordinator are essential for the population that served at the Bridge Apartments.

BlueLine Development's mission is to help communities find solutions to the ever-growing problem of affordable housing. Started in 2011 by Nate Richmond and Kelly Gill, BlueLine Development is a growing team with decades of experience with Low Income Housing Tax Credits and affordable multi-family housing. BlueLine Development's focus is on forming lasting, productive partnerships with local nonprofit organizations and housing authorities looking to expand affordable housing in their communities and has led to over 40 completed developments.

The goal of each development is to provide a comfortable, safe home for those who need it most. BlueLine Development is continuously growing its geographical footprint, developing from the Rocky Mountains to the Northern Plains, and having working experience with a variety of funding sources, from the Affordable Housing Tax Credit Program, AHP funding, Housing Choice Vouchers, RD, HOME, NAHASDA, ARD, and HTF. Each project is as unique as the tenants who inhabit the finished housing, which is why BlueLine Development does not merely rely on its experience with established financial programs, but also concentrates on finding creative funding solutions that are customized to specific, local needs.

Sincerely,

A handwritten signature in blue ink that reads "Jason Boal". The signature is fluid and cursive, written over a light blue horizontal line.

Jason Boal
BlueLine Development, Inc.
Development Manager

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	The Bridge Apartments
Project Market Area:	City of Missoula

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom			
3 bedroom			
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

miles to grocery store (convenience store does not count)

miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).

Brensdal, Bruce

From: crosby@boundarydev.com
Sent: Thursday, April 27, 2023 4:31 PM
To: Brensdal, Bruce
Subject: [EXTERNAL] RE: 7th and Aspen LOI

Bruce,

Thanks for the email. Our project as contemplated as 100% affordable is not feasible with only 4% credits. If we were to structure it entirely as a 4% deal, the project could generate approximately \$4.9 MM in credits, including the basis boost. That leaves a gap of \$6.3 MM and the Project cannot support nearly that much in debt, so we would be left with a gap of \$4 + MM. There are no sources that we are aware of to fill that. The only way that we see this project moving forward is the bifurcated 4/9 as we have structured it. In fact, the deal is barely supportable as currently underwritten with the maximum 9% credits, given where interest rates and costs are today and the minimum coverage required to service the permanent debt.

We are happy to discuss in greater detail / be open book with our numbers.

Thank you,
Crosby

From: Brensdal, Bruce <Bruce.Brensdal@mt.gov>
Sent: Thursday, April 27, 2023 10:56 AM
To: Crosby Branch <crosby@boundarydev.com>
Subject: 7th and Aspen LOI

Crosby:

Please provide a response to the following questions. Your responses will be provided to the Board for their consideration. Why have you chosen to submit this project as a combined 4/9% deal rather than just a 4% bond deal? Is there any way it would work without the 9% allocation?

Thanks.

BRUCE BRENSDAL
Multifamily Program Officer

MONTANA
MONTANA HOUSING
DEPARTMENT OF COMMERCE
M: 406.459.1215 | F: 406.841.2841
[COMMERCE.MT.GOV](https://commerce.mt.gov) | [HOUSING.MT.GOV](https://housing.mt.gov)
 [\[facebook.com\]](https://facebook.com)  [\[youtube.com\]](https://youtube.com)

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Letter of Intent Narrative

Date: **April 10, 2023**

Montana Board of Housing
PO Box 200528
Helena MT 59620-0528

RE: HC-LOI (Housing Credit - Letter of Intent) – **7th and Aspen, Combined 4% and 9%**

Dear Board of Housing:

This letter with attachment meets the requirements of the Qualified Allocation Plan as it relates to submission of a “Letter of Intent” and if invited will be eligible to submit a full application.

The property being submitted is as follows:

Property Name: **7th and Aspen**
City: **Bozeman**
County: **Gallatin**
Developer: **Boundary Development LLC and HRDC**
Developer Contact Info: **Crosby Branch**
-email & phone #: Crosby@boundarydev.com / 763-248-3004

Lila Fleishman
lfleishman@thhrdc.org / 406-585-4943

General Partner Owner: **Midtown Aspen LLC**
Management Company: **HRDC**
HC Consultant: **Walsh Construction Company**
Property Type (Family/Senior): **Family**
Profit/Non-profit: **Profit**
Minimum Set-aside:
20/50 _____
40/60 **X (both projects)**
Average Income _____

Property Description:

Boundary Development and HRDC (together “Developer”) have formed a partnership to develop 40 units of affordable family housing at 7th Avenue and Aspen Street in midtown Bozeman, MT. We are in the middle of a housing crises in Bozeman and Gallatin County with home and rent prices having increased dramatically over the past 3 years as a result of significant in-migration and population growth, and limited affordable housing built. Our proposed Project will have a meaningful impact in the area and provide housing for 40 individuals or families with essentially no viable housing options currently.

The Project will be located in the center of Bozeman on a 1.3-acre parcel that we acquired in January 2023. The Project is located in the Midtown Urban Renewal District which provides excellent access off I-90 and great walkability to Bozeman’s main street and neighborhood amenities. The Midtown area is designated as a Tax Increment Finance District and was recently designated as a Qualified Census Tract, providing additional subsidies that allow the Project to be built in a high-cost area such as Bozeman. In addition to the subsidies, we have received a letter of support to provide \$1.0 MM of low-cost subordinate financing provided by NeighborWorks Montana, a certified Community Development Financial Institution.

The Project will include 40 units in total, and will be divided into two separate condominiums (a “4% Parcel” and “9% Parcel”) and will be financed using both 4% and 9% tax credits as well as tax exempt bonds (on the 4% Parcel only). We have included Letter of Intent applications for both Parcels. Given the higher cost of land / ground rent and construction cost in Gallatin County an award of both credits will be necessary in order to make the project feasible. The units will range in size from 1 to 3 bedrooms and will be offered at rents restricted to 50 – 60% of Average Median Income. Construction costs and interest rates have escalated significantly over the past few years, which will further impact the supply of new housing, worsening the crisis.

To mitigate this substantial inflation, we plan to design and build our project using modular, off-site construction methodologies which can result in 10% savings to the current market pricing, allowing the Project to move forward.

Justification for Need:

Between 2010 and 2022 the population in Bozeman increased by 18,141 or 45%. The population is expected to grow by another nearly 5,000 over the next 5 years. There is very little new affordable housing planned to accommodate that growth and only 644 existing competitive units with essentially no vacancy. Further, Novogradac forecasts an estimated need in the Market Area of 4,210 units. As the City and County grow at a rapid pace, new housing supply cannot keep up with demand, driving local families out of the area. Moreover, the combination of increased housing cost and lack of availability has led to a significant homeless crisis in Gallatin County.

Anticipated Amenities

The building design will incorporate a total of (16) 2-bedroom and 3-bedroom units (40% of total) and more than (4) units targeted for persons with disabilities (10% of total). The units will include Energy Star appliances, locally-sourced wood flooring, open living and kitchen areas, in-unit washer and dryers and great light and views. The building will include on-site parking, bike storage and common open space. Our design will incorporate sustainability principles and conform to the MBOH Green Building requirements. The Project will be developed alongside a larger master-plan on the site that will include retail, hospitality and potentially market rate apartments.

Sponsor overview:

The Project will be developed, owned and managed by Boundary Development and HRDC. **Boundary Development** is a design and innovation-led real estate developer focused on building one of a kind places and delivering creative, high-quality housing solutions. Boundary development currently has \$150 million of Projects in various stages of development.

HRDC is a non-profit Community Action Agency (CAA) dedicated to strengthening community and advancing the quality of people’s lives in southwest Montana. HRDC instills hope, develops resources, designs solutions and changes lives. The HRDC team has completed a total of over \$100 million dollars in housing and public facilities development.

If you have any questions, please contact me at:

Crosby Branch | crosby@boundarydev.com | 763-248-3004

Sincerely,

Crosby Branch

Crosby Branch, Boundary Development



Heather Grenier, President/CEO, HRDC

Required Attachments:

- Letter of Intent Property Information Spreadsheet
- Mini Market Study (full Market Studies will not be accepted)



Mini Market Study Summary

The mini market study must clearly identify the following on a summary sheet.

Average (comparable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

0 Bedroom	\$ ___ - ___	___ - ___%	
1 Bedroom	\$_1,707	___41.6%	
2 Bedroom	\$_1,984	___38.6%	
3 Bedroom	\$_2,185	___33.9%	
4 Bedroom	\$ ___ - ___	___ - ___%	Reference page: <u> 8</u>

of New Units Needed: 6,402 Reference page: 7

Vacancy Rate 1.38% Reference page: 8

Capture Rate 3.8 % Reference page: 5
(projected income eligible tenants who will move in next year/proposed units)

Units needed in market area 4,210 Reference page: 7

Absorption Rate 10.7 % 12 or less months Reference page: 7
(proposed units/existing LIH, market area units required)

Penetration Rate 16.2 % Reference page: 7
(existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project 4,210

Reference page: 4

Distances to essential services as listed in Development Evaluation Criteria #3.

List of essential services must contain the list below and list the distance: 3

Grocery store, public schools, Senior Center, Bank, Laundromat (only if washer/dryer not included in unit or onsite);, Medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.); , Pharmacy services appropriate and available to all prospective tenants , Gas station and/or convenience store, Post Office, Public Park, Shopping(department, clothing or essentials – does not include convenience store), and Public Library.

Note: Service to site not available as a physical site visit has not been made yet.



April 27, 2023

Ms. Sheila Rice, Chair
Montana Board of Housing
PO Box 200528
Helena, MT 59620-0528
RE: 7th and Aspen, Combined 4% and 9%

Dear Chairperson Rice:

We write today to express our support for the 7th and Aspen Low Income Housing Tax Credit Application submitted by Boundary Development in partnership with HRDC IX. The proposed project will provide 40 rental homes affordable to households that live and work in our community, helping to meet a desperate community need.

The Project will be located in the center of Bozeman on a 1.3-acre parcel located in the Midtown Urban Renewal District which provides excellent access off I-90 and great walkability to Bozeman's Main Street and neighborhood amenities. The Midtown area is designated as a Tax Increment Finance District and was recently designated as a Qualified Census Tract, providing additional subsidies that allow the Project to be built in a high-cost area such as Bozeman. Additionally, the development will be served by the updated Streamline Bus routes.

Adding 40 LIHTC homes to this neighborhood would make a meaningful contribution to the legacy of the Sunset Mobile Home Park, which, most recently, hosted 26 units on the site directly adjacent to the proposed Project. Many sites along this coordinator, including the former Sunset Mobile Home Park, have been recently redeveloped with additional projects proposed; there is a tremendous benefit to restoring access to affordable homes for low-income residents in this neighborhood and local employers.

As the Gallatin Valley has experienced extraordinary growth, many of our community members have found themselves struggling to meet the area's increased cost of living, particularly for housing. While our community is permitting a record number of new homes, the cost of labor and materials leads nearly all developers to produce homes that meet the needs of households earning 80% of the Area Median Income or more. Bozeman has a critical need for rental homes that are affordable for households earning less than 60% of the Area Median Income.

Between 2010 and 2022, the population in Bozeman increased by 18,141 or 45%. The population is expected to grow by another nearly 5,000 over the next 5 years. There is very little new affordable housing planned to accommodate that growth, and only 644 existing competitive units with essentially no vacancy. Further, Novogradac forecasts an estimated need in the Market Area of 4,210 units. Housing affordability continually surfaces as a primary community need among our citizens. We hope that the Montana Board of Housing will support this effort.

Respectfully,



Jeff Mihelich
City Manager



Letter of Intent Narrative

April 10, 2023

Montana Board of Housing
PO Box 200528
Helena, MT 59620-0528

RE: HC-LOI (Housing Credit - Letter of Intent)

Dear Board of Montana Housing:

The property being submitted is as follows:

Property Name:	Riverstone Senior Residences
City:	Hamilton
County:	Ravalli County
Developer:	Housing Solutions, LLC
Developer Contact Info:	Alex Burkhalter 406-203-1558 alex@housing-solutions.org
General Partner Owner:	HS Riverstone Senior, LLC
Management Company:	Infinity Management and Investments, LLC
HC Consultant:	Not applicable
Property Type (Family/Senior):	Senior / New Construction
Profit/Non-profit:	Profit
Minimum Set-aside:	40/60

We're excited to bring forward this senior housing proposal for Hamilton as it's been several years in the making. Several years ago, we identified Hamilton as an underserved community by the LIHTC program. Specifically, we noted no new construction LIHTC homes brought to the community since 2009 which was striking given Hamilton's rapid growth. Further, we noted a lack of new senior LIHTC development. This was pointedly confirmed by the mini market study which states that "no new LIHTC units have been completed in the market area since 2000 and the subject will likely be able to draw elderly renters from outside the market area as new affordable senior housing becomes available for the first time in two decades" (Mini MS - Page 11).

After a three-year search for land, we know why it's been over 14 years since a new LIHTC project has been completed in Hamilton and 25 years since a new LIHTC senior development has been completed¹. Land is extremely difficult to find or prohibitively expensive if available. This year, after a multi-year search for the right site, we're excited to bring forward what we believe is a much-needed housing proposal for the community in a great location.

Riverstone Senior Residences would bring 20 new senior homes to Hamilton near the heart of downtown and a neighborhood of mixed housing density. Many amenities are located nearby including Safeway, Bitterroot Drug, Walgreens, Ravalli Family Medicine, USPS, the local public library, Human Resource Council and others. Each of these is located within a mile of the site and many of these are in downtown Hamilton.

Hamilton’s rapid growth in property values over the past several years and high rental rates have been a boon to existing homeowners and landlords but have left many renters including those with lesser means with few options. While Hamilton’s housing crisis may not make the front page news as frequently as some other Montana communities, it has experienced a housing crisis of its own. Many from out of state have discovered the Bitterroot and decided to call it home. Hamilton’s unaffordability is compounded by the fact that the community is projected to continue to grow at a rapid clip. For example, page 1-6 of Envision Hamilton (City of Hamilton Comprehensive Plan) projects a 17% increase in population over the next ten years (2021-2031) for the City of Hamilton. The same plan also states that “As the city grows, a primary concern is the availability of affordable and attainable housing. Growing demand and competition for housing has made it increasingly challenging to not only afford rising rents and home prices but to even find an available space to call home” (Envision Hamilton (City of Hamilton Comprehensive Plan), pg. 1-4). This is none truer than for seniors as 62% of the households in the primary market area (Ravalli County) are 55 and older (Mini MS - Page 5).

The mini market study identifies 447 eligible senior households in the primary market area yielding a very low 5.1% penetration rate (Mini MS - Pages 7-8). These 447 eligible households translate to a new unit demand for 148 new senior homes needed in the primary market area today. These 148 new senior homes needed result in a very low 12.8% capture rate (Mini MS - Page 7). Furthermore, the need for senior homes in the community is expected to continue grow as the senior population (age 55+) is projected to outpace the general population growth rate over the next five years in the primary market area (Mini MS - Page 4).

As for the project itself, Riverstone Senior Residences will be one building with 14 one bedroom and 6 two-bedroom apartment homes with a secured building entry and interior apartment access. The ever-increasing construction costs must still be paid for with the pre-inflation period amount of Housing Credits Montana receives. These rapidly diverging figures results in a project sized to 20 homes. Given the current construction climate, we believe this project still provides good value to the Board. Similar to our existing properties, Riverstone will include an elevator and will have a community room with kitchen, exercise room, community patio area and shared garden. These spaces provide a sense of community for the residents and are a critical part of our senior proposals. The in-home amenities are also similar to our other senior proposals. The individual apartment homes will include all standard appliances including a double sink with garbage disposal, dishwasher, microwave, and in unit washer and dryer. The bathrooms will have a mix of tubs and showers. Monthly rent will *include all utilities* with rates ranging from \$595-\$890 for a one-bedroom home and \$715-\$1,070 for a two-bedroom home.

The same longstanding development team is prepared to complete this project. Alex Burkhalter of Housing Solutions, LLC has over 20 years of experience developing with Housing Tax Credits in Montana. The Construction Team also has over 20 years of experience with Housing Tax Credit properties. The property will be managed by Infinity Management and Investment LLC, a professional management firm with over 30 years of experience managing all types of affordable housing, including Housing Tax Credit properties.

As always, we are aware of how difficult it is to make these decisions and we would urge you to carefully consider this project. Please don’t hesitate to reach out with any questions about this proposal for senior housing in Hamilton.

Sincerely,



Alex Burkhalter

¹ All references to past awards taken from MBOH Current List of Tax Credit Properties Excel file <https://housing.mt.gov/Multifamily-Development/websitepropertylist.xlsx> (accessed 4/10/23)

MARKET STUDY SUMMARY

Market Study Company:	Prior & Associates
Project Name:	Riverstone Senior Residences
Project Market Area:	Ravalli County

Is the project, as proposed, viable?

Average (comparable/achievable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	
0 bedroom			
1 bedroom	N/A for Mini Study		
2 bedroom	N/A for Mini Study		
3 bedroom			
4 bedroom			Reference page: <input style="width: 50px;" type="text"/>
5 bedroom			

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Months to Lease-up: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)

miles to grocery store (convenience store does not count)

miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

A Project is located within 1½ miles of the specified amenity or essential service.

Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or

Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



City of Hamilton
223 South Second Street
Hamilton, MT 59840

May 2, 2023

Chair Rice & Members of the Board
Montana Housing
301 S. Park Ave., Ste. 240
Helena, MT 59620-0528

Re: Riverstone Senior Residences Affordable Housing

Dear Chair Rice & Members of the Board:

The City of Hamilton would like to express its full support for the Riverstone Senior Residences affordable housing project. Hamilton is significantly lacking in affordable housing options for all age groups and in particular for the senior community.

As highlighted throughout the City's 2022 Comprehensive, one of Hamilton's primary concerns as it continues to grow is the availability of affordable and attainable housing. Much of this concern is created by the local land market which is both expensive and in short supply. The particular site proposed for Riverstone near the corner of Flower St. and Skeels Ave. is designated RMU ("Residential Mixed Use") by the City's future land use map and would be an excellent infill location near downtown Hamilton. This site provides convenient access to grocery, medical services and the many other amenities found in downtown Hamilton.

The need for affordable senior housing is made more urgent by the fact that it's been many years since the community has received a new LIHTC affordable housing award while growing at a rapid pace. Hamilton's Comprehensive Plan projects continued rapid growth over the next ten years, with a substantial portion of that growth being among those aged 55+. The Bitterroot Valley and Hamilton in particular are seeing an influx of residents from out of state, and it is becoming increasingly urgent that we provide new affordable homes in our community. We ask that you consider supporting this much needed project.

Sincerely,

Dominic Farrenkopf
Mayor, City of Hamilton
406.363.2101 ext. 213
dfarrenkopf@cityofhamilton.net

BOARD AGENDA ITEM

BOARD MEETING DATE

May 23, 2023

PROGRAM

Multifamily Program

AGENDA ITEM

Bigfork Senior in Bigfork, Bond Resolution approval

BACKGROUND

Bigfork Senior is a 24-unit rent-restricted property located in Bigfork. The property is comprised of 16 one-bedroom units in two apartment buildings. In addition, two single level 4-plex buildings with eight two-bedroom units. This project currently receives rental assistance (R/A) through the USDA RD 515 program. Applicant is budgeting \$57,717 per unit for the property's renovation. This project has submitted a full application that has been reviewed and meets the requirements of the current QAP.

The developer is requesting approval of a bond resolution not to exceed the amount of \$5,000,000.

STAFF RECOMMENDATION (if any)

Staff supports this request.

MOTION OPTION(S)

1. Move to approve resolution 23-0523-MF05 (Bigfork Senior).
2. No motion, proposal fails.

RESOLUTION NO. 23-0523-MF__

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A BORROWING, AND REPAYMENT THEREOF, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$5,000,000; APPROVING A FUNDING LOAN AGREEMENT, BORROWER LOAN AGREEMENT AND OTHER RELATED DOCUMENTS; AUTHORIZING THE EXECUTION OF SUCH DOCUMENTS; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, the Montana Board of Housing (the “Board”) is authorized pursuant to the Montana Housing Act of 1975, Montana Code Annotated, Sections 90-6-101 through 90-6-127, as amended (the “Act”), to borrow and issue evidences of indebtedness concerning repayment thereof and to make loans and purchase mortgage loans in order to finance housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana; and

WHEREAS, the Board intends to borrow on a non-recourse limited obligation basis from Glacier Bank (or such other financial institution as is approved by the Chair, Vice Chair or Executive Director and Treasurer) (the “Funding Lender”) an aggregate principal amount not to exceed \$5,000,000, the proceeds of which will be used to finance a mortgage loan for the acquisition, rehabilitation and equipping of Crestview Senior Apartments a senior affordable housing development consisting of 24 units located in Big Fork, Montana (the “Project”); and

WHEREAS, the borrowing by the Board will be pursuant to a Funding Loan Agreement, among the Board, the Funding Lender and a fiscal agent to be determined by the Board (the “Fiscal Agent”) (the “Funding Loan Agreement”), and the agreement to repay such borrowing shall be reflected in a non-recourse revenue debt obligation (the “Obligation”) to be issued to the Funding Lender pursuant thereto, which Funding Loan Agreement and Obligation will be in substantially the form approved by the Board with respect to the Junegrass Apartments financing in 2022 (the “Junegrass Financing”), subject to the terms, conditions and limitations established herein and in the Funding Loan Agreement; and

WHEREAS, the proceeds of the borrowing will be used to finance a loan (the “Mortgage Loan”) to a Bigfork Senior Housing, LLC or a similar affiliate of American Covenant Senior Housing Foundation, Inc. (the “Borrower”), pursuant to a Borrower Loan Agreement, by and among the Board, the Borrower and the Funding Lender (the “Borrower Loan Agreement”), which will be in substantially the form used in the Junegrass Financing; and

WHEREAS, the interest on the Obligation is intended to qualify for a federal tax exemption under Section 142 of Internal Revenue Code of 1986 (the “Code”), and to ensure that the Obligation maintains its tax exempt status, the Borrower will enter into a Regulatory Agreement

and Declaration of Restrictive Covenants (the “Regulatory Agreement”), which will be in substantially the same form as such agreement approved by the Board with respect to the Junegrass Financing.

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA BOARD OF HOUSING AS FOLLOWS:

Section 1. Public Hearing and Findings.

(a) The Board hereby finds and determines that the Project financed through the above described borrowing and issuance of the Obligation constitutes a “housing development” within the meaning of Section 90-6-103(8) of the Act; and

(b) In accordance with Section 90-6-109 of the Act, following a public hearing, the Board finds:

(i) that there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of lower income can afford within the general housing market area to be served;

(ii) that private enterprise has not provided an adequate supply of decent, safe and sanitary housing in the housing market area at rentals or prices which persons or families of lower income can afford or provided sufficient mortgage financing for homes for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Funding Loan Agreement and contained in the program documents relating to the mortgage loan financed thereby and to be financed are sufficient to ensure that the Project will be well planned and well designed so as to constitute decent, safe and sanitary housing and that the “housing sponsors” (as defined in Section 90-6-103(10) of the Act) are financially responsible;

(iv) that the Project to be financed which is referred to in paragraph (a) above will be of public use and will provide a public benefit, taking into account the existence of local government comprehensive plans, housing and land use plans and regulations, area-wide plans and other public desires;

(v) that the Project to be financed with the proceeds of the Obligation does not involve the construction of “second homes,” which are defined in the Act to mean homes which would not qualify as the primary residence of the taxpayer for federal income tax purposes relating to capital gains on the sale or exchange of residential property; and

(vi) that if the Mortgage Loan constitutes a direct loan, in accordance with Section 90-6-109(1)(f), by virtue of the Board effectuating the loan of the Obligation proceeds to the Borrower pursuant to the Borrower Loan Agreement,

the Project qualifies for federal funds through its receipt of 4% federal low-income housing tax credits.

Section 2. Approval of Funding Loan Agreement. The Funding Loan Agreement is hereby approved in the form hereinabove described, and the Chair, the Vice Chair or the Executive Director and Treasurer of the Board (each an “Authorized Officer”) is hereby authorized and directed to select a Fiscal Agent and to execute and deliver the Funding Loan Agreement, with such changes, insertions or omissions therein as may be approved by such signatory, such approval to be evidenced conclusively by such execution of the Funding Loan Agreement.

Section 3. Authorization and Execution of the Obligation. The execution and delivery of the Board’s Obligation to the Funding Lender is hereby authorized and approved. The final amount and terms of the Obligation shall be determined by an Authorized Officer, consistent with the terms of the Funding Loan Agreement and subject to the following conditions. The Obligation shall not be a general obligation of the Board but shall be a limited non-recourse obligation payable solely and only from Mortgage Loan payments and any other moneys pledged under the Funding Loan Agreement by the Borrower as required by the Borrower Loan Agreement. The Obligation shall mature no later than 40 years from its date of issuance, bear interest at a fixed or floating rate no greater than the net rate paid on the Mortgage Loan (i.e., net of fees due to the Board and any other parties), be in a principal amount not to exceed \$5,000,000, be subject to prepayment and have the other terms and provisions as described to the Board, and definitively set forth in the Funding Loan Agreement upon execution and delivery as aforesaid in Section 2 hereof. The Obligation shall be executed and delivered substantially in the form set forth in the Funding Loan Agreement, with such additions, omissions and changes as are required or permitted by the Funding Loan Agreement and approved by the signatories thereto. The Obligation shall be executed in the name of the Board by the Chair or the Vice Chair of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Governmental Lender Representative (as such term is defined in the Funding Loan Agreement) for purposes of executing and attesting the Obligation, and their execution shall evidence their approval of the final terms thereof. Such signatures may be by facsimile; provided, however, that such Obligation shall not be valid or obligatory for any purpose unless the attestation by the authorized officer of the Board shall be a manual signature or the Obligation is authenticated by the manual signature of an authorized officer of the Fiscal Agent.

Section 4. Approval of Borrower Loan Agreement. The Borrower Loan Agreement is hereby approved in the form hereinabove described, and an Authorized Officer is hereby authorized to execute and deliver the Borrower Loan Agreement, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Borrower Loan Agreement.

Section 5. Approval of Regulatory Agreement. The Regulatory Agreement is hereby approved in the form hereinabove described, and an Authorized Officer is authorized and directed to execute and deliver the same, with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Regulatory Agreement.

Section 6. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board within the authority granted herein, with respect to the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Obligation is hereby approved, confirmed and ratified.

Section 7. Execution of Documents. In the event of the absence or disability of an Authorized Officer, or if for any other reason any of them are unable to execute the documents referred to in this Resolution, such documents may be executed by another member of the Board or by the Multifamily Program Manager or the Accounting and Finance Manager, with the same effect as if done by an Authorized Officer and without the further authorization of the Board. The execution of such documents by such member shall be conclusive evidence of his or her authority to so act.

Section 8. Execution of No-Arbitrage Certificate. An Authorized Officer is hereby authorized to issue certifications as to the Board's reasonable expectations regarding the amount and use of the proceeds of the Obligation as described in Section 148 of the Code, as amended.

Section 9. Additional Actions Authorized. The Chair, the Vice Chair, the Secretary or any other member of the Board, and the Executive Director and Treasurer, the Multifamily Program Manager and the Accounting and Finance Manager, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required under the terms of the Funding Loan Agreement and the Borrower Loan Agreement, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof, and the members and officers named above are hereby designated as Authorized Governmental Lender Representatives for such purposes. With respect to the issuance of the Bonds authorized by this Resolution, such Authorized Governmental Lender Representatives are also authorized, with the advice of General Counsel or Bond Counsel, to interpret and apply the Board's Policy for Conduit Multifamily Housing Revenue Bonds (the "Policy") and to waive any requirement of the Policy to the extent such interpretation, application or waiver is consistent with the purpose of the Policy.

Section 10. Effective Date. This Resolution shall become effective immediately.

[Remainder of Page Intentionally Left Blank]

ADOPTED by the Montana Board of Housing this 23rd day of May, 2023.

MONTANA BOARD OF HOUSING

Attest:

By _____
Sheila Rice, Chair

By _____
Cheryl Cohen, Executive Director



November 2022

Montana Board of Housing
PO Box 200528
Helena MT 59620-0528

RE: MHTC (Montana Housing Tax Credit) 4% Application

Dear Montana Board of Housing:

The project being submitted is as follows:

Name: **Bigfork Senior Housing**

City: **Bigfork, Montana**

County: **Flathead**

Developer: **American Covenant Senior Housing Foundation, Inc.**

General Partner: **American Covenant Senior Housing Foundation, Inc.**

Management Company: **Infinity Management & Investments, Inc.**

Property Type: **Acquisition/Rehab, Senior (USDA 515) 24 Units R/A**

Non-Profit

Project Description:

The Bigfork Senior Housing project located in Bigfork, Montana, famously known as “Village by the Bay” provides critically needed housing for seniors that needs extensive rehab to preserve continued occupancy. The existing project consists of 24 total units on a 1.501-acre plot of land within city limits. There are sixteen one-bedroom units at 817 square feet in two level apartment buildings. In addition, two single level 4-plex buildings with eight two-bedroom one-bath units 925 square feet. The project will target households at 30% & 60% AMI. The 24 Units receive rental assistance (R/A) through USDA RD 515 Program. It is critical to improve the project to maintain the Rental Assistance.



The developer of the project and the General Partner is American Covenant Senior Housing Foundation, Inc., a 501c3 non-profit organization. ACSHF has extensive experience with the acquisition and rehabilitation of low-income properties for families and seniors across the country.

Bigfork Senior Housing, LLC is in the final stages of SAM registration. All required documentation has been provided. SAM.gov no longer utilized DUNS for registration therefore Bigfork Senior Housing does not have a DUNS number. American Covenant Senior Housing Foundation, Inc. registered with SAM prior to this change and has both a DUNS number (625182675) and a UEI (MDE9CDNW29D8).

Anticipated Amenities:

The Bigfork Senior Housing project will focus on green and aesthetic features to help with efficiency as well as neighborhood appeal. Solar energy to offset energy consumption costs is anticipated.

All units shall be equipped with Energy Star appliances, vinyl plank flooring, LED lighting, additional solar, and an electric vehicle charging station. Additionally, all paint to be used will be low to no VOC. Energy in a home can be lost through poor insulation therefore, high rated insulation will be utilized where possible during rehab. We will utilize hardie board siding where replacement is required and will incorporate sustainable landscaping.

General Description of Project Location to Services:

The City of Bigfork, is situated between the lake and mountains, split lengthwise by Montana Highway 35 and crosswise by Swan River. Much of the town is rolling topography with neighborhoods somewhat isolated from each other. A commercial strip lies along the highway with Old Town Shopping Center and northeast of the subject neighborhood is medical offices, public library, gas station with convenience store and bank. In addition, seniors may enjoy the art galleries, live theatre, sidewalk cafes, restaurants, and quiet walks in Sliter Memorial Park.

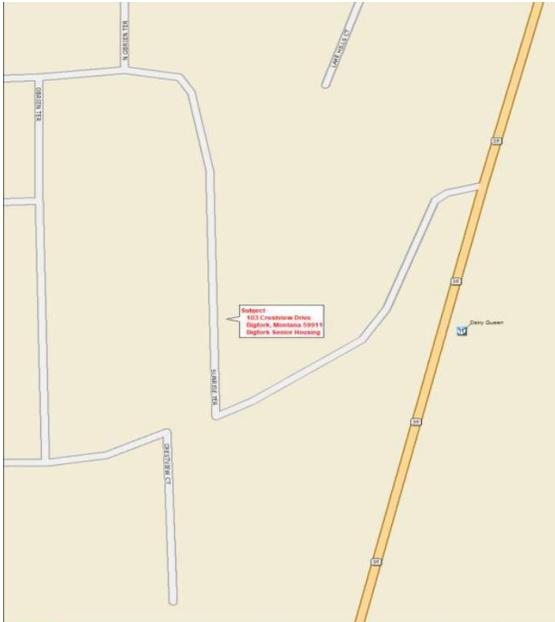
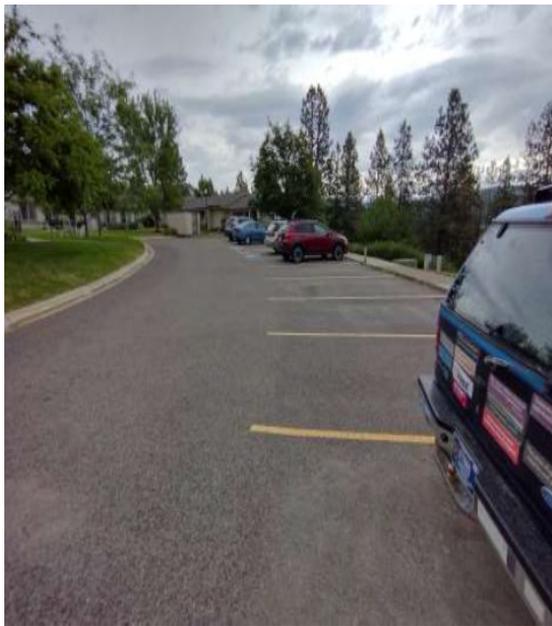
Please feel free to reach out with any questions.

Sincerely,

Gerald M. Fritts, Executive Director
American Covenant Senior Housing Foundation, Inc.
234 Shelter Valley Drive
Kalispell, MT 59901
gmf@acshf.com
406.235.6593



Service	Distance From Site (in Miles)
Nana's Little Flathead Ministries Preschool	0.4
Bigfork ACES Inc. After School Program	0.7
Bigfork High School	0.9
Bigfork ACES Educational Institution	0.9
Yellow Bridge Road Learning Center	1.3





EXECUTIVE SUMMARY

It is the opinion of the analyst that a market exists for the 24-unit complex designed for seniors, and that there is no need for additional alterations of any kind. This recommendation is made based on the information included in this report and assuming that the project will be completed as detailed in this report. Any changes to the subject as proposed could alter the findings in this report.

MARKET STUDY SUMMARY

Market Study Company:	Gill Group, Inc.
Project Name:	Bigfork Senior Housing
Project Market Area:	Flathead County

Is the project, as proposed, viable?

Average (comparable) market unit rents in immediate area and the percent the proposed project rents are below these rents.

	Market Rents	% Project Rents Below	Reference page:
0 bedroom	N/A	N/A	<input type="text" value="91; 167"/>
1 bedroom	\$ 950	12.9% to 58.6%	
2 bedroom	\$ 1,050	4.9% to 54.4%	
3 bedroom	N/A	N/A	
4 bedroom	N/A	N/A	
5 bedroom	N/A	N/A	

of all New Units Needed: Reference page:

of units needed for the targeted AMI of the project: Reference page:

Vacancy Rate: Reference page:

Capture Rate: Reference page:
 (projected income eligible tenants who will move in next year/proposed units)

Absorption Rate: Reference page:
 (proposed units/existing LIH, market area units required)

Penetration Rate: Reference page:
 (existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project: Reference page:

Distance (miles) to: (only fill this out at full market study)
 miles to grocery store (convenience store does not count)
 miles to medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.) and are one of the following:

- A Project is located within 1½ miles of the specified amenity or essential service.
- Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis) (or letter from provider committing to establish such service); or
- Where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location (all distances must be as specified in the Project's market study).



All other services and distance to each.

	Other Service	Distance (mi)
1	Bigfork Drug	1
2	Montana Sports Acupuncture	1
3	Logan Health Primary Care	1
4	Swan Valley Medical, Incorporated	1
5	Nana's Little Flathead Ministries Preschool	1
6	Bigfork Acres Inc. After School Program	1
7	Bigfork High School	1
8	Bigfork Acres Educational Institution	1
9	Yellow Bridge Road Learning Center	1
10	Bigfork Harvest Foods	1
11	Bushes Jubilee Orchard	1
13	Max's Market	1
14	Bigfork Village Market	1
15	Glacier Bank	1
16	Rocky Mountain Bank	1
17	Park Side Credit Union	1
18	First Interstate Bank	1
19	Old Town Center	1
20	Bigfork Auto Parts, LLC	1
21	Electric Avenue Gifts	1
22	S M Bradford Company	1
23	Muse-Style To Inspire	1
24	Eva Gates Homemade Preserves Gift Shop	1
25	Imagine If Library Bigfork	1
26	Lake Hills Park	1
27	Flathead Jackpot Casino	1
28	US Forest Services Casino	1
29	Bigfork Center for Performing Arts	1
30	Sliter's Park	1
31	Headwaters Montana Park	1
32	Wayfarers/Flathead Lake State Park	1
33	Bigfork Stage Stop	1
34	The Church of Jesus Christ of Latter-day Saints	1
35	Bethel Chapel Bigfork	1
36	Community Unity Methodist Church	1
37	Bethany Lutheran Church	1
38	Bigfork Post Office	1
39	Bigfork Area Chamber of Commerce	1
40	Bigfork Fire Department	1
41	Lake View Care Center	1
42	Bigfork Food Bank, Inc.	1
43		1
44		1
45		1
46		1
47		1
48		1
49		1
50		1

County	Flathead
Project Name	Bigfork Senior Housing
Developer / General Ptnr	Senior Housing
Set-aside	General
HC Requested	2,614,040
Project Type	Elderly
Construction Type	Acq / Rehab
Projected Construction Start	Mar-23
Projected Completion	Aug-23

<u>Unit Numbers</u>	<u>Target</u>	
0-bdrm	20%	-
0-bdrm	30%	-
0-bdrm	40%	-
0-bdrm	50% (Low HM)	-
0-bdrm	50%	-
0-bdrm	60%	-
0-bdrm	70%	-
0-bdrm	80%	-
0-bdrm		-
0-bdrm		-
1-bdrm	20%	-
1-bdrm	30%	3
1-bdrm	50% (Low HM)	-
1-bdrm	40%	-
1-bdrm	50%	-
1-bdrm	60%	13
1-bdrm	70%	-
1-bdrm	80%	-
1-bdrm		-
1-bdrm		-
2-bdrm	20%	-
2-bdrm	30%	1
2-bdrm	40%	-
2-bdrm	50% (Low HM)	-
2-bdrm	50%	-
2-bdrm	60%	7
2-bdrm	70%	-
2-bdrm	80%	-
2-bdrm		-
2-bdrm		-
3-bdrm	20%	-
3-bdrm	30%	-
3-bdrm	40%	-
3-bdrm	50% (Low HM)	-
3-bdrm	50%	-
3-bdrm	60%	-
3-bdrm	70%	-
3-bdrm	80%	-
3-bdrm		-
3-bdrm		-
4-bdrm	20%	-
4-bdrm	30%	-

County	Flathead		
Project Name	Bigfork Senior Housing		
Developer / General Ptnr	Senior Housing		
4-bdrm	40%	-	
4-bdrm	50% (Low HM)	-	
4-bdrm	50%	-	
4-bdrm	60%	-	
4-bdrm	70%	-	
4-bdrm	80%	-	
4-bdrm		-	
4-bdrm		-	
other	20%	-	
other	30%	-	
other	40%	-	
other	50% (Low HM)	-	
other	50%	-	
other	60%	-	
other	70%	-	
other	80%	-	
other		-	
other	mkt	-	
other	mgr(60%)	-	
Total Units		24	
Average Income Targeting		55.00%	

<u>Square Footage</u>	
Income Restricted Units	20,438
Managers Unit(s)	-
Supportive Services	-
Common Space	768
Market/Commercial	-
Total	21,206

<u>Unit Rents</u>		
0-bdrm	20%	-
0-bdrm	30%	-
0-bdrm	40%	-
0-bdrm	50% (Low HM)	-
0-bdrm	50%	-
0-bdrm	60%	-
0-bdrm	70%	-
0-bdrm	80%	-
0-bdrm		-
0-bdrm		-
1-bdrm	20%	-
1-bdrm	30%	950
1-bdrm	40%	-
1-bdrm	50% (Low HM)	-
1-bdrm	50%	-
1-bdrm	60%	950
1-bdrm	70%	-
1-bdrm	80%	-
1-bdrm		-

County	Flathead		
Project Name	Bigfork Senior Housing		
Developer / General Ptnr	Senior Housing		
1-bdrm			-
2-bdrm	20%		-
2-bdrm	30%		1,050
2-bdrm	40%		-
2-bdrm	50% (Low HM)		-
2-bdrm	50%		-
2-bdrm	60%		1,050
2-bdrm	70%		-
2-bdrm	80%		-
2-bdrm			-
2-bdrm			-
3-bdrm	20%		-
3-bdrm	30%		-
3-bdrm	40%		-
3-bdrm	50% (Low HM)		-
3-bdrm	50%		-
3-bdrm	60%		-
3-bdrm	70%		-
3-bdrm	80%		-
3-bdrm			-
3-bdrm			-
4-bdrm	20%		-
4-bdrm	30%		-
4-bdrm	40%		-
4-bdrm	50% (Low HM)		-
4-bdrm	50%		-
4-bdrm	60%		-
4-bdrm	70%		-
4-bdrm	80%		-
4-bdrm			-
4-bdrm			-
other	20%		-
other	30%		-
other	40%		-
other	50% (Low HM)		-
other	50%		-
other	60%		-
other	70%		-
other	80%		-
other			-
other	mkt		-
other	mgr(60%)		-
Total Monthly Rents			23,600
vacancy factor			7.00%
Adjusted Rent			21,948
other/commercial income			290
total rent			22,238
x 12 months			12
Total Annual Income			266,856

County	Flathead
Project Name	Bigfork Senior Housing
Developer / General Ptnr	Senior Housing
<u>Expenses</u>	
Administration	16,200
Management	21,312
Maintenance	24,000
Operating	53,305
Taxes	2,825
Replacement Reserve	7,200
Total Expenses	<u>124,842</u>
Net Income Before Debt Service	142,014
<u>Financing Sources</u>	
Hard Loan	2,750,000
Hard Loan	380,000
Soft Loan	-
Soft Loan	-
State HOME	-
State CDBG	-
State NHTF	650,000
Other	-
Other	-
Other	-
Other	25,500
Deferred Dev Fee	207,834
HC Equity Competitive	-
HC Equity Non-Competitive	2,195,574
Total Sources:	<u>6,208,908</u>
% of Project Financed by HC:	35.36%
<u>Return on Sale of HTC</u>	
HTC Requested	2,614,040
HTC Equity	2,195,574
HTC Return on Sale	0.840
<u>Ratios</u>	
Rent (Income)	266,856
Operating	117,642
Replacement	7,200
Net Income	142,014
Total Debt Service	120,142
Debt Coverage Ratio (DCR)	1.18
Total Expense Ratio	1.09
<u>Project Costs</u>	
Land	80,000
Building/Acquisition	3,000,000

County	Flathead
Project Name	Bigfork Senior Housing
Developer / General Ptnr	Senior Housing
Site Work	-
Construction / Rehab	1,325,620
Soft Costs	823,246
Developer Fees	759,542
Reserves	220,500
Total Project Costs	6,208,908
Supportive Services Costs	-
Residential Costs	6,208,908

Costs versus Sources

Total Project Costs	6,208,908
Total Financing Sources	6,208,908
Difference	-

Project Cost Limitations

	<u>Limits</u>	
General Requirements	6.00%	4.35%
Contractor Overhead	2.00%	1.45%
Contractor Profit	6.00%	4.35%
Developer Fees	15.00%	14.75%
Soft Cost	32 or 37 or 40%	36.59%

Per Unit Comparison

	<u>Limits</u>	
Cost per unit total	n/a	258,705
Cost per unit residential only	\$280,000	258,705
Cost per unit Const / Rehab	n/a	55,234
Credits per unit	n/a	108,918
Operating Cost per unit	\$3,000 min	4,902
Replacement Reserves	\$300 min	300

Per Square Foot Comparison

Construction / Rehab per sq ft	62.51
Total Project Cost per sq ft	292.79
Credits per sq ft	123.27
Credits per sq ft (residential only)	127.90

Utilities Paid by (Tenant / Owner)

Tenant

Market Study Data:

Vacancy Rates	
Absorption Rate	
Months to Absorb	
% of Mkt Rents	
Units needed for Targeted AMI's	-

County	<u>Flathead</u>
Project Name	<u>Bigfork Senior Housing</u>
Developer / General Ptnr	<u>Senior Housing</u>

Market Rents

0-bdrms	-
1-bdrms	-
2-bdrms	-
3-bdrms	-
4-bdrms	-
other	-

Acq Rehab Info:

Reserves kept by existing owner	-
Other cash out by existing owner	-
Current Debt on Property	380,000
	-
	-
	-
	-

Evaluation Scoring

*Points
Available*

1 <u>Extended Low Income Use</u>	100	100
2 <u>Lower Income Tenants</u>	200	100
3 <u>Project Location</u>	100	100
4 <u>Housing Needs Characteristics</u>		
Community Input	30	-
Appropriate Size	35	35
Market Need - Vacancy	35	35
Total	100	70
5 <u>Project Characteristics</u>		
Preservation of or Increase QCT or Revitalization Plan Historic Preservation	(100 pts for any one of these 4 categories)	- - -
Project Based Rent Subsidy	100	100
Green & Energy	100	-
Total	200	100
6 <u>Development Team Characteristics</u>	400	400
7 <u>Participation of Local Entity</u>	60	30
8 <u>Tenant Populations</u>	100	100
9 <u>Developer Knowledge and Response</u>		-
Management past performances		
Late responses to MBOH		

County		Flathead
Project Name		Bigfork Senior Housing
Developer / General Ptnr		Senior Housing
<hr/>		
Management Weaknesses		
Total Points Available	1,260	1,000
Self Evaluation Score		1,100

AMENITIES FORM

Project Name: Bigfork Senior Housing

All Units	Yes/No	Incremental Cost Per Unit	Benefit
Air Conditioning	Yes	\$2,000/unit	Provides better air quality and tenant comfort
Carport/Garage	No		
Dishwasher	Yes	\$600/unit	Energy star dishwashers reduce water utilization
Disposal	No		
Extra storage outside unit	No		
Microwave	No		
Patios or Balconies	Yes	\$800/unit	Covered outdoor space promotes tenant satisfaction
Washer/dryer hookups	No		
Washer/dryer in unit	No		

Project Wide	Yes/No	Incremental Cost Total	Benefit
Basketball hoop/pad	No		
Car plug ins	Yes		
Community Garden	No		
Community Room	Yes	\$75,000	community space for socialization
Computer(s) for tenant use	Yes	\$2,500	Tenant use computers provides tenants with access to communication and entertainment.
Library	No		
On site Manager	Yes		
Outdoor community area	No		
Play Area	No		
Hotspot/Wi-Fi	Yes	\$1,500	Available in community room, allows access to communication and entertainment
Other:			

Multi Family Program Dashboard

May 23, 2023

Funds For Coal Trust, MFLP, Housing Montana Fund

Available

Coal Trust	\$848,874		
MFLP	\$173,826		
Housing MF	\$31,695		
Housing MF	\$541,055		TANF

Projects Underway

Program	Project	City	Year Awarded	Recipient	Status*
9%	ANHA LIHTC #2	Crow Agency	2023	Apsaalook Nation HA	Just awarded in October
9%/ MFLP	Cabinet Affordable	Libby	2023	Cabinet Affordable Housing	Just awarded in October
9%	Carter Commons	Great Falls	2023	Carter Commons, LLLP	Just awarded in October
9%/4%	Creek Side Apartments	Missoula	2023	Homeward	Just awarded in October
9%/MFLP	Meadowlark Senior	Butte	2023	Northwest Real Estate Capital Group	Just awarded in October
9%/MFLP	Riverview Apts	Big Sky	2022	Blueline	Under Construction
9%	Bicentennial Apts	Dillon	2022	Dawson Holdings	Under Construction
9%	Baatz Block Apts	Great Falls	2022	Homeward	Rehab Planned Start for Early 2023
9%	Tapestry Apts	Billings	2022	CLDI	Under Construction
9%/4%	Junegrass 4/9	Kalispell	2022	GMD/Homeward	Under Construction
9%/ARPA	Laurel Depot	Laurel	2021	GL/North Fork Dev.	Under Construction
9%/ARPA	MRM Unified Campus	Billings	2021	MT Rescue Mission	Under Construction
9%/ARPA	Jackson Court	Billings	2021	GL Development	Under Construction
9%/ARPA	AHNA LIHTC 1	Crow Agency	2021	Apsaalooke Nation HA	Closed September 2022
9%/MFLP	Creekside Commons	Kalispell	2021	Housing Solutions	Construction planned for Spring 2023
9%	Crowley Flats	Lewistown	2021	Homeward	Under Construction
4%	Comstock I, II & III	Bozeman	2022	Devco Preservation	Closed November 2022
4%/ARPA	Spruce Grove	Laurel/Bridger	2022	GL Development	Under Construction
4%	Bridger Peaks	Bozeman	2022	Devco Preservation	Under Construction
4%/ARPA	Highland Manor	Havre	2021	Echo Enterprise	Closing Spring 2023
4%	Castlebar	Bozeman	2021	Devco Preservation	Under Construction
4%/ARPA	Villagio	Missoula	2021	Blueline/Missoula HA	Under Construction
4%	Bitterroot Valley Apartments	Hamilton	2021	Summit Housing Group	Under Construction
4%/ARPA	Trinity	Missoula	2021	Blueline.Homeward/Missoula HA	Under Construction
4%	Boulevard	Bozeman	2021	HRDC/Good Housing Partners	Under Construction
4%	Darlington Miles Sherwood	Bozeman	2021	HRDC/Good Housing Partners	Under Construction
4%	Sunshine Village	Great Falls	2023	Community Preservation Partners	Approved in March
4%	Big Fork Senior	Big Fork	In Process	Bigfork Senior Housing	Application Review
4%	Bozeman Apartments	Bozeman	In Process	Rueter Walton Development	Application Review
4%	South Forty	Billings	2023	Lincoln Avenue Capital	Approved in January
4%	North 3rd Apartments	Bozeman	In Process	Devco Preservation	Application in Review
4%	Union Place	Missoula	In Process	Union Place Apartments LLC	Approved in April

BOARD AGENDA ITEM

PROGRAM

Accounting and Finance Program

INVESTMENT DIVERSIFICATION

Diversification is an investment strategy that entails the purchase of a mixture of investments that reduces the exposure to investment risk. The Board portfolio is invested in historically low risk investments. FHLMC (Freddie) and FNMA (Fannie) are Government Sponsored Enterprises (GSE) that are currently under government conservatorship and some investors assume they are implicitly guaranteed by the federal government.

U.S. Treasuries are guaranteed by the U.S. government, although it is unclear at this point what a default by the federal government would have on maturing U.S. Treasuries. Predictions indicate if there is a default, it will not occur until June 2023 at which time the short-term Treasuries being used for the June 1 debt service will have matured and be available for debt service.

- At the end of December, 78,9% of MBOH funds were being held in money market earning 4.12 to 4.13% with previous short-term investments maturing in anticipation of the December debt service date and new investment being made in January and February.
- 10.3% of investments were being held in U.S. Treasuries with rates from 0.27% to 6.48%.
 - The lower interest rates were purchased before 2023 market increases and will be maturing next fiscal year.

WEIGHTED AVERAGE YIELD TREND

Weighted average is a calculation that considers the varying degrees of importance of the yields in an investment data set. MBOH uses the average yield for specific investment types and the par value of those same investment types to calculate the weighted average yield.

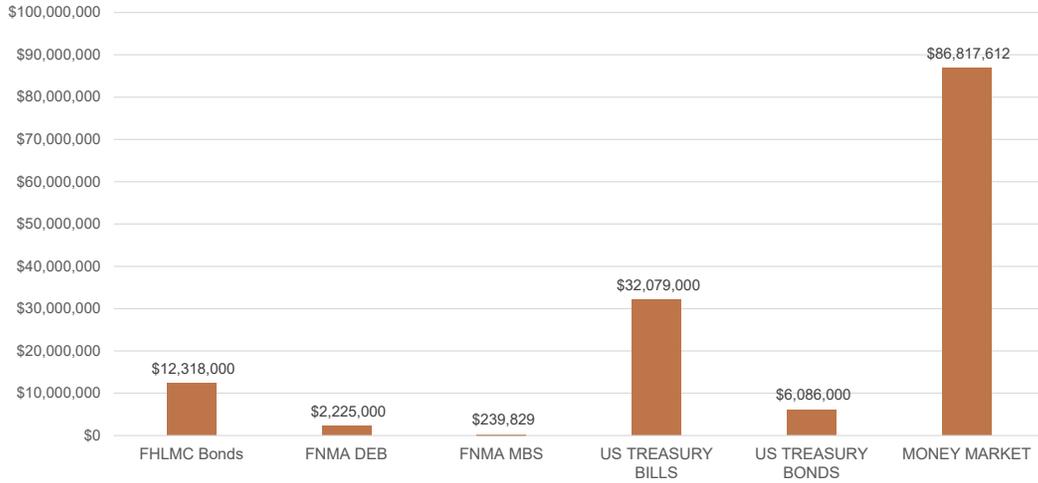
- The weighted average has improved year-to-year from 0.92% to 4.73% from March 2022 – 2023.
- There was a month-to-month increase from 4.56% to 4.73% from November to December 2023.

PORTFOLIO MATURITY

Indicates who holds the investment securities on behalf of MBOH, the type of security, the date of maturity and the PAR value, which is the face value of the security at the time of issuance.

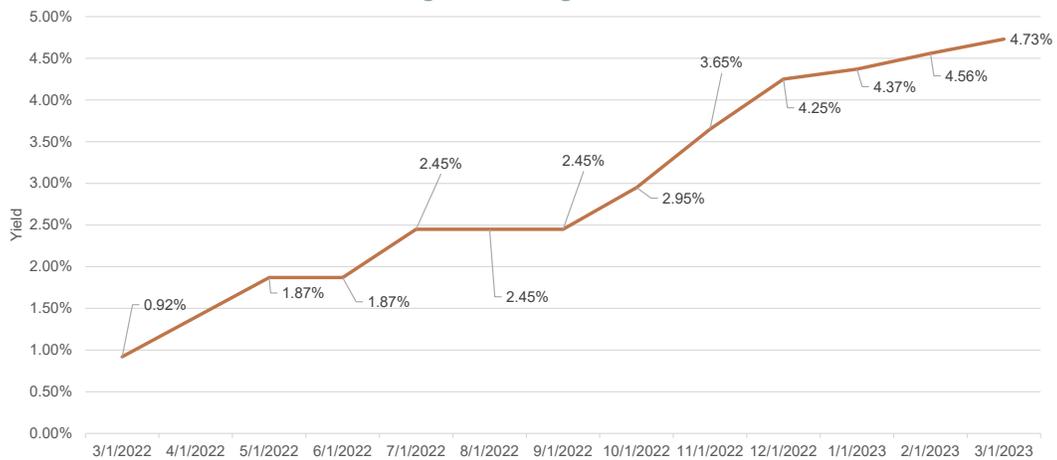
- The FNMA (Fannie Mae) MBS (Mortgage-Backed Securities) are the longest-term maturities in our portfolio and some of the highest yielding at 4.45% and 4.96%.
- Two of the Treasury Bonds were purchased several years ago at a yield of 6.48%. These will be maturing in 2025.
- The overall total of investments at the end of December 2022 was \$136.7 million with \$107.8 million of that total in money market.

INVESTMENT DIVERSIFICATION



FNMA: Federal National Mortgage Association (Fannie)
 FHLMC: Federal Home Loan Mortgage Corporation (Freddie)

Weighted Average Yield



Finance Program Dashboard

Effective **3/31/2023**

AVAILABILITY

<u>Available Now</u>	<u>< 1 year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>> 11 years</u>	<u>Total</u>
\$ 86,817,612 \$	\$ 32,079,000 \$	\$ 18,404,000 \$	\$ 2,225,000 \$	\$ 239,829 \$	\$ 139,765,441

Investment Maturity Schedule

Maturity Date	Trustee	Type	Par Value
8/1/2038	Wilmington Trust	FNMA MBS	50,198.45
3/1/2037	Wilmington Trust	FNMA MBS	106,963.93
7/1/2036	Wilmington Trust	FNMA MBS	15,094.89
5/1/2036	Wilmington Trust	FNMA MBS	23,958.71
2/1/2036	Wilmington Trust	FNMA MBS	43,613.07
7/15/2032	Wilmington Trust	FHLMC BOND	2,225,000.00
11/26/2027	Wilmington Trust	FNMA DEB	3,635,000.00
4/30/2026	Wilmington Trust	FNMA DEB	8,683,000.00
8/15/2025	Wilmington Trust	T-NOTES & BONDS	4,796,000.00
6/15/2024	Wilmington Trust	T-NOTES & BONDS	1,290,000.00
2/22/2024	Wilmington Trust	T-BILLS	990,000.00
8/10/2023	Wilmington Trust	T-BILLS	455,000.00
7/5/2023	US Bank Corporate Trust	T-BILLS	4,799,000.00
6/15/2023	Wilmington Trust	T-BILLS	5,590,000.00
5/25/2023	Wilmington Trust	T-BILLS	15,185,000.00
5/23/2023	Wilmington Trust	T-BILLS	5,060,000.00
3/31/2023	US Bank Corporate Trust	US BANK MONEY M	1,707,593.52
3/31/2023	Wilmington Trust	WT GOLDMAN SACH	85,110,018.86
Total			139,765,441.43

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Approval of Bond Resolution 23-0523-SF01_2023A

BACKGROUND

The attached Resolution approves the issuance of fixed or variable rate Mortgage Revenue Bonds in an aggregate principal amount not to exceed \$75,000,000 to finance loans or refund previously issued bonds or for both.

The resolution is written to give us the flexibility to issue bonds under any of the three indentures and to refund bonds from any of the three indentures.

Kutak prepared this resolution in the same form as the one approved for the 2022C issue. Even though this resolution allows for a Floating Rate Note as a variable rate option, we intend to issue fixed interest rate bonds under the SFI Indenture to purchase new money mortgage loans.

As of May 15, 2023, we had fully reserved the 2022C issue that closed on December 21, 2022, and we had reserved \$2,342,276.55 of mortgages to be funded with the 2023A issue. We have begun working with the finance team to structure the next issue, monitoring and changing interest rates to keep us competitive while mitigating risk. This resolution will allow us to move forward with the 2023A bond issue, which we anticipate closing mid-summer.

Our current lending rates are 5.5% for first mortgages with no DPA, 5.75% for first mortgages with DPA and the set-aside rate is set at 5.25%. Set-aside loans are being funded with recycled pre-Ullman funds.

PROPOSAL

Staff requests that the Board approve the attached resolution.

RESOLUTION NO. 23-0523 SF01_2023A

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING THE ISSUANCE AND DELIVERY OF, AND AUTHORIZING THE DETERMINATION OF CERTAIN TERMS OF, ONE OR MORE NEW ISSUES OF SINGLE FAMILY BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$75,000,000, WITH FIXED OR VARIABLE RATES, TO FINANCE LOANS, REFUND OUTSTANDING BONDS OR BOTH; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT IF THE BONDS ARE SOLD TO THE PUBLIC, CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATED THERETO; AUTHORIZING THE EXECUTION OF SUCH DOCUMENTS; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, the Montana Board of Housing (the “Board”) is authorized pursuant to the Montana Housing Act of 1975, Montana Code Annotated, Sections 90-6-101 through 90-6-127, as amended (the “Act”), to issue and refund its bonds and to purchase mortgage loans or mortgage-backed securities in order to finance single family housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana (the “State”); and

WHEREAS, the Board has previously implemented mortgage purchase programs in order to finance single family dwellings in the State for families and persons of lower income; and

WHEREAS, the Board intends to issue its Single Family Mortgage Bonds, Single Family Program Bonds or Single Family Homeownership Bonds, in one or more series or subseries in an aggregate principal amount not to exceed \$75,000,000 with fixed or variable rates (the “New Series Bonds”), under the provisions of either the Trust Indenture dated March 7, 1977, as restated and amended, the Trust Indenture dated August 16, 1979, as amended, or the Trust Indenture dated as of December 1, 2009 (each, the “General Indenture”), each between the Board and Wilmington Trust, National Association (as successor trustee), as trustee, which New Series Bonds will be used to finance mortgage loans to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide and the forms of the Invitation to Participate and Notice of Acceptance previously approved by the Board, and to fund certain reserve funds, if necessary, or to refund bonds previously issued for such purpose; and

WHEREAS, a Supplemental Trust Indenture (the “Supplemental Indenture”) (together with the General Indenture under which the New Series Bonds are to be issued, which it supplements, the “Trust Indenture”), between the Board and Wilmington Trust, National Association (as successor trustee), as Trustee, will be prepared in substantially the form of such document previously approved by the Board and used in connection with the issuance of the Single Family Mortgage Bonds, 2022 Series C (the “2022 Series C Bonds”) with appropriate changes as hereinafter described, whereby the Board would issue the New Series Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, if the New Series Bonds are to be sold to the public, a Preliminary Official Statement (the “Preliminary Official Statement”) will be prepared in substantially the form of such document previously approved by the Board and used in connection with the marketing of the 2022 Series C Bonds, containing certain information relating to the Board, the Trust Indenture and the New Series Bonds, and which will be distributed to the prospective purchasers of such New Series Bonds and others by a group of investment dealers and brokers represented by RBC Capital Markets, LLC (the “Underwriters”); and

WHEREAS, a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) will be prepared in substantially the form of such document previously approved by the Board and used in connection with the sale of the 2022 Series C Bonds containing the agreement of the Board to annually update certain financial and operating information in the final Official Statement (as hereinafter described) and to timely provide notice of the occurrence of certain specified events; and

WHEREAS, a purchase contract (the “Purchase Contract”), to be dated the date of sale of the New Series Bonds, between the Board and the Underwriters (or if the New Series Bonds are sold to a single institutional investor, such investor) will be prepared in substantially the form of such document previously approved by the Board and used in connection with the sale of the 2022 Series C Bonds, pursuant to which the Board would agree to sell and the New Series Bonds purchaser would agree to purchase the New Series Bonds, at the prices and upon the terms and conditions therein set forth;

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA BOARD OF HOUSING as follows:

Section 1. Findings.

(a) The Board hereby finds and determines:

(i) that the homes to be financed through the issuance of New Series Bonds, and the purchase by the Board from proceeds thereof of mortgage loans or mortgage-backed securities as contemplated by the Trust Indenture, constitute “housing developments” within the meaning of Section 90-6-103(8) of the Act; and

(ii) that the housing market area to be served by homes to be financed as aforesaid consists of the entire State of Montana.

(b) In accordance with Section 90-6-109 of the Act, the Board previously found and hereby confirms:

(i) that there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of lower income can afford within the general housing market area to be served;

(ii) that private enterprise has not provided an adequate supply of decent, safe and sanitary housing in the housing market area at rentals or prices which persons or families of lower income can afford, or provided sufficient mortgage financing for homes for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Trust Indenture and contained in the program documents relating to the mortgage loans financed thereby and to be financed are sufficient to ensure that the homes will be well planned and well designed so as to constitute decent, safe and sanitary housing and that the “housing sponsors” (as defined in Section 90-6-103(10) of the Act) are financially responsible;

(iv) that the homes financed and to be financed which are referred to in paragraph (a) above will be of public use and will provide a public benefit, taking into account the existence of local government comprehensive plans, housing and land use plans and regulations, area-wide plans and other public desires;

(v) that the homes financed and to be financed with the proceeds of the New Series Bonds do not involve the construction of “second homes,” which are defined in the Act to mean homes which would not qualify as the primary residence of the taxpayer for federal income tax purposes relating to capital gains on the sale or exchange of residential property; and

(vi) that the findings required by Section 90-6-109(1)(f) of the Act are inapplicable because the homes financed by the New Series Bonds do not involve direct loans.

Section 2. Approval of Supplemental Indenture. A Supplemental Indenture for each series of New Series Bonds is hereby approved in the form described above (and reflecting the provisions of the New Series Bonds consistent with the parameters set forth in the following Section) and the Chair or the Vice Chair of the Board is hereby authorized and directed to execute and deliver the Supplemental Indenture with such changes, insertions or omissions therein as may be approved by such Chair or Vice Chair, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Secretary or any other member of the Board or the Treasurer is hereby authorized and directed to attest thereto.

Section 3. Authorization of Bonds. The issuance, sale and delivery of the Board’s New Series Bonds, in one or more series or subseries, is hereby authorized and approved, subject to the following provisions. The New Series Bonds shall be issued in an aggregate principal amount (not to exceed \$75,000,000), mature on the date or dates (but no more than 40 years from the date of issuance), bear interest at the rate or rates (which may be fixed or variable rate, such weighted average interest rates initially not exceeding 6.0% per annum and in no case shall the interest rate on any maturity exceed 14%), be sold to the bond purchaser(s) for an amount (but not less than 98.5% of the principal amount of the Bonds), be subject to optional, special optional, mandatory and sinking fund redemption, be subject to mandatory or optional tenders and convertible into fixed or variable rate bonds, be issued under the related General Indenture, and have such other terms and provisions, all as are determined by the Chair and Executive Director (with the advice of such members of the Board as are available upon the pricing of such New Series Bonds) and definitively set forth in the related Supplemental Indenture or Purchase Contract upon execution and delivery as authorized in Sections 2 and 5 hereof. The New Series Bonds shall be executed and delivered substantially in the form set forth in the Trust Indenture, with such additions, omissions and changes as are required or permitted by the Trust Indenture. The New Series Bonds shall be executed in the name of the Board by the Chair or the Vice Chair of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer (as such term is defined in the Trust Indenture) for purposes of executing and attesting the New Series Bonds. Such signatures may be in facsimile, provided, however, that such New Series Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

Section 4. Approval of Preliminary Official Statement and Official Statement. If the New Series Bonds are to be sold to the public through the Underwriters, a Preliminary Official Statement for a series of New Series Bonds is hereby approved in the form described above, with such changes, insertions or omissions therein as may be approved by the Executive Director, and the Chair or the Vice Chair of the Board is hereby authorized to execute and deliver a final official statement (the “final Official Statement”) substantially in the form of the Preliminary Official Statement with such changes, insertions or omissions therein as may be approved by the Chair or Vice Chair, such approval to be evidenced conclusively by such execution of the final Official Statement.

Section 5. Approval of Purchase Contract and Sale of the Bonds. A Purchase Contract for a series of New Series Bonds is hereby approved in the form described above and the execution of the Purchase Contract by the Chair, the Vice Chair or Executive Director of the Board is hereby authorized and

directed in order to effectuate the sale of the related New Series Bonds with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Purchase Contract.

Section 6. Authorization of Standby Bond Purchase Agreement, Continuing Covenant Agreement and/or Remarketing Agreement. If any New Series Bonds are subject to optional or mandatory tender, the Chair or Vice Chair of the Board or the Executive Director are authorized to negotiate, execute and deliver one or more (1) standby bond purchase or similar agreements with a financial institution, with a rating of no less than “A1” or the equivalent by Moody’s Investors Service, Inc., whereby such institution agrees to purchase (or provide the Board with funds to purchase) tendered bonds, (2) continuing covenant agreements with the purchaser of such New Series Bonds which agreements may set forth additional covenants with respect to such New Series Bonds, and/or (3) remarketing agreements with any Board approved underwriter with respect to the remarketing of any tendered bonds; such agreements to have such terms and conditions, and provide for the payment by the Board of such fees, as are determined by the Chair and Executive Director to be in the best interests of the Board, such determinations to be evidenced conclusively by the execution thereof.

Section 7. Approval of Continuing Disclosure Agreement. A Continuing Disclosure Agreement for a series of New Series Bonds is hereby approved in the form described above, and the Chair or Vice Chair of the Board or the Executive Director is authorized and directed to execute and deliver the same with such changes, insertions or omissions therein as may be approved by such person, such approval to be evidenced conclusively by such execution of the Continuing Disclosure Agreement.

Section 8. Approval of Program Documents. The Executive Director and Single Family Program Manager are hereby authorized to continue to use the form of the Mortgage Purchase and Servicing Guide, Invitation to Participate and Notice of Acceptance presently in use, and to the extent they deem necessary and appropriate, the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, with such changes, insertions or omissions therein as may be approved by such person, to continue the Single Family Program.

Section 9. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, a Preliminary Official Statement, a Purchase Contract and the New Series Bonds is hereby approved, confirmed and ratified.

Section 10. Execution of Documents. In the event of the absence or disability of the Chair, the Vice Chair or the Treasurer of the Board, or if for any other reason any of them are unable to execute the documents referred to in this Resolution, such documents may be executed by another member of the Board or by the Single Family Program Manager or the Accounting and Finance Manager, with the same effect as if done by the Chair, the Vice Chair or the Treasurer of the Board and without the further authorization of the Board. The execution of such documents by such member shall be conclusive evidence of his or her authority to so act.

Section 11. Execution of Tax Certificate and Declaration of Intent. The Chair, the Vice Chair or the Executive Director of the Board is hereby authorized to issue certifications as to the Board’s reasonable expectations regarding the amount and use of the proceeds of the New Series Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended. The Board also hereby declares its intention, within the meaning of Section 1.150-2 of the Internal Revenue Code regulations, to facilitate continuous funding of its Single Family Program (as described above) by, from time to time, financing mortgage loans and then issuing bonds in an amount to be determined by the Board in one or more series within 18 months thereof to reimburse itself for such financing, which reimbursement amount is presently expected to not exceed \$75,000,000 (or such greater reimbursement amount as may from time to time be

determined by written declaration of the Executive Director), provided that this declaration does not obligate the Board to issue any such bonds.

Section 12. Additional Actions Authorized. The Chair, the Vice Chair, the Secretary or any other member of the Board, and the Executive Director and Treasurer, the Single Family Program Manager and the Accounting and Finance Manager, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required under the terms of the Trust Indenture and a Purchase Contract, to take such other action (including, without limitation, making any bond designations) as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof and the members and officers named above are hereby designated as Authorized Officers for such purposes.

Section 13. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 23rd day of May, 2023.

MONTANA BOARD OF HOUSING

By _____
Chair

Attest:

By _____
Treasurer/Executive Director

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – Axia Home Loans

BACKGROUND

Axia Home Loans is an independent mortgage banking firm that was founded in 2007 and comprised of employee owners who are dedicated to their craft. Axia is headquartered in Bellevue, WA and they have branches across the country.

Axia Home Loans has an office in Bozeman, and they are interested in participating in the Board's mortgage loan and MCC programs. They are approved to underwrite FHA, RD, and VA loans, as well as being an approved seller/servicer for Fannie Mae, Freddie Mac and a Ginnie Mae Issuer. They will sell the servicing of our loans to Montana Board of Housing.

Axia Home Loan's application material, quality control plan and financials have been reviewed and approved by staff, and they meet all requirements for becoming a Board of Housing Participating Lender. Their full application and financial information are available for review at a Board member's request.

PROPOSAL

Staff requests for the Board to approve Axia Home Loans as a participating lender for Montana Board of Housing.

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – Churchill Mortgage

BACKGROUND

Since Churchill Mortgage's inception in 1992, the firm has expanded from a singular office with 2 employees in Brentwood, Tennessee to over 800 workers in 62 corporate offices across the country. Originally a small, privately held startup, Churchill is now a wholly employee-owned company that provides conventional, FHA, VA and USDA residential mortgages across 49 states. The company's Pacific Northwest Division began in 2019 with just a single office in Portland and four team members. The regional division grew to 24 locations across seven states and surpassed \$1 billion in annual loan volume.

Churchill Mortgage has an office in Helena, and they have hired Betsy Rispens, who has worked with Board programs previously. They are interested in participating in the Board's mortgage loan and MCC programs. They are approved seller/servicer for Fannie Mae, Freddie Mac as well as being a Ginnie Mae Issuer. They will sell the servicing of our loans to Montana Board of Housing.

Churchill Mortgage's application material, quality control plan and financials have been reviewed and approved by staff, and they meet all requirements for becoming a Board of Housing Participating Lender.

Their full application and financial information are available for board members to review upon request.

PROPOSAL

Staff requests for the Board to approve Churchill Mortgage as a participating lender for Montana Board of Housing.

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – OneTrust Home Loans

BACKGROUND

OneTrust Home Loans, a dba of CalCon Mutual Mortgage, is a privately-owned Ginnie Mae, Fannie Mae and Freddie Mac approved direct lender and servicer, licensed in 49 states and 2 US Territories with sales and operations across the country. OneTrust also originates a significant amount of residential, commercial and construction loans for purposes of holding on its own balance sheet. The company continues to grow, launching a 55+ Reverse Mortgage division last year. OneTrust Home Loans places special importance on customer service as evidenced by their tagline, Service is Everything!

OneTrust has branch offices in Kalispell, Great Falls and Bozeman and they are interested in participating in the Board's mortgage loan and MCC programs. They are approved to underwrite FHA, RD, and VA loans and they will sell the servicing of our loans to Montana Board of Housing.

OneTrust Home Loans application material, quality control plan and financials have been reviewed and approved by staff, and they meet all requirements for becoming a Board of Housing Participating Lender.

Their full application and financial information are available for board members to review upon request.

PROPOSAL

Staff requests for the Board to approve OneTrust Home Loans as a participating lender for Montana Board of Housing.

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Purchase Price Limit Review and Income Limit Approval

BACKGROUND

On April 21, 2023, the Internal Revenue Service released the Revenue Procedure 2023-22 containing safe harbor numbers to be used in establishing purchase price limits for mortgage loans financed with tax-exempt bonds.

The purchase price limits for our program are determined by multiplying the safe harbor limits by .9 for non-targeted areas or 1.1 for targeted areas. The new purchase limits are attached for your review.

The Board's Administrative Rules require that each June or at other times as necessary, the Board is to review, establish and revise income limits for lower income persons and families in need of housing assistance under the Board programs.

In Rev. Proc. 2021-19, the IRS provided permanent safe harbor income limit guidance for single family mortgage revenue bonds and mortgage credit certificates by referencing the income numbers released annually by HUD. On May 15, HUD released its Income Limits for 2023.

To determine our income limits we have the option of using either the 2022 or 2023 HUD income numbers and the option of applying the high-cost area adjustment. In all counties, except Richland County, the 2023 income data produces higher income limits. For Richland County, 2022 data produces a higher limit. In this situation Kutak advises that client could:

1. Apply the limits using 2022 income data to all counties across the board, or
2. Apply the limits using 2023 income data to all counties across the board, or
3. Apply the limits using 2022 income data for some counties and using 2023 income data for other counties.

Staff reviewed the calculations and determined that using the 2022 numbers for Richland County and 2023 data for all others would allow us to assist more borrowers. The new income limits are attached for your review.

PROPOSAL

The Board has the option of setting program income limits at or below the safe harbor limits. Staff requests that the Board approve the attached income limits.

Board Meeting: May 23, 2023

County / area	2022 revised Purchase Price Limit	2023 Purchase Price Limit	amount of change	percent of change
Beaverhead	\$392,268	\$481,176.00	\$88,908	23%
Big Horn	\$392,268	\$481,176.00	\$88,908	23%
* Blaine	\$479,439	\$588,104.00	\$108,665	23%
Broadwater	\$414,764	\$508,770.00	\$94,006	23%
Carbon	\$392,268	\$481,176.00	\$88,908	23%
Carter	\$392,268	\$481,176.00	\$88,908	23%
Cascade	\$392,268	\$481,176.00	\$88,908	23%
* City of Great Falls	\$479,439	\$588,104.00	\$108,665	23%
Chouteau	\$392,268	\$481,176.00	\$88,908	23%
Custer	\$392,268	\$481,176.00	\$88,908	23%
Daniels	\$392,268	\$481,176.00	\$88,908	23%
Dawson	\$392,268	\$481,176.00	\$88,908	23%
* Deer Lodge	\$479,439	\$588,104.00	\$108,665	23%
Fallon	\$392,268	\$481,176.00	\$88,908	23%
Fergus	\$392,268	\$481,176.00	\$88,908	23%
* Flathead	\$561,832	\$689,171.00	\$127,339	23%
Gallatin	\$584,875	\$717,436.00	\$132,561	23%
Gallatin Census	\$714,847	\$876,867.00	\$162,020	23%
* Tracts 6 and 11.01				
Garfield	\$392,268	\$481,176.00	\$88,908	23%
Glacier	\$392,268	\$481,176.00	\$88,908	23%
Golden Valley	\$392,268	\$481,176.00	\$88,908	23%
Granite	\$392,268	\$481,176.00	\$88,908	23%
* Hill	\$479,439	\$588,104.00	\$108,665	23%
Jefferson	\$392,268	\$481,176.00	\$88,908	23%
Judith Basin	\$392,268	\$481,176.00	\$88,908	23%
Lake	\$392,268	\$481,176.00	\$88,908	23%
Lewis & Clark	\$392,268	\$481,176.00	\$88,908	23%
Liberty	\$392,268	\$481,176.00	\$88,908	23%
Lincoln	\$392,268	\$481,176.00	\$88,908	23%
* Lincoln Census Tr 2	\$479,439	\$588,104.00	\$108,665	23%
Madison	\$392,268	\$481,176.00	\$88,908	23%
McCone	\$392,268	\$481,176.00	\$88,908	23%
Meagher	\$392,268	\$481,176.00	\$88,908	23%
* Mineral	\$479,439	\$588,104.00	\$108,665	23%
* Missoula	\$554,824	\$680,574.00	\$125,750	23%
Musselshell	\$392,268	\$481,176.00	\$88,908	23%
Park	\$448,213	\$549,800.00	\$101,587	23%
Petroleum	\$392,268	\$481,176.00	\$88,908	23%
Phillips	\$392,268	\$481,176.00	\$88,908	23%
Pondera	\$392,268	\$481,176.00	\$88,908	23%
Powder River	\$392,268	\$481,176.00	\$88,908	23%
Powell	\$392,268	\$481,176.00	\$88,908	23%
Prairie	\$392,268	\$481,176.00	\$88,908	23%
Ravalli	\$419,542	\$514,631.00	\$95,089	23%
Richland	\$392,268	\$481,176.00	\$88,908	23%
Roosevelt	\$392,268	\$481,176.00	\$88,908	23%
Rosebud	\$392,268	\$481,176.00	\$88,908	23%
* Sanders	\$479,439	\$588,104.00	\$108,665	23%
Sheridan	\$392,268	\$481,176.00	\$88,908	23%
* Silver Bow	\$479,439	\$588,104.00	\$108,665	23%
Stillwater	\$392,268	\$481,176.00	\$88,908	23%
Sweet Grass	\$392,268	\$481,176.00	\$88,908	23%
Teton	\$392,268	\$481,176.00	\$88,908	23%
Toole	\$392,268	\$481,176.00	\$88,908	23%
Treasure	\$392,268	\$481,176.00	\$88,908	23%
Valley	\$392,268	\$481,176.00	\$88,908	23%
Wheatland	\$392,268	\$481,176.00	\$88,908	23%
Wibaux	\$392,268	\$481,176.00	\$88,908	23%
Yellowstone	\$392,268	\$481,176.00	\$88,908	23%

* Targeted Areas

	2022 revised Income		NEW HUD 2023 Income			Diff		
	Small	Large	Small	Large		Small	Large	
	Household	Household	Household	Household				
Beaverhead	81200	93380	89700	103155	10%	8,500	9,775	10%
Big Horn	81200	93380	89700	103155	10%	8,500	9,775	10%
Blaine	97440	113680	107640	125580	10%	10,200	11,900	10%
Broadwater	81200	93380	91030	104685	12%	9,830	11,305	12%
Carbon	84600	97290	89700	103155	6%	5,100	5,865	6%
Carter	81200	93380	89700	103155	10%	8,500	9,775	10%
Cascade	81200	93380	89700	103155	10%	8,500	9,775	10%
City of Great Falls	97440	113680	107640	125580	10%	10,200	11,900	10%
Chouteau	81200	93380	89700	103155	10%	8,500	9,775	10%
Custer	81600	93840	89700	103155	10%	8,100	9,315	10%
Daniels	81600	93840	89700	103155	10%	8,100	9,315	10%
Dawson	81600	93840	89700	103155	10%	8,100	9,315	10%
Deer Lodge	97440	113680	107640	125580	10%	10,200	11,900	10%
Fallon	90500	104075	95800	110170	6%	5,300	6,095	6%
Fergus	81200	93380	89700	103155	10%	8,500	9,775	10%
Flathead	97440	113680	107640	125580	10%	10,200	11,900	10%
Gallatin	116247	133685	126240	147280	9%	9,993	13,595	10%
Gallatin Census Tracts 6 and 11.01	119280	139160	126240	147280	6%	6,960	8,120	6%
Garfield	81200	93380	89700	103155	10%	8,500	9,775	10%
Glacier	81200	93380	89700	103155	10%	8,500	9,775	10%
Golden Valley	81300	93495	89700	103155	10%	8,400	9,660	10%
Granite	81200	93380	89700	103155	10%	8,500	9,775	10%
Hill	97440	113680	107640	125580	10%	10,200	11,900	10%
Jefferson	90600	104190	95900	110285	6%	5,300	6,095	6%
Judith Basin	81200	93380	89700	103155	10%	8,500	9,775	10%
Lake	81200	93380	89700	103155	10%	8,500	9,775	10%
Lewis & Clark	98300	113045	104100	119715	6%	5,800	6,670	6%
Liberty	81200	93380	89700	103155	10%	8,500	9,775	10%
Lincoln	81200	93380	89700	103155	10%	8,500	9,775	10%
Lincoln Census Tr 2	97440	113680	107640	125580	10%	10,200	11,900	10%
McCone	81200	93380	89700	103155	10%	8,500	9,775	10%
Madison	81200	93380	89700	103155	10%	8,500	9,775	10%
Meagher	81200	93380	89700	103155	10%	8,500	9,775	10%
Mineral	97440	113680	107640	125580	10%	10,200	11,900	10%
Missoula	97920	114240	107640	125580	10%	9,720	11,340	10%
Musselshell	81200	93380	89700	103155	10%	8,500	9,775	10%
Park	87176	100252	99264	114154	14%	12,088	13,902	14%
Petroleum	81200	93380	89700	103155	10%	8,500	9,775	10%
Phillips	81200	93380	89700	103155	10%	8,500	9,775	10%
Pondera	81200	93380	89700	103155	10%	8,500	9,775	10%
Powder River	81200	93380	89700	103155	10%	8,500	9,775	10%
Powell	81200	93380	89700	103155	10%	8,500	9,775	10%
Prairie	81200	93380	89700	103155	10%	8,500	9,775	10%
Ravalli	81200	93380	92495	106369	14%	11,295	12,989	14%
Richland	93500	107525	93500	107525	0%	0	0	0%
Roosevelt	81200	93380	89700	103155	10%	8,500	9,775	10%
Rosebud	81600	93840	89700	103155	10%	8,100	9,315	10%
Sanders	97440	113680	107640	125580	10%	10,200	11,900	10%
Sheridan	81600	93840	89700	103155	10%	8,100	9,315	10%
Silver Bow	97440	113680	107640	125580	10%	10,200	11,900	10%
Stillwater	89200	102580	94400	108560	6%	5,200	5,980	6%
Sweet Grass	81200	93380	89700	103155	10%	8,500	9,775	10%
Teton	81200	93380	89700	103155	10%	8,500	9,775	10%
Toole	81200	93380	89700	103155	10%	8,500	9,775	10%
Treasure	81200	93380	89700	103155	10%	8,500	9,775	10%
Valley	81200	93380	89700	103155	10%	8,500	9,775	10%
Wheatland	81200	93380	89700	103155	10%	8,500	9,775	10%
Wibaux	81200	93380	89700	103155	10%	8,500	9,775	10%
Yellowstone	84600	97290	89700	103155	6%	5,100	5,865	6%
	81200	93380	89700	103155	10%	8,500	9,775	10%

Targeted Areas

HOMEOWNERSHIP PROGRAM DASHBOARD

May 15, 2023

RATES

	CURRENT	LAST MONTH	LAST YEAR
MBOH*	5.500	5.50	4.750
Market	6.56	6.26	5.171
10 yr treasury	3.46	3.52	2.930
30 yr Fannie Mae	6.04	5.70	4.817

*Current Setaside 5.25, DPA 5.75

LOAN RESERVATIONS

	APR/MAY NUMBER	MARCH AMOUNT	TOTAL NUMBER	TOTAL AMOUNT	ORIGINAL AMOUNT	BALANCE
REGULAR PROGRAM						
Series 2022C (since 9.23.22)	50	13,200,235	175	41,852,126	39,259,710	(2,842,555)
Series 2022C DPA (since 9.23.22)	22	253,307	88	914,861	1,165,000	250,139
80% Combined (20+)			11	1,777,235	Since July 2022	reg bond funds
SET-ASIDE PROGRAMS						
MBOH Plus	3	29,800	22	182,862	Since July 2022	1,561,185
Set-aside Pool	3	582,508	17	2,986,374	Since July 2022	Pre-Ullman funds
NeighborWorks	1	171,830	7	1,200,857		
CAP NWMT CLT						
Missoula HRDC XI						
Bozeman HRDC IX						
Home\$tart	1	203,500	3	603,725		
HUD 184						
Dream Makers						
Sparrow Group			1	133,333		
City of Billings	1	207,178	3	465,951		
Foreclosure Prevent					50,000	50,000
Disabled Accessible					Ongoing	862,950
Lot Refi					2,000,000	726,440
FY22 Habitat			12	2,043,996	3,609,900	1,565,904
OTHER PROGRAMS						
Veterans (Orig)	2	603,497	434	86,673,426	Revolving	152,073
911 Mrtg Cr Cert (MCC)	3	688,382	11	2,772,699.00	62,500,000	59,727,301

LOAN PURCHASES BY LENDER

	Mar-23		2023 YTD		2022	
	1st	DPA	1st	DPA	1st	DPA
1ST SECURITY BK MISSOULA 133			3		2	1
VALLEY BANK RONAN 159					3	
BRAVARA BANK 186	1		1		2	1
STOCKMAN BANK OF MT MILES 524	3	3	11	8	51	25
FIRST INTERSTATE BANK-WY 601			1		11	1
OPPORTUNITY BANK 700	5	5	11	10	86	44
FIRST FEDERAL BANK & TRUST 731					1	1
GLACIER BANK KALISPELL 735					17	
WESTERN SECURITY BANK 785			1	1	11	3
MANN MORTGAGE 835	1		6	5	80	43
GUILD MORTGAGE COMPANY 842	1	1	1	1	16	13
UNIVERSAL 843	2	1	3	2	16	11
FAIRWAY INDEPENDENT MRTG 847	1	1	6	6	24	21
CORNERSTONE HOME LENDING 850			2	2	8	6
PRIME LENDING 851	1	1	1	1	2	1
BAY EQUITY LLC 853					7	1
LENDUS LLC 854					5	1
PARAMOUNT RES MTG GRP 855			2	2	2	1
CHERRY CREEK MORTGAGE 856					1	
HOMESTAR FINANCIAL 861			1	1	1	1
HOMETOWN LENDERS 862					2	1
CROSSCOUNTRY MORTGAGE 863	1	1	6	3	5	4
FIRST COLONY MORTGAGE 865			1	1		
CLEARWATER FEDERAL C U 901					2	
INTREPID CREDIT UNION 903	6		6			
Grand Count	22	13	63	43	355	180

PORTFOLIO CHANGES

	March		2023 YTD		
	# loans	Princ Bal	# loans	Princ Bal	
Feb Balance	5,061	482,533,524.81	5,052	480,063,770.57	Dec-22
Mar Purchases (1st)	22	4,190,700.44	63	13,224,791.61	
Mar Purchases (2nd)	13	119,475.00	43	415,064.00	
Mar Amortization		(1,496,369.09)		(4,108,659.33)	
Mar Payoffs (1st)	(22)	(1,756,276.87)	(67)	(5,781,307.08)	
Mar Payoffs (2nd)	(7)	(26,859.32)	(19)	(96,138.24)	
Mar Foreclosures	(1)	(48,545.50)	(6)	(201,872.06)	
Mar Balance	5,066	483,515,649.47	5,066	483,515,649.47	Mar-23

MARCH PORTFOLIO SUMMARY

	# of loans	\$ of loans	% of #	% of \$	
FHA	2,632	312,144,793	52.0%	64.6%	
RD	869	89,923,189	17.2%	18.6%	
VA	324	46,120,426	6.4%	9.5%	
HUD184	38	2,647,616	0.8%	0.5%	
PMI	34	2,334,043	0.7%	0.5%	
Uninsured 1st	222	23,771,601	4.4%	4.9%	
Uninsured 2nd	947	6,573,982	18.7%	1.4%	
	5,066	\$ 483,515,649			
March 2022 Portfolio Balance	5,091	\$ 461,666,815	-0.49%	4.73%	percent of Incr/Decr

Servicer	# of loans	\$ of loans	% of #	% of \$
MBOH	4,991	\$ 476,694,061	99%	99%
First Security Bozeman	3	\$ 45,290	0%	0%
First Boulder Valley Bank	1	\$ 78,601	0%	0%
Valley Bank Ronan	38	\$ 3,759,592	1%	1%
Manhattan Bank	1	\$ 82,664	0%	0%
Pioneer Federal Savings	20	\$ 748,777	0%	0%
Guild Mortgage	12	\$ 1,103,752	0%	0%
	5,066	482,512,736		

Weighted Average Interest Rate 3.856%

	# of loans	\$ of loans	
0 - 2.99%	1052	\$ 96,076,936	rates up to 4%
3 - 3.99%	1588	\$ 193,943,783	
4 - 4.99%	836	\$ 91,251,118	rates 4% and above
5 - 5.99%	1113	\$ 77,757,252	
6 - 6.99%	436	\$ 23,553,230	
7 - 7.99%	41	\$ 933,330	

RAM PROGRAM MARCH ACTIVITY

<u>Loan Requests</u>	<u>Loans Outstanding</u>	<u>Life of Program</u>	<u>Avail Balance</u>
3	450,000	45	2,715,741.77
		236	15,271,126
			3,743,949.34

DELINQUENCY AND FORECLOSURE RATES

	MONTANA BOARD OF HOUSING			MORTGAGE BANKERS ASSOC. 3/2023			(most recent available)
	Mar-23	Feb-23	Mar-22	Montana	Region	Nation	
30 Days	1.50	1.49	1.10	1.08	1.35	1.60	
60 Days	0.77	0.77	0.69	0.35	0.44	0.52	
90 Days	<u>2.17</u>	<u>2.43</u>	<u>2.28</u>	<u>0.72</u>	<u>0.89</u>	<u>1.16</u>	
Total Delinquencies	4.44	4.69	4.07	2.15	2.68	3.28	
In Foreclosure	0.49	0.53	0.45	0.38	0.31	0.57	

BOARD AGENDA ITEM

PROGRAM

Servicing

AGENDA ITEM

Servicing Policy Manual

BACKGROUND

- A new 2023 Servicing Policy Manual was shared with the Board at the April 17, 2023 Board training session in Kalispell. The Servicing Policy Manual was thoroughly reviewed by multiple staff, including the Servicing Program Manager, Homeownership Program Manager, and Executive Director. Additionally, legal counsel at Kutak Rock reviewed to ensure no conflicts with mortgage revenue bond requirements, and DLS Consulting reviewed alignment with applicable mortgage servicing regulations.

PROPOSAL

- Staff recommend the Board approve the 2023 Servicing Policy Manual.



SERVICING POLICY MANUAL

2023

MONTANA BOARD
OF
HOUSING

COMMERCE.MT.GOV | HOUSING.MT.GOV

301 S. PARK AVE. | PO BOX 200550 - MONTANA HOUSING - LOAN SERVICING | HELENA, MT 59620-0550
P: 406.841.2799 | F: 406.841.2841 | TDD: 406.841.2702 | Toll Free: 855.841.2799



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I. INTRODUCTION

A. GENERAL POLICY STATEMENT

Montana Board of Housing (MBOH) Servicing Program shall establish a policy and procedures for mortgage loan servicing that are appropriate for the mortgage loan servicing's size and complexity of operations, and that mitigate risk to an acceptable level approved by the Executive Director and the Board of Directors.

B. ASSESSMENT OF RELEVANT RISKS

In establishing and maintaining servicing procedures that are appropriate to the size and complexity of MBOH, and that mitigates risk to an acceptable Board-approved level, MBOH shall regularly assess relevant risks. Those risks, as well as an overall assignment of risk (e.g., risk tolerance level), shall be reported to and approved by the Executive Director.

C. REGULAR REVIEW AND APPROVAL

This Policy Guide shall be regularly reviewed and updated when there are changes of regulations, procedures and/or increase of risk and must be approved by the Executive Director and the Board of Directors.

D. SCOPE OF COVERED LOANS

1. Covered Loans: At this time, the following types of loans are serviced by MBOH Servicing and may be subject to certain provisions. Each section of the manual contains a "scope" section to address which loans are covered by that section:
 - a) Real Estate Mortgage Loans
 - b) Manufactured or Mobile Home Loans with Permanent Foundation
 - c) Multifamily Risk Share & Coal Trust Loans

E. GOVERNING LAW

Regarding MBOH Servicing, there are several governing laws, regulations, and/or federal guidance that apply to all, or certain portions of mortgage servicing, including, but not limited to:

1. Interagency Guidelines for Real Estate Lending Policies (112 CFR 208; Appendix C): The "Interagency Guidelines for Real Estate Lending" address the elements required by Sections 304 of the FDIC Improvement Act, including loan administration procedures. This document requires certain loan administration procedures specific to loan servicing such as: mortgage loan purchases and daily operations; payment processing; escrow administration; loan payoffs; real estate loan collections and foreclosure; property preservation; claims processing (e.g., seeking recovery on a defaulted loan covered by a government guaranty or insurance program); and servicing and participation agreements.
2. Fair Debt Collection Practices Act (15 USC 1601, Sec. 801-818): The purpose of the Act is to eliminate unfair, abusive, and/or deceptive debt collection practices. The Act applies to borrower personal, family or household debt, and not to corporate, business, or agricultural debt.
3. Housing and Urban Development Act of 1965 Homeownership Counseling Requirements: This law requires that all eligible delinquent mortgagors be notified of the availability of HUD approved homeownership counseling services

in our area (e.g., on the delinquency notice) as well as their right under the Service Member Civil Relief Act (SCRA) (below #6).

4. Homeowners Protection Act: Also known as the PMI cancellation act, this act establishes provisions for canceling and terminating PMI; establishes disclosure and notification requirements; and requires the return of unearned premiums.
5. National Flood Insurance Program (NFIP): This law establishes minimum regulatory standards for flood hazard risk mitigation including requiring flood hazard insurance for improved real estate in a Special Flood Hazard Area (SFHA); establishing standards for determining the minimum amount of flood insurance; escrow of flood insurance premiums; maintaining life-of-loan coverage; and force-placing flood insurance where the borrower allows the existing coverage to lapse.
6. Service Member Civil Relief Act (SCRA) (50 USC 501): This Act is designed to lower the monthly financial obligations of service members who enter active duty by minimizing the adverse effect of his/her reduced income. HUD also requires that all delinquent borrowers be notified of their rights under the SCRA within 45 days of default.
7. Servicing Rules as Set Forth in the Real Estate Settlement Procedures Act (RESPA or Regulation X) and the Truth-in-Lending Act (TILA or Regulation Z): In general, these mortgage servicing rules cover (and will be addressed through this Policy):
 - RESPA (12 CFR 1024, Subpart C):
 - a) Error resolution and information requests;
 - b) Force-placed insurance;
 - c) General servicing policies, procedures, and requirements;
 - d) Early intervention with delinquent borrowers;
 - e) Continuity of contact with delinquent borrowers; and
 - f) Loss mitigation.
 - TILA (12 CFR 1026, Subpart E):
 - a) Escrow accounts for Higher Priced Mortgage Loans (HPMLs); (NA)
 - b) Interest rate adjustment notices for ARMs; (NA)
 - c) Prompt crediting of payments and requests for payoff amounts; and
 - d) Periodic statements for mortgage loans.
8. Federal Trade Commission Act (FTC Act, 15 USC 45(a) Section 5 &UDAAP-Unfair, Deceptive, or Abusive Acts or Practices): MBOH is prohibited from engaging in activities or practices that could be considered "unfair", "deceptive", or "abusive" by the FTC.

F. INCORPORATION OF OTHER SERVICING POLICIES & PROCEDURES

Although not specifically referenced herein, additional MBOH and broader state of Montana policies and procedures may also apply to the servicing of loans. These include but are not limited to:

1. Information Security Policies: All Information Security procedures including but not limited to, Vendor Management, Identity Theft Prevention, Internet Usage, Right to Financial Privacy, etc.

2. State of Montana Record Retention Policy

3. State of Montana Vendor Management Program

G. RESPONSIBILITY OF MANAGEMENT

1. Responsibility of the Mortgage Servicing Program Manager: The Mortgage Servicing Program Manager shall be responsible for:
 - a) Develop, implement and effective administration of formal loan servicing procedures.
 - b) Oversee implementation and ongoing annual administration of loan servicing procedures.
 - c) Provide updates and information to the Executive Director and the Board of Directors to support informed decision making on the effectiveness of MBOH Servicing management and procedures.
 - d) Ensure regular audits and/or testing is conducted based on risk and compliance with applicable procedures; and
 - e) Ensure compliance with MBOH Servicing Vendor Management oversight within that manager's functional area.

2. Responsibilities of Daily Operations Supervisor: The Daily Operations Supervisor shall be responsible for:
 - a) The daily operations and administration of loan servicing procedures within that supervisor's department or functional area.
 - b) Day-to-day supervision of daily operations loan servicing personnel and functions within that supervisor's functional area; and
 - c) Ensure compliance with MBOH Servicing Vendor Management oversight within that supervisor's functional area.

3. Joint Responsibilities of Program Management and Compliance (Operations Manager and Quality Control Specialist): shall be responsible to:
 - a) Ensure compliance with all applicable MBOH Servicing procedures.
 - b) Ensure all procedures are regularly reviewed and updated when there are changes of procedure and/or increase of risk (e.g., annually); and
 - c) Identify and assess deficiencies and determine priority of corrections based on risk.

H. THIRD PARTY SERVICE PROVIDERS

1. Vendor Management Oversight: Where MBOH Servicing engages a third party to assist with the duties and responsibilities enumerated herein, and where non-public customer information will be shared with this third party, MBOH Servicing shall ensure that the arrangement complies with the State of Montana's Vendor Management Program and Information Security Policies.

2. Attorney's Specifically: Where MBOH engages a new third-party Attorney to assist with the duties and responsibilities enumerated herein regarding delinquencies and foreclosures, and where non-public customer information will be shared with this Attorney, MBOH Servicing shall ensure:
 - a) Comprehensive due diligence is performed on the Attorney. The due diligence shall be consistent with the state of Montana procurement and

contracting regulations, including but not limited to proper licensing to conduct business in Montana and adequate liability insurance.

b) MBOH Servicing and the Attorney shall enter into a written agreement which specifically outlines the duties and responsibilities of MBOH Servicing and the Attorney; and

c) MBOH Servicing shall ensure the third-party Attorney has and maintains adequate liability insurance.

II. PERIODIC MONTHLY STATEMENTS

A. COMPLIANCE PROCEDURES

1. General Statement: As required by amendments to the Truth-in-Lending Act (Regulation Z), MBOH shall send periodic statements with each billing cycle to all covered residential real estate mortgage loans, the content of which is prescribed by law (see "Content" C below). This requirement applies to loans owned and serviced by MBOH.

2. Scope:

a) Covered Loans: This servicing provision of Regulation Z applies to borrower credit transactions secured by a dwelling, and a principal dwelling including (Note: Borrower means personal, family, or household use):

i) Real Estate Mortgage Loans

ii) Manufactured or Mobile Home Loans with Permanent Foundation

iii) Multifamily Risk Share & Coal Trust Loans

3. Responsibility:

a) The Mortgage Servicing Program Manager and Daily Operations Supervisor shall be responsible for developing, maintaining, and administering procedures to ensure periodic statements for applicable real estate mortgage loans are delivered as required and contain the requisite content.

B. TIMING REQUIREMENTS FOR PERIODIC STATEMENTS

1. General Timing Requirements: In general, MBOH Servicing shall develop, maintain, and administer procedures to ensure that covered loans are sent a periodic statement once during each billing cycle.

2. Stopping Periodic Statements: Procedures may only allow periodic statements to be stopped, or NOT stopped, in the following situations:

a) MBOH Servicing is no longer required to send periodic statements when:

i) The loan is transferred to another servicer.

ii) The loan is paid off through a refinance or sale of the house.

iii) The loan is discharged in a foreclosure sale; or

b) MBOH Servicing shall continue to send periodic statements to:

i) Delinquent customers; or

ii) The borrower becomes a debtor in bankruptcy. Send statements to mortgagors in Bankruptcy language states "This is an attempt to collect a debt. Any information obtained will be used for that purpose. If you are in Bankruptcy or have been discharged Bankruptcy, this statement is for informational purposes only and does not constitute a demand for payment in violation of the

- automatic stay of the discharge injunction or any attempt to recover all or any portion of the debt from you personally.”
- iii) Customers who have sent a "cease communication" request under the Fair Debt Collection Practices Act.

C. CONTENT AND PRESENTATION REQUIREMENTS FOR PERIODIC STATEMENTS

1. Policy: To comply with Regulation Z, MBOH Servicing shall develop, maintain, and administer procedures to ensure that statements have the requisite content as outlined in this Section. The content requirements also mandate that certain information must be grouped together and the location of those groupings of information.
2. Requisite Information/Groupings/Presentation: MBOH Servicing shall ensure that periodic statements sent to covered loans in this section contain the following groupings of information and comply with the presentation requirements outlined below:
 - a) Amount Due:
 - i) Information Required:
 - (1) Payment due date
 - (2) Amount of late fee if payment is late; and
 - (3) Amount due
 - ii) Presentation Requirements: Grouped together in proximity and located at the top of the first page
 - b) Explanation of Amount Due:
 - i) Information Required:
 - (1) Monthly payment amount and breakdown of how that will be applied to principal, interest, and escrow.
 - (2) Total fees imposed; and
 - (3) Past due amount
 - ii) Presentation Requirements: Grouped together in proximity and located on the first page.
 - c) Past Payments Breakdown:
 - i) Information Required:
 - (1) Total of all payments since the last statement and application to principal, interest, escrow, fess, and suspense account; and
 - (2) Total of all payments since the beginning of the calendar year and application to principal, interest, escrow, and fees as well as total amount in suspense account.
 - ii) Presentation Requirements: Grouped together in proximity and located on the first page.
 - d) Transaction Activity:
 - i) Information Required: List of all transaction activity since the last statement.
 - ii) Presentation Requirements: All activity must be listed together, but the activity can be located anywhere on the statement.
 - e) Partial Payment Information:
 - i) Information Required: ONLY if funds are held in a suspense account, information on what must be done by the customer for the funds to be applied.

- ii) Presentation Requirements: Can be located anywhere on the statement or in a separate letter.
 - f) Contact Information:
 - i) Information Required: A toll-free number or email address (if applicable) where borrowers may obtain information about their account.
 - ii) Presentation Requirements: Must be on the first page.
 - g) Account Information:
 - i) Information Required:
 - a) Outstanding principal balance.
 - b) Current interest rate.
 - c) Date when the interest rate may change.
 - d) Existence of any pre-payment penalty; and
 - e) Housing counselor information.
 - ii) Presentation Requirements: Do NOT be grouped together and can be anywhere on the statement.
 - h) Housing Counselor Information: For housing counseling information, MBOH Servicing shall reference either the HUD or CFPB website where information can be obtained.
 - i) Delinquency Information Required: The following information shall be provided ONLY if the borrower is 45 or more days delinquent:
 - i) The date on which the borrower became delinquent.
 - ii) A notification of possible risks and expenses (e.g., foreclosure or legal fees) that the borrower could face if the delinquency is not cured.
 - iii) An account history showing the previous six (6) months or the period since the last time the account was current, whichever is shorter. Show the amount remaining past due from each billing cycle. If the borrower made a full payment, show the date the account was credited for the full payment.
 - iv) A notice showing any loss mitigation program the borrower has agreed to, if applicable
 - v) A notice that MBOH has made the first notice of filing required to start foreclosure if applicable.
 - vi) The total payment the borrower would have to make to bring the account current; and
 - vii) A reference of homeownership counselor information.
- (1) Presentation Requirements: Could be on the first page, on a separate page of the statement or sent in a separate letter.

3. Clear and Conspicuous: The information provided shall be clear and conspicuous and in a form that is reasonably understandable.

4. Informing Borrowers of the Written Error Resolution and Information Request Procedures:

- a) MBOH Servicing will inform borrowers of the procedure for submitting notices of errors and/or qualified written information requests (See Servicing Complaint Log) regarding Error Resolution and Information Requests); and
- b) The notice shall be available on the back of the first page on periodic statements and shall contain the requisite notice contents outlined entitled Error Resolution and Information Requests.

D. DELIVERY REQUIREMENTS FOR PERIODIC STATEMENTS

1. Ability to Opt-Out: Borrowers may NOT opt-out of receiving these periodic statements. The format of the periodic statement, however, may vary (e.g., paper or electronic).
 - a) Electronic Statements: Electronic or e-statements are allowed so long as they comply with the federal E-Sign Act (78 FR 10962) which includes obtaining affirmative consent, the ability of the borrower to receive the disclosure electronically; and
 - b) Coupon Books: Coupon books as a replacement for the periodic statement are allowed so long as they comply with the content requirements of Regulation Z. MBOH started sending periodic statements August 2016.

III. RECEIVING AND PROCESSING LOAN PAYMENTS, PAYOFFS, AND TRANSFER OF OWNERSHIP

A. COMPLIANCE POLICY

1. General Policy Statement: In accordance with the Truth-in-Lending Act (TILA or Regulation Z) and other applicable federal regulations, MBOH shall develop procedures to ensure that it receives and processes loan payments and requests for payoffs in accordance with this Policy.
2. Scope:
 - a) Covered Loans: All loans serviced by MBOH.
 - b) Exceptions: Certain loans that have been referred to loss mitigation.
3. Responsibility: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop and administer procedures for receiving and processing loan payments and payoffs that comply with the requirements set forth herein and designate the Loan & Bond Specialist(s) responsible for all servicing aspects of receiving and processing loan payments and payoffs.

B. SAME-DAY POSTING OF LOAN PAYMENTS

1. Policy: In general, MBOH shall develop, implement, and administer procedures to ensure that all conforming (e.g., non-exception) items are processed and deposited (or effective date deposited) by the close of the business day on the day in which the payment was received. Payments and payoffs received after 3:00 pm are considered received the next business day.
2. Timing Requirements:
 - a) Conforming Payment: As required by Regulation Z, all conforming payments that cover principal, interest, and escrow (if applicable) shall be processed and deposited (or effective date deposited) by the close of business on the day in which they are received, UNLESS the delay in processing the payment does not result in any charge to the borrower or reporting of negative information to a borrower reporting agency.
 - b) Non-Conforming/Exception Payments: Payments that are designated as exception items (below) shall be processed and deposited (or effective date deposited) within five (5) business days of receipt. Exception or non-conforming payments include:
 - i) Check returned for non-sufficient funds.
 - ii) A check that is incorrectly made out.

- iii) A payment submitted with the incorrect coupon.
- iv) A payment submitted with an unidentified coupon.
- v) A check amount which does not match the coupon amount; or
- vi) Other non-conforming payment.

C. PAYOFFS

1. Policy: MBOH shall develop, implement, and administer procedures to respond to all requests for loan payoffs within two (2) days; (CFBP allows seven (7) days) properly allocate payoff funds once received to the appropriate loan; issue refunds for overpayment; and properly close out the loan.
2. Request: A request for a payoff demand figure on a loan may be received from the borrower, a title company, a lawyer, a settlement company (Escrow Company), another financial institution, or borrower authorized third party.

D. TRANSFER OF OWNERSHIP

1. Policy: MBOH shall develop, implement, and administer procedures to respond to all transfers of ownership. Initiating transfer of ownership is a responsibility of the Investor (The Homeownership Program Manager). MBOH Servicing completes transfer in servicing software module after purchase or buy back.

IV. ESCROW ACCOUNTS

A. COMPLIANCE POLICY

1. Compliance Policy: As required by the Real Estate Settlement Procedures Act (RESPA or Regulations X) and the Truth-in-Lending Act (TILA) or Regulation Z), MBOH shall develop, maintain, and administer policies and procedures for compliance with federal law when establishing, maintaining, and closing escrow accounts.
2. Scope: See each section below.
3. Responsibility: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop, maintain, and administer procedures for escrow accounts that comply with requirements set forth herein and designate the Loan & Bond Specialist(s) responsible for all servicing aspects of escrow accounts.

B. REGULATION X (RESPA) ESCROW ACCOUNT REQUIREMENTS

1. Compliance Policy: As required by the Real Estate Settlement Procedures Act (RESPA)
2. Important Escrow Definitions: Definitions to terms that may be referenced throughout this Policy include:
 - a) Aggregate Analysis (or Composite Analysis): An accounting method MBOH uses to conduct an escrow account analysis (see below), determined by computing the sufficiency of escrow accounts funds by analyzing the account as a whole. See also Methods of Escrow Analysis Appendix E of RESPA provides examples.
 - b) Cushion: Funds MBOH may require a borrower to pay into an account to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account per Montana Code Annotated 71-1-113.

- c) Deficiency: The amount of negative balance in an escrow account. If MBOH advances funds for a borrower, then MBOH must perform an escrow account analysis before seeking repayment of the deficiency.
- d) Escrow Account: Any account in which MBOH, as servicer of the loan, establishes or controls on behalf of the borrower to pay taxes, insurance premiums (including flood insurance), or other charges with respect to a federally related mortgage loan, including charges that the borrower and MBOH have voluntarily agreed that MBOH should collect and pay.
- e) Escrow Account Analysis: The accounting that MBOH, as servicer of the loan, conducts in the form of a trial running balance for an escrow account to:
 - i) Determine the appropriate target balance.
 - ii) Compute the borrower's monthly payments for the next escrow account computation year and any deposits needed to establish and maintain the account; and
 - iii) Determine whether any shortages, surpluses, or deficiencies exist.
- f) Escrow Account Computation Year: A 12-month period from prior analysis.
- g) Shortage: An amount by which a current escrow account balance falls short of the target balance at the time of escrow analysis.
- h) Surplus: An amount by which the current escrow account balance exceeds the target balance of an account.
- i) Target Balance: The estimated month-end balance in an escrow account that is just sufficient to cover the remaining disbursements from the escrow account in the escrow account computation year, taking in to account the remaining scheduled periodic payments, and cushion, if any.
- j) Trial Running Balance: The accounting process that derives the target balances over the course of an escrow computation year.

3. Methods of Escrow Account Analysis:

- a) Policy/Rule: The following sets forth the steps MBOH must use to determine whether their use of aggregate analysis conforms to the limits outlined directly below. The steps set forth in this section result in maximum limits and the MBOH may use accounting procedures that result in lower target balances. MBOH may use a cushion less than the permissible cushion or no cushion at all if borrower desires and may enter a written contract which they agree per Montana Code Annotated 71-1-114.
- b) Aggregate Analysis:
 - i) Computation: If using aggregate analysis, the target balances may not exceed the balance computed according to the following arithmetic operations:
 - ii) Lowest Monthly Balance: Under aggregate analysis, the lowest monthly target balance for the account shall be an amount specified by state law for the mortgage document. The target balances that the MBOH derives using these steps yield the maximum limit for the escrow account. (Appendix E to RESPA may be referenced for illustration).
- c) MBOH Projects Trial Running Balance: This includes all disbursements over the next escrow account computation year. In doing so, MBOH assumes that it will make estimated disbursements on or before the earlier of the deadline to take advantage of discounts, if available, or the deadline to avoid penalty.
 - i) MBOH does NOT use pre-accrual on these disbursement dates. MBOH assumes the borrower will make monthly payments equal to one-twelve (1/12)

of the estimated total annual escrow account disbursements.

ii) MBOH then examines the monthly trial balance and adds to the first monthly trial balance an amount just sufficient to bring the lowest monthly trial balance to zero (0), and adjusts all other monthly balances accordingly and;

iii) MBOH then adds to the monthly balances the permissible cushion, if applicable). The cushion is an amount specified by state law or the mortgage document (net of any increases or decreases because of prior year shortages and surpluses, respectively).

4. Limits on Payments to Escrow Accounts:

a) Amount Restrictions: MBOH shall NOT require a borrower to deposit more than the following amounts into any escrow account:

i) Charges at Settlement or Upon Creation of an Escrow Account: “Amount sufficient to pay” the charges respecting the mortgaged property, such as taxes and insurance, which are attributable to the period from the date such payment(s) were last paid until the initial payment date. The “amount sufficient to pay” is computed so that the lowest month end target balance projected for the escrow account computation year is zero (0). MBOH may charge the borrower a cushion that shall be no greater than 110% of the estimated total annual payments from the escrow account per Montana Code Annotated 71-1-113, Limit on the Amounts of Fund on Reserve.

ii) Charges During the Life of the Escrow: Throughout the life of an escrow, MBOH may charge the borrower a monthly sum equal to one-twelve (1/12) of the total annual escrow payments which the servicer reasonably anticipates paying from the account. In addition, MBOH may add an amount to maintain a cushion no greater than 110% of the estimated total annual payments from the account. However, if MBOH determines through an escrow account analysis that there is a shortage or deficiency, MBOH may require the borrower to pay additional deposits to make-up the shortage or eliminate the deficiency subject to the limitations and restrictions set forth herein.

b) Escrow Account Analysis at Creation of Escrow Account:

i) When an Escrow Account May Be Established:

(1) At origination; or

(2) Added to an existing loan where the borrower has failed to pay taxes and insurance when such items are due (subject to restrictions set forth herein).

ii) Setting Up the Escrow Account:

(1) MBOH Policy: After the loan is purchased from the Lender, MBOH boards the loan with the initial escrow analysis as determined by the lender. New loan boarding staff and Quality Control ensure the initial escrow disclosure and amount as determined by the lender is correct and utilize the lender’s calculations. MBOH provides the initial escrow disclosure account statement to the borrower after boarding the loan servicing system.

c) Subsequent Escrow Account Analysis:

i) Rule/Timing:

(1) Annual: For each escrow account, MBOH MUST conduct an escrow account analysis at the completion of the escrow account computation year to determine the borrower’s monthly escrow account payments for the next computation year, subject to the limitations set forth herein.

- (2) Other: MBOH may also conduct other escrow account analysis at other times during the year, as situations may demand, subject to the restrictions set forth herein.
- ii) Escrow Account Analysis: MBOH shall use the annual escrow account analysis to determine whether a shortage, deficiency, or surplus exists, and shall make any adjustments to the account. As noted above, additional analysis may also be completed subject to:
- (1) Shortage:
- (a) Shortage Less Than One (1) Months Escrow Account Payment: If the escrow account analysis discloses a shortage of less than one (1) month's escrow account payment, then MBOH has three (3) possible options:
- (i) MBOH may allow a shortage to exist and take no action.
 - (ii) MBOH may require the borrower to repay the shortage amount within 30 calendar days or
 - (iii) MBOH may require the borrower to repay the shortage amount in equal monthly payments over at least a 12-month period.
- (2) Deficiency:
- (a) General: Prior to seeking reimbursement for a deficiency, MBOH must conduct an escrow account analysis to determine the extent of the deficiency.
- (b) Deficiency Less Than One (1) Month's Escrow Account Payment: If the deficiency is less than one (1) month's escrow account payment, the MBOH has three (3) possible options:
- (i) MBOH may allow the deficiency to exist and take no action.
 - (ii) MBOH may require the borrower to repay the deficiency within 30 calendar days or
 - (iii) MBOH may require the borrower to repay the deficiency amount in two (2) or more equal payments.
- (c) Deficiency Greater/Equal to One (1) Month's Escrow Account Payment: If the escrow account analysis discloses a deficiency greater than or equal to one (1) month's escrow account payment, then the MBOH has two (2) possible options:
- (i) MBOH may allow the deficiency to exist and take no action: or
 - (ii) MBOH may require the borrower to repay the deficiency in two (2) or more equal monthly payments
- (3) Surplus:
- (a) Borrower is Current on Loan: Where the borrower is current on their loan at the time of the escrow account analysis (e.g., payment received within 30 days of due date); if an escrow account analysis discovers a surplus, MBOH shall, within 30 calendar days from the date of the analysis:
- (i) > \$50: Refund the surplus to the borrower.
 - (ii) < \$50: Refund the surplus to the borrower OR credit the borrower against next year's payment.
- (b) Borrower is NOT Current on Loan: Where MBOH has NOT received payment on the loan within 30 days of the due date, MBOH may retain the surplus in the escrow account pursuant to the terms of the mortgage loan documents.
- iii) Voluntary Agreement with Borrower: After the initial or annual

escrow account analysis has been performed, MBOH and the borrower may enter into a voluntary agreement for the forthcoming escrow accounting year for the borrower to deposit funds into the escrow account for that year greater than the limits established herein. Such agreement, however, shall cover only one (1) escrow accounting year, but a new voluntary agreement may be entered in to after each analysis is performed. The voluntary agreement may NOT alter how surpluses are treated.

- d) Aggregate Accounting Required: MBOH MUST use the aggregate accounting method in conducting escrow analysis.
- e) Cushion: The cushion MUST be no greater than 110% of the estimated total annual disbursement from the escrow account per MCA 70-1-113. Cushion limits set by the mortgage documents, and that comply with the law, prevail.
- f) Restrictions on Pre-Accrual: MBOH must NOT practice pre-accrual.
- g) Assessments for Periods Longer Than One (1) Year: Some escrow account items may be billed for periods longer than one (1) year (e.g., flood insurance). In such cases, MBOH shall estimate the borrower's payments for a full cycle of disbursements. In these situations, the escrow may not reach its lowest monthly balance during a one (1) year review period. Therefore, the annual escrow account statement shall explain this situation.
- h) Procedures: In accordance with the provisions set forth herein, the Loan & Bond Specialist shall ensure that the following procedures are completed to set up the escrow:
 - i) Obtain the loan file and payment record for the borrower.
 - ii) Determine the items that are to be escrowed based on the purchase file and the Lenders Initial Escrow Account Statement Disclosure.
 - iii) Enter the escrowed items into the loan servicing system.

5. Initial Escrow Account Statement:

- a) Timing: MBOH shall provide an initial escrow account statement to the borrower after the loan is boarded into the loan servicing system.
- b) Content: The initial escrow account statement shall include:
 - i) The amount of the borrower's monthly mortgage payment and the portion of the monthly payment going to the escrow account including an itemization of the estimated taxes, insurance premiums, and other charges MBOH reasonably anticipates paying from the escrow account during the escrow account computation year.
 - ii) The anticipated disbursement dates of those charges.
 - iii) The amount MBOH selects as a cushion (if any).
 - iv) A trial running balance for the account; and
 - v) Any discretionary payments of the borrowers (e.g., credit life or disability). MBOH does not have any discretionary payments.

6. Annual Escrow Account Statement:

- a) Timing: For each escrow account and after completing an annual escrow analysis that complies with the provisions set forth herein, MBOH shall submit an annual escrow account statement to the borrower within 30 calendar days of the completion of the escrow account computation year.
- b) Content: The annual escrow account statement shall include:
 - i) The previous year's projection or initial account statement.

- ii) Account history, reflecting the activity in the escrow account during the escrow account computation year.
 - iii) A projection of the activity in the account for the next year.
 - iv) The amount of the borrower's current monthly mortgage payment and the portion of the monthly payment going into the escrow account.
 - v) The amount of last year's monthly mortgage payment and the portion of the monthly payment going into the escrow account.
 - vi) The total amount paid into the escrow account during the past computation year.
 - vii) The total amount paid out of the escrow account during the same period for taxes, insurance, premiums, and other charges (all separately identified).
 - viii) The balance in the escrow account at the end of the period.
 - ix) An explanation of how any surplus is handled by MBOH.
 - x) An explanation of how any shortage or deficiency is to be paid by the borrower.
 - xi) If applicable, the reason(s) why the estimated monthly balance was not reached as indicated, by noting the differences between the most recent account history and last year's projection; and
 - xii) Any discretionary payments of the borrowers (e.g., credit life or disability).
- c) Default, Foreclosure, or Bankruptcy: If at any time MBOH conducts the annual escrow account analysis and the borrower is more than 30 days overdue, MBOH is NOT required to send an annual escrow account statement. This exemption also applies where there is an action of foreclosure or documented bankruptcy.
- d) Delivery with Other Materials: MBOH may deliver the annual escrow account statement to the borrower with other statements or materials, including the substitute 1098.
- e) Format: Format guidance is provided within RESPA.
- f) Short Year Statements:
- i) Rule: MBOH may issue a short year annual escrow account statement to change one (1) escrow account computation year to another. By using a short year statement, a servicer may adjust its production schedule or alter the escrow account computation year for the escrow account.
 - ii) Servicing Transfer: In the case where MBOH transfers servicing to another entity, MBOH shall send a short year statement to the borrower within 60 calendar days of the effective date of the transfer; and
 - iii) Loan Payoff: If a borrower pays off a federally related mortgage loan during the escrow account computation year:
 - (1) MBOH shall refund all unused escrow deposits to the borrower in the payoff transaction within 20 business days of the date paid in full.
 - (2) MBOH shall cancel all escrow account records and move such records from the "active" to the "inactive" archives.

7. Special Assessments and Increased Real Estate Taxes:

- a) General: A "special assessment" is a one-time occurrence where additional taxes, aside from the usual taxes collected through the county tax bill, that are imposed for a special purpose (e.g., storm sewer, street repairs, new school, etc.).
- b) Escrow Analysis: Where MBOH is notified of increased taxes, MBOH shall conduct an escrow account analysis subject to the requirements set forth

herein to determine if the escrow account has enough funds to cover the increased taxes. MBOH must adhere to the requirements for shortages, deficiencies, and surpluses as well as short year statements.

8. Transfer of Servicing (New Servicer):

a) Changes to Payment or Accounting Method:

- i) Initial Account Statement: If MBOH, as the new servicer, changes either the monthly payment amount or the accounting method, MBOH shall provide the borrower with an initial escrow account statement that complies with the requirements set forth herein, within 60 days of the servicing transfer.
- ii) Escrow Account Computation Year: Where MBOH, as the new servicer, provides an initial escrow account statement upon the transfer of the servicing, MBOH shall use the effective date of the transfer of servicing to establish the new escrow account computation year.

b) No Changes to the Payment or Accounting Method:

- i) Escrow Account Computation Year: If MBOH, as the new servicer, chooses to retain the monthly payment AND the accounting method, MBOH may continue to use the same escrow account computation year as the old servicer OR may choose to establish a new escrow account computation year using a short year statement.
- ii) Annual Account Statement: At the completion of the escrow account computation year or any short year, MBOH, as the new servicer, shall perform an escrow analysis and provide the borrower with an annual escrow account statement that complies with the requirements set forth herein.

9. Timely Payments:

- a) Rule: If the terms of any federally related mortgage loan require the borrower to make payments to an escrow account, MBOH MUST pay the disbursements in a timely manner, meaning on or before the deadline to avoid a penalty, if the borrower's payment is not more than 30 days overdue.
- b) Institution Advances Funds: MBOH MUST advance funds to make disbursements in a timely manner if the borrower's payment is not more than 30 days overdue. Upon advancing funds to pay a disbursement, MBOH may seek repayment from the borrower for the deficiency pursuant to the deficiency requirements set forth herein.
- c) Property Taxes:
 - i) No Discount or Additional Fees Charged by Taxing Jurisdiction: If the taxing jurisdiction neither offers a discount for disbursement on a lump sum annual basis nor imposes any additional charges or fee for installment disbursements, then MBOH MUST make the disbursements on an installment basis.
 - ii) Discount or Additional Fees Charged by Taxing Jurisdiction: If the taxing jurisdiction offers a discount for disbursement on a lump sum annual basis or imposes any additional charges or fee for installment disbursements, then the MBOH may, at MBOH's discretion, make lump sum annual disbursements in order to take advantage of the discounts for the borrower or avoid the additional charge or fee for installments as long as such method of disbursement complies with the requirements set forth herein. MBOH is NOT required to follow the preference of the borrower.
 - iii) Mutual Agreement with Borrower: MBOH and the borrower may mutually

agree on a disbursement basis (annual or installment) so long as this agreement complies with the requirements set forth herein. The agreement must be voluntary and MBOH CANNOT condition loan approval on the borrower's agreement.

- d) Hazard Insurance: In general, except where the borrower is more than 30 days past due on a payment, MBOH may NOT purchase force-placed hazard insurance for a borrower who has established an escrow account for payment of hazard insurance, UNLESS:
- i) MBOH has a reasonable basis to believe that the borrower has failed to maintain the required hazard insurance (e.g., "unable to disburse funds").
 - (1) It is reasonable to believe borrower has failed to obtain they have the required hazard insurance where MBOH receives a cancellation notice or MBOH becomes aware that the property is vacant.
 - (2) It is NOT a reasonable basis to believe that the borrower has failed to maintain hazard insurance because the escrow account contains insufficient funds to pay the hazard insurance premium.
 - ii) MBOH sends two (2) notices to the borrower regarding the insurance
 - (1) First Notice: Written notice must be mailed or delivered 45 days before MBOH charges the borrower for force-place insurance
 - (2) Second Notice: Written notice must be mailed or delivered 30 days after MBOH sends the first notice.
 - iii) Upon receiving no response from the borrower or evidence of hazard insurance, MBOH may force-place the hazard insurance 15 days after mailing or delivering the second notice.
 - iv) MBOH MUST cancel force-placed hazard insurance within 15 days of receiving evidence that the borrower has the requisite flood insurance and refund to the borrower any fees or charges for overlapping coverage.
 - v) Any fees or charges imposed by MBOH on the borrower for the force-placed insurance MUST be bona fide and reasonable; and
 - vi) MBOH may seek recoupment of advances made to pay hazard insurance premiums.
- See also Section entitled "Insurance".

C. REGULATION Z (TILA) ESCROW ACCOUNT REQUIREMENTS

1. General Rule/Policy: Unless otherwise provided for below, MBOH shall require the escrow of all property taxes and insurance required by MBOH for all 1st liens.
2. Scope: See each section below.
3. Covered Loans: This servicing provision of Regulation Z applies to borrower credit transactions secured by a dwelling, and need not be a principal dwelling including (Note: Borrower means personal, family, or household use):
 - i) Real Estate Mortgage Loans
 - ii) Manufactured or Mobile Home Loans with Permanent Foundation
 - iii) Multifamily Risk Share & Coal Trust Loans
3. Responsibility: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop, maintain, and administer procedures for escrow accounts that comply with the requirements set forth herein and designate the loan originators and Loan Specialist(s) responsible for all servicing aspects of

escrow accounts.

5. Escrow Cancellation Restrictions:

- a) General Rule: Except as otherwise provided herein, MBOH may only cancel an escrow account required by this section ONLY upon
 - i) Termination of the underlying debt obligation.

V. REAL ESTATE TAXES

A. COMPLIANCE POLICY

1. General Policy: MBOH shall comply with this Policy with regards to the payment of real estate taxes and shall develop and maintain procedures for compliance with the requirements set forth herein. The Mortgage Servicing Program Manager and Daily Operations Supervisor shall have full understanding of the statutes which allow the placing of tax liens on a secured property. For instance, a taxing authority may place a lien on a secured property if real estate taxes, special assessments, and/or other charges are unpaid; and such lien usually takes priority over MBOH's security interest in the property. If the lien remains unpaid for a specified period, as determined by statute, the property will eventually be sold at a public auction to obtain enough funds to pay the unpaid taxes, and MBOH will forfeit its security interest in the property. If the mortgage is publicly recorded, MBOH will receive a notice before the property is sold at public auction;
2. Scope:
 - a) Covered Loans: Real estate secured loans.
 - b) Exceptions: N/A (non-real estate secured loans).
3. Responsibility: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop, maintain, and administer procedures for the payment of real estate taxes and assign real estate tax responsibilities to a designated Loan & Bond Specialist.
4. Knowledge of Tax Billing and Collection Procedures: The Daily Operations Supervisor and Loan & Bond Specialist shall be aware of many variations of tax billing and collection procedures that may exist for various tax authorities.
 - a) Separate or Consolidated Tax Bill: A taxing authority may send the property owner a separate annual or semi-annual tax bill, or a consolidated tax bill.
 - b) Payment in Installments: A taxing authority may send the property owner an annual consolidated bill but allow the property owner to remit the taxes in semi-annual installments.
 - c) Due Date: A taxing authority may send a property owner a tax bill which is either:
 - i) Due and payable immediately upon receipt; or
 - ii) Due and payable at some future point in time, perhaps 2-3 months after the tax bill is received by the property owner.
 - d) Penalties and Discounts: A taxing authority may:
 - i) Charge a penalty, either a set rate or a percentage of the taxes due, if the bill is NOT paid by the due date.
 - ii) Allow a grace period after the due date before a penalty is charged, or
 - iii) Allow a discount to the property owner who remits the tax payment before a

specified due date.

- e) Tax Bills NOT Sent Directly to MBOH for Borrower's Escrow Accounts: A taxing authority may:
 - i) Send actual tax bills directly to the property owner; or
 - ii) A tax service company may send the MBOH electronic information of all the amounts due for the escrowed loans on properties located within a particular geographic tax area so that MBOH may process the tax information electronically.

B. TAX LIENS

1. Policy: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall have full understanding of the statutes which allow the placing of tax liens on a secured property and strive to protect MBOH from the encumbrance of a tax lien.
2. Preventing the Encumbrance of Tax Liens: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall ensure that MBOH is fully protected from the encumbrance of a tax lien on a secured property by using a combination of the following methods:
3. Tax Service Contract: The Mortgage Servicing Program Manager shall obtain a tax service contract on properties in which MBOH has a security interest. In this case, the tax service company will search the tax records for any delinquent taxes on properties mortgaged to this institution on which this institution maintains a tax service contract. As part of that contract:
 - a) Notification: The tax service company will notify the Mortgage Servicing Program Manager of any unpaid taxes, assessments, or other municipal charges for the property under the tax service contract. In turn, the Daily Operations Supervisor shall take action to protect this institution's security interest.
 - b) Failure to Notify: If the tax service company fails to notify MBOH of a delinquency, the tax service company will pay the unpaid taxes or other charges; and
 - c) Matching the Delinquency List with Loan File Records: The Loan & Bond Specialist shall compare the names of taxpayers and property addresses on delinquency lists with MBOH's loan file records to identify properties on which taxes or other assessments and charges are delinquent.

C. LOANS WITH ESCROW ACCOUNT

1. General Rule/Policy: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall ensure that appropriate measures are implemented to correctly record and credit the borrower's monthly installments to the escrow account and to comply with the requirements set forth herein. (See Escrow Section).
2. Obtaining Tax Bills or Tax Statement Amounts for Payment:
 - a) General: The Daily Operations Supervisor shall ensure MBOH obtains the tax bill amounts from the tax service company or taxing authority; and
 - b) Lists' Contents: Such lists shall indicate:
 - i) Property legal description.

- ii) Tax billing number.
- iii) Loan account number; and
- iv) Amount of taxes due.

3. Verification of Tax and Escrow Account Information for Possible Errors:

- a) Verification of Tax Bill and Tax Payment Information: The Daily Operations Supervisor shall ensure all payment information for tax bills and tax statements are verified by loan servicing personnel including:
 - i) Property has been billed in the proper name (it may have been sold to another party).
 - ii) Property site address appears correctly on the tax bill (and hasn't been transposed in any manner); and
 - iii) Charges on the tax bill appear to be correct (Certain assessments may have been paid already).
- b) Verification of Escrow Account Information: The Daily Operations Supervisor shall ensure all escrow account information is verified by the tax servicing personnel, including:
 - i) Escrow account from which the payment is made is for the proper borrower, property, and amount; and
 - ii) That the present tax installment to be paid out of the escrow account is for an amount comparable to the last installment paid out of the escrow account.
NOTE: If there is a substantial difference between the last installment and the present installment, the Loan & Bond Specialist shall ensure that the reason for the difference is researched and verified as authentic.
- c) Incorrect Information: If the verification procedures above reveal incorrect information, the Loan & Bond Specialist shall refer the exceptions to their supervisor for resolution.

4. Remittance of Taxes from Escrow Accounts in a Timely Manner:

- a) Debiting the Escrow Accounts and Drawing the Checks: Once the verification process is complete, the Loan & Bond Specialist shall ensure:
 - i) Escrow accounts are debited properly, whether done by computer or the loan servicing personnel; and
 - ii) Checks are drawn in the correct amount for the appropriate taxing authority. Tax penalties are not to be charged to the borrower if the error was made at loan closing or during loan servicing.
- b) Identifying Exceptions: The responsible Loan & Bond Specialist shall compare tax amount totals and escrow debits to the check amount. Any exceptions shall be immediately corrected.
 - i) No Mortgage with MBOH: If MBOH receives a tax bill or tax statement for a property which is no longer secured by a mortgage at this institution, the Loan & Bond Specialist shall promptly return the tax bill or statement to the borrower indicating the reason for the return.
 - ii) No Escrow Account: If MBOH receives a tax bill or tax statement for the loan on which MBOH no longer maintains an escrow account, the Loan & Bond Specialist shall promptly forward the tax bill or statement to the borrower for payment indicating the reason that such tax bill or tax statement has been sent.
 - iii) Tax Bill with Error: If MBOH receives a tax bill or tax statement that is incorrect in some manner, the Loan & Bond Specialist shall follow the pre-

- arranged procedures for correcting such errors agreed upon between the taxing authority and the Loan Servicing Department; and
- iv) Tax Bill NOT Received: If MBOH did NOT receive a tax bill or tax statement, or the loan was NOT on the tax service report for a property for which the information should have been received, the Loan & Bond Specialist shall promptly contact the taxing authority or tax service company to ascertain the reason for the omission and debit the escrow account to pay the taxes due.
 - c) Tracking Exceptions: MBOH Servicing shall maintain a list of all exceptions and track such exceptions in the software servicing system to their eventual resolution.
 - d) Remittance of Payment and Proper Documentation to Taxing Authority: The Loan & Bond Specialist shall ensure that the checks are forwarded to the appropriate taxing authority along with proper documentation (e.g., actual individual tax statements or a list indicating the property taxes which are being remitted for payment).
5. Notification to Borrower of Taxes and Other Assessments Paid from Escrow Accounts: MBOH Servicing shall ensure that borrowers are notified of taxes which have been paid by issuing the borrower an annual statement of escrow account activity.
6. Taxes that have been Overpaid, Underpaid, Paid Twice, or NOT Paid:
- a) Responsibility: In addition to all other exceptions, MBOH Servicing shall be responsible for:
 - i) Resolving all exceptions that may NOT occur again, such as taxes that have been overpaid, underpaid, paid twice, or NOT paid.
 - ii) Ensuring that the tax records on the loan and the records of the taxing authority are corrected accordingly.
 - iii) Ensuring that all escrow accounts are reinstated to the correct status after the exceptions have been resolved; and
 - iv) Ensuring that any necessary communications with the borrower are completed and the borrower has a complete understanding of the situation.
 - b) Overpayment Correction Procedures: In the case of an overpayment:
 - i) Overpayment or Paid Twice by MBOH: If MBOH Servicing receives a refund check from the taxing authority because of taxes that were paid twice from the borrower's account, or too much tax was paid, the Loan & Bond Specialist shall:
 - (1) Ascertain the reason for the mistake and correct any parameters which have been entered incorrectly into MBOH's records; and
 - (2) Credit the borrower's escrow account with the amount of the overpayment if the overpayment was made from the borrower's escrow account.
 - ii) Reversal of Overpayment:
 - (1) Overdraft Paid by Borrower: If the overpayment above caused an overdraft on the borrower's escrow account, and the borrower paid the overdraft to maintain the escrow account at the proper level, the Loan & Bond Specialist shall send the borrower:
 - (a) A refund for the overpayment made by the borrower, along with an explanation of the reason for the overpayment.

7. Change in Property Ownership: If the secured property for a loan is a combination of properties, and one (1) of the secured properties is sold with MBOH's permission, the Loan & Bond Specialist shall ensure that the tax records on the loan and the borrower's escrow account are adjusted accordingly so that the taxes on the sold property are NOT mistakenly paid.

D. LOANS WITHOUT ESCROW ACCOUNTS

1. General Rule/Policy: The Mortgage Servicing Program Manager shall implement appropriate measures to ensure MBOH Servicing is aware of unpaid taxes and makes attempts to notify the borrower of unpaid taxes, and in the event those taxes are NOT paid, MBOH Servicing shall pay the taxes for the borrower and seek reimbursement from the borrower.
2. Identification of Tax Delinquencies: If MBOH Servicing maintains a tax service contract on the loan for the secured property, the tax service company shall submit to MBOH Servicing a list of tax delinquencies. Upon receipt of this list, the Loan & Bond Specialist shall take the necessary steps to ensure the taxes are paid.
3. Measure Taken to Ensure Taxes are Paid:
 - a) General Rule/Policy: The Loan & Bond Specialist shall ensure a letter is sent to each borrower who has NOT paid the taxes on the secure property.
 - b) Letter Contents: Such letter shall include the following statements:
 - i) That the taxing authority shows the taxes for the secured property to be delinquent.
 - ii) That the borrower has a specified number of days in which to pay the taxes and submit proof of payment to MBOH Servicing.
 - iii) That if the borrower does NOT pay the taxes due on the property, the MBOH Servicing will:
 - (1) Make payment on behalf of the borrower.
 - (2) Invoice the borrower for reimbursement; and
 - (3) Will expect reimbursement in the form of a lump sum, or in appropriate installments over a period of 12 months, in addition to a specified amount of interest.
 - iv) That the borrower MUST make the following arrangements for future tax payments to be made on the secured property:
 - (1) Either through an escrow account; or
 - (2) A deposit pledged savings account held by MBOH in a pre-determined appropriate amount; and
 - v) If such arrangements are NOT made and the taxes remain unpaid, MBOH Servicing will initiate foreclosure proceedings on the secured property.
 - c) Follow-Through: The Loan & Bond Specialist shall ensure the appropriate measures are taken to follow through the items listed above.

VI. INSURANCE

A. COMPLIANCE POLICY:

1. General Policy Statement: MBOH shall develop, maintain, and administer procedures for servicing insurance coverage including PMI coverage under the Homeowners Protection Act and issues related to force-placed insurance as

required by the Real Estate Settlement Procedures Act (RESPA) or Regulation X. Certain provisions of this policy also apply to multifamily loans.

2. Scope:

- a) Covered Loans: All real estate secured loans.
- b) Exceptions: N/A for MBOH portfolio

3. Responsibility: Unless otherwise directed below, the Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop and be responsible for assigning insurance responsibilities to a designated Loan & Bond Specialist and shall ensure that all responsible employees have thorough knowledge of the rules and regulations, and all policies and procedures governing the various types of insurance that affect MBOH serviced loans.

B. PROPERTY HAZARD INSURANCE

1. Scope:

- a) Covered Loans: All real estate secured loans.
- b) Exceptions: N/A for MBOH portfolio.

2. Review and Monitor Insurance Coverage:

- a) Risks Involved and Corresponding Coverage: MBOH Quality Control shall:
 - i) Types of Risk: Determine the types of risks to which the property may be exposed; and
 - ii) Additional Coverage: Specify any additional coverage, including flood insurance required by law, but not including fire and extended coverage, which may be necessary to protect MBOH and the borrower in case of calamity.

3. Establishment of MBOH as First Mortgagee:

- a) Notification to Insurer: At the time that this institution either orders a new policy or accepts a policy which has already been ordered, the Insurance Loan & Bond Specialist shall inform the insurer that MBOH is the lienholder or the first mortgagee. The insurer will then note the name of this institution on the declaration page of the hazard policy.
- b) Responsibilities of MBOH to Maintain MBOH's Status: To maintain the MBOH's right as first mortgagee, MBOH Servicing shall:
 - i) Notification of Change: The Loan & Bond Specialist shall notify the insurance company of changes on the secured property (e.g., ownership, occupancy, risk, etc.); and
 - ii) Payment of Premium: The Loan & Bond Specialist shall ensure the hazard insurance policy premiums are either paid from an escrow account at this institution or that the borrower pays the premium when due.
- c) Proof of Insurance:
 - i) Acceptable Proof/Declaration Page: The Declaration Page containing the following information shall be adequate to show proof of hazard insurance:
 - (1) Name and address of MBOH as first mortgagee.
 - (2) A description of the secured property which is insured; and
 - (3) The amount of coverage required by MBOH or MBOI.
 - ii) NOT Acceptable Proof/Loss Payable Clause: MBOH shall NOT accept a loss payable clause (which simply states that any claims are to be paid to this institution as the third party) in lieu of a declaration page as such a clause

does NOT give MBOH notice of cancellation or provide protection to MBOH from the borrower voiding coverage.

4. Amount of Coverage: The Loan & Bond Specialist shall check the following parameters to ensure that the amount of coverage is adequate and meets MBOH's requirements:
 - a) Policy Limit on Declaration Page: The Loan & Bond Specialist shall check the policy limit state on the declaration page to ensure that the policy limit is comparable to the principal balance on the loan or 80 percent of the full replacement cost of the insurable improvements; and
 - b) Full Insurable Value of Property: The Loan & Bond Specialist shall check the insurance policy to be certain the property is insured for the full insurable value of the property, or any amount that will provide maximum coverage in the event of a loss.

5. Monitoring Coverage:
 - a) Rule/Policy: The Loan & Bond Specialist shall monitor the insurance coverage on the property on an ongoing basis to ensure there is always adequate coverage on the property.
 - b) Original Policy/Changes to Policy: The Loan & Bond Specialist shall ensure that the original policy is always maintained in MBOH's files. In addition, if there are any changes or endorsements made to the policy, MBOH Servicing shall retain documentation of those changes.
 - c) Monitoring Coverage: The Loan & Bond Specialist shall:
 - i) Order of Expiration: Obtain an Insurance Due Report weekly to track the expiration dates of policies; and
 - ii) Obtain Escrow Disbursement Due Exception Report: Obtain an Escrow Disbursement Due Exception Report Weekly.
 - iii) Contents of Reports: Ensure each report contains at least the following:
 - (1) Mortgage loan number;
 - (2) Insurance due date; and
 - (3) Insurance company name.
 - d) Documentation of Payment/No Escrow: If the borrower is responsible for making the premium payment, the Loan & Bond Specialist shall request that the insurer to submit proof of payment in the form of a copy of canceled check, a paid receipt, or a policy with a new effective date.

6. Renewal or Endorsement: The Loan & Bond Specialist shall ensure that:
 - a) Definite Expiration or Renewal Date:
 - i) Expiration or Renewal Date: That the insurance policy has a definite expiration or renewal date that provides a cancellation or expiration notice which can be tracked; and
 - ii) No Automatic Renewal with Payment: That the insurance policy is NOT the type which automatically renews with payment of the premium as this type of policy leaves too much leeway for the policy to lapse before the discontinuation is noticed.
 - b) Track of Renewal or Endorsement: If the policy is a renewal policy that expires on a given date, the Loan & Bond Specialist shall track the renewal or endorsement to ensure that coverage is continuous.
 - c) Actions Taken to Ensure Continuous Coverage: The Loan & Bond Specialist

shall initiate the process of renewal or endorsement prior to the expiration or cancellation date through the following actions:

- i) Renewal is Borrower's Responsibility: (See Interrupted Coverage below).
- ii) Renewal MBOH's Responsibility: (See Escrow Accounts Section).
- iii) Review of Renewal or Endorsement: The Loan & Bond Specialist shall:
 - (1) Review all renewal policies and endorsements for accuracy, proper coverage, and correct lienholder information for all loans regardless of whether the insurance was obtained by the borrower or MBOH.
 - (2) Correct the new premium amount in the computer system. The due date and expiration date advance automatically when insurance is paid from escrow; and
 - (3) File new renewal policy in bulk insurance filing.

7. Interrupted Mortgage Loan Coverage: See Servicing Procedure. Desktop Manual SV_DO_ForcePlaceInsuranceNotice.

8. Substitution of Policy: If the borrower initiates the substitution of a policy, the Loan & Bond Specialist shall inform the borrower that any substitution in the policy before the term expires will involve considerable administrative expense, just as if the policy was being originated for the first time, and that such administrative expense will be passed on to the borrower.

9. Payment of Policy Premiums:

a) From Escrow Account:

- i) Notice: Prior to the premium due date, the insurance company will send a notice to the MBOH; and
- ii) Make Payment/Update Records:
 - (1) Loan & Bond Specialist shall ensure that the appropriate escrow account is charged by examining the premium notice for correctness of the borrower's name, policy holders name, loan number, and policy number.
 - (2) Pay the premium and charge the escrow account; and
 - (3) Update the premium record.

b) By the Borrower: If the borrower is responsible for the payment of the premium, the Loan & Bond Specialist shall:

- i) Reminder Letter: Send the borrower a reminder letter of the premium due date and provide a specific date by which it must be paid. MBOH Servicing shall also request that the borrower submit a paid receipt and new declaration page by a specified date.
- ii) Borrower Fails to Follow Through: IF the borrower fails to pay the premium by the specified dates or provide the requisite documentation, MBOH Servicing shall contact the borrower to ascertain the reason for the delay. MBOH Servicing shall then adhere to Interrupted Coverage section of this policy above.

10. Filing an Insurance Claim:

a) MBOH Learns of Claim

- i) Borrower Contacts MBOH Directly: All borrowers contacting MBOH about an insurance claim shall be directed to contact their insurance company directly.
- ii) Insurance Agency Contacts MBOH: If the borrower contacts the insurance

- agent directly, the insurance agent will, if necessary, contact MBOH Servicing regarding the disbursement of the claim; and
- iii) MBOH Receives Claim Check: If MBOH receives a claim check, the Loan & Bond Specialist, if necessary, shall contact the insurance agent and obtain details of the claim.
 - b) Assessing the Damage: In all cases above, MBOH shall try to obtain from the borrower information regarding the extent of the property damage and keep the Insurance Adjustment Report on file.
 - c) Insurance Draft Payable Jointly to MBOH and Borrower:
 - i) \$1,000 or Less: When the insurance draft is payable jointly to the insured borrower and MBOH and it is for \$1,000 or less, MBOH may immediately release insurance funds to the borrowers who legitimately need to advance funds to contractors, provided all the following provisions are met:
 - (1) The mortgage is current.
 - (2) The borrower's payment history does NOT show delinquencies for two (a) payments or more.
 - (3) The released funds do NOT exceed the higher of:
 - (a) \$1,000
 - (b) 10% of the affected mortgage's unpaid balance; or
 - (c) The amount by which the released funds exceed the unpaid balance of the mortgage.
 - ii) More than \$1,000: When the amount of insurance funds exceeds \$1,000, MBOH shall have the borrower endorse the check and agree to apply the released funds promptly to repair or reconstruct the damaged property.
 - iii) Funds Retained by MBOH: If repair or reconstruction of the residence takes more than six (6) months, funds remain in their noninterest bearing escrow (loss draft) account. The Loan & Bond Specialist sends a follow up letter reminding borrowers to complete the claim before releasing the final balance.
 - d) Mortgage Loans Sold to MBOH: If the loan secured by the property has been sold to MBOH, MBOH shall:
 - i) Required Actions: Forward insurance proceeds to the Loan & Bond Specialist to:
 - (1) Contact the borrower to determine the time needed for the contractor to make the repairs.
 - (2) Set up an escrow account for the borrower.
 - (3) Pay the contractor from the escrow account for each stage completed in the repair process.
 - (4) Have the property inspected before each payment stage and at completion verify both:
 - (a) Satisfactory completion of the repairs; and
 - (b) The current appraised value of the property; and
 - ii) Update Records: If the inspection affirms the proper repair of the damages without impact to the property value, the Loan & Bond Specialist shall update the insurance file with the actions taken and the result of the inspection.

C. PROPERTY HAZARD INSURANCE & MORTGAGE IMPAIRMENT/BLANKET COVERAGE

1. Blanket & Property Coverage Statement Requirements Policy:

- a) Familiarity with Requirements of Blanket Policy: The Mortgage Servicing Manager, Daily Operations Supervisor and Loan & Bond Specialist(s) shall become familiar with the requirements of the Blanket Policy, to ensure its proper administration and the following requirements are met by personnel:
 - i) When directed by the Mortgage Servicing Manager or Daily Operations Supervisor, the Loan & Bond Specialist shall order or maintain TARP plan coverage to protect MBOH (NOT the borrower) from designated losses against the secured property, resulting from cases where the borrower fails to maintain adequate fire, flood, or other extended coverages; and
 - ii) MBOH shall develop, maintain, and administer procedures for real estate blanket policy requirements, including any force-placed insurance (that must comply with the provisions set forth herein).
- b) General Requirements of Property Coverage Policy: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall ensure the following requirements are met by MBOH servicing personnel:
 - i) Communications with Borrower: The borrower shall be informed and understand that their property must be adequately covered by hazard insurance.
 - ii) When Individual Policies are Required: That individual policies need ONLY be held on:
 - (1) Certain defined types of properties; and
 - (2) Loans that exceed a scheduled dollar amount.
 - iii) When Individual Policies are NOT Required: That the following actions are taken for loans where MBOH is NOT required to hold the original individual policy:
 - (1) New Loans: A verification shall be obtained that the borrower has obtained adequate property hazard insurance.
 - (2) Cancellation: A written commitment is obtained from the insurer that MBOH shall be notified prior to any cancellation of insurance; and
 - (3) Cancellation Notification: When notified of cancellation, property hazard insurance is force-placed for at least 60 calendar days and complies with the force-place requirements set forth below.
- c) Force-Place Requirements: If hazard insurance coverage is interrupted for any reason on a federally related mortgage loan, MBOH shall obtain insurance on behalf of the borrower (e.g., force-place insurance). Purchase of that insurance shall comply with the following:
 - i) Rule/Policy: Prior to obtaining hazard insurance (including flood insurance) on behalf of the borrower, MBOH must have a reasonable basis for believing that the borrower has failed to maintain the requisite flood insurance. Part of that reasonable belief is sending the requisite two (2) written notices to the borrower with the requisite content and not obtaining proof back that the borrower has hazard insurance.
 - ii) Scope: Federally related mortgage loans ONLY.
 - iii) First Notice:
 - (1) Timing: The first notice shall be sent 45 calendar days BEFORE MBOH charges the borrower for the force-placed insurance; and
 - (2) Content: At a minimum, the First Notice shall contain the following information:
 - (a) The date of the notice.
 - (b) MBOH's name and mailing address.
 - (c) The borrower's name and mailing address.

- (d) A request for the borrower to provide hazard insurance information for the property and state the property's address.
 - (e) A statement that the hazard insurance has expired (or is expiring) and MBOH does not currently have evidence of other insurance.
 - (f) A statement that the hazard insurance is required and that MBOH has purchased (or will purchase) such insurance at the borrower's expense.
 - (g) A statement requesting that the borrower promptly provide MBOH with insurance information.
 - (h) A description of the requested insurance information and how the borrower can provide such information.
 - (i) A statement that the insurance MBOH has (or will) purchase may cost significantly more and may NOT provide as much coverage as hazard insurance purchased by the borrower; and
 - (j) MBOH's telephone number for inquiries.
- iv) Second Notice:
- (1) Timing: If MBOH does not receive evidence that the borrower has adequate hazard insurance, MBOH shall send another notice 30 calendar days after the first notice was mailed.
 - (2) Content: At a minimum, the Second Notice shall contain the following information:
 - (a) The date of the notice.
 - (b) A statement that this is the second and final notice.
 - (c) MBOH's name and mailing address.
 - (d) The borrower's name and mailing address.
 - (e) A request for the borrower to provide hazard insurance information for the property and state the property's address.
 - (f) A statement that the hazard insurance has expired (or is expiring) and MBOH does not currently have evidence of other insurance.
 - (g) A statement that hazard insurance is required and that MBOH has purchased (or will purchase) such insurance at the borrower's expense.
 - (h) A statement requesting that the borrower promptly provide MBOH with insurance information.
 - (i) A description of the requested insurance information and how the borrower can provide such information.
 - (j) A statement that the insurance MBOH has (or will) purchase may cost significantly more and may NOT provide as much coverage as hazard insurance purchased by the borrower.
 - (k) MBOH's telephone number for inquiries; and
 - (l) The cost of force-placed insurance stated as an annual premium, or if MBOH does not know the cost, a reasonable estimate; and
 - (m) If applicable, a statement that the information the borrower sent to MBOH is incomplete and the borrower must send the missing information to avoid charge for any period for which MBOH is unable to verify hazard insurance coverage.
- v) Force-Placed Fee Restrictions:
- (1) Amount: Any fee assessed by MBOH for force-placing insurance must be bona fide and reasonable; and
 - (2) Timing: A fee for force-placing insurance can NOT be assessed until 45

calendar days after the First Notice has been mailed or delivered and where MBOH does NOT receive evidence of adequate insurance.

vi) Force-Placed Premium Restrictions:

- (1) Amount: The law does not specify any restrictions on premiums; and
- (2) Timing: Although MBOH may charge the borrower for force-placed insurance that was in place before the Notices above were sent, MBOH may NOT impose the charge until 45 calendar days after the First Notice has been mailed or delivered and where MBOH does NOT receive evidence of adequate insurance.

vii) Renewal Notice:

- (1) Timing: Before each anniversary of MBOH's purchase of force-placed insurance and generally at least 45 calendar days before assessing the borrower a fee or premium related to the renewal, but NOT more than once annually.
- (2) Content: At a minimum, the Renewal Notice shall contain the following information:
 - (a) The date of the notice.
 - (b) MBOH's name and mailing address.
 - (c) The borrower's name and mailing address.
 - (d) A request for the borrower to provide hazard insurance information for the property and state the property's address.
 - (e) A statement that MBOH previously purchased insurance, charged to the borrower, because MBOH did NOT have evidence that the borrower had adequate insurance coverage on the property.
 - (f) A statement that the insurance has expired (or will expire) and MBOH does NOT have evidence of further insurance.
 - (g) A statement requesting that the borrower promptly provide MBOH with insurance information.
 - (h) A description of the requested insurance information and how the borrower can provide such information.
 - (i) A statement that the insurance MBOH has (or will) purchase may cost significantly more and may NOT provide as much coverage as hazard insurance purchased by the borrower.
 - (j) MBOH's telephone number for inquiries; and
 - (k) The cost of force-placed insurance stated as an annual premium, or if MBOH does not know the cost, a reasonable estimate.

viii) MBOH's Responsibility if Borrower Responds: If the borrower sends evidence of hazard insurance that complies with above, MBOH shall, within 15 calendar days:

- (1) Cancel any force-placed insurance MBOH purchased for the borrower.
- (2) Refund to the borrower all force-placed insurance premium charges and related fees for any period of overlapping coverage; and
- (3) Remove from the borrower's account all force-placed insurance charges and related fees for the overlapping period.

ix) Additional Rules for Borrower's with Escrow: If the borrower has an escrow account for the payment of hazard insurance, MBOH may NOT obtain force-placed hazard insurance unless MBOH is unable to maintain the borrower's existing insurance coverage.

- (1) "Unable to maintain" is NOT satisfied just because the borrower's mortgage loan obligation is overdue, or the escrow account has insufficient

funds. Therefore, MBOH will generally have to advance funds through the escrow and then add this cost to the escrow balance or otherwise seek reimbursement from borrower.

(2) "Unable to maintain" is considered satisfied (and therefore MBOH can obtain force-placed insurance) if MBOH has reason to believe that the insurance provider has canceled the policy for reasons other than non-payment or that the property is vacant.

(3) Force-Placed Coverage Difficult to Obtain by MBOH: If a new hazard insurance policy is difficult to obtain by MBOH because the property is high risk, the Loan & Bond Specialist shall request a Fair Access to Insurance Requirement (FAIR) Plan, a shared market plan. If a new FAIR Plan can NOT be obtained the Mortgage Servicing Program Manager shall:

(4) Ascertain from the FAIR Plan administrators the exact improvements which must be made to make the property insurable; and

(5) Contact the borrower and ask the borrower to make improvements, OR

(6) The loan shall be called immediately due and payable and if NOT immediately paid in full by the borrower, MBOH shall take immediate steps to accelerate the loan and foreclose on the property.

D. MINIMUM REQUIREMENTS FOR PROPERTY HAZARD INSURANCE

1. General Requirements: MBOH shall develop, maintain, and administer procedures to ensure that insurance meets minimum MBOH, regulatory and investor expectations. The requirements shall address:
 - a) Due Diligence: The Loan & Bond Specialist shall ensure that the insurance carrier is acceptable to all other mortgage insurers and MBOH and MBOI. To ensure acceptability, the insurance carrier shall have an acceptable rating given by a nationally recognized insurance firm such as:
 - i) A.M. Best Company: Minimum standards under the Best's key rating guide:
 - (1) General Policyholder: Either a "B" general policy holder rating or a financial performance index ratio of "6" or better.
 - (2) Co-Operative: A general policyholder's rating of "A" and a financial category of "V".
 - ii) Demotic, Inc.: An "A" rating or better.
 - b) FAIR Plan Insurance: If FAIR Plan insurance is the only coverage which may be obtained, the Daily Operations Supervisor will get an exception from MBOH and MBOI and shall accept it if it can be obtained at a reasonable cost.
 - c) Mortgage Impairment Blanket Coverage: See above. C.1.a.
 - d) Reinsurance: The Loan & Bond Specialist may accept a policy issued by an insurer that does NOT meet the above criteria if the policy is properly reinsured by a reinsurance carrier that DOES meet the criteria AND:
 - i) Is valid in the state where the property is located.
 - ii) Has an acceptable "Assumption of Liability Endorsement"; and
 - iii) Has a notification provision that gives this institution 90 days written notice.
2. Requirements for 1-4 Family Dwellings: The Loan & Bond Specialist shall ensure that the following requirements are met for insurance on 1-4-unit family dwellings:
 - a) Type of Coverage: The coverage shall protect against loss or damage from fire or other hazards covered by the "Standard Extended Coverage Endorsement".
 - b) Claims Settlement: Claims shall be settled on a replacement cost basis (see

- special requirements for flood hazard insurance below).
- c) Amount of Coverage: The amount of coverage required is 100% of the insurable value of the improvements (as determined by the insurer), or the unpaid balance of the loan, providing it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis (see special requirements for flood hazard insurance below); and
 - d) Deductible Limitations: The deductible shall NOT exceed the higher of \$1,500 or 1% of the face amount of the policy unless a higher maximum is required by state law or investor (see special requirements for flood hazard insurance below).
3. Requirements for Planned Unit Development Projects: The Loan & Bond Specialist shall ensure that the following requirements are met for planned unit developments:
- a) Type of Coverage: The coverage shall protect against loss or damage from fire or other hazards covered by the “Standard Extended Coverage Endorsement”.
 - b) Claims Settlement: Claims shall be settled on a replacement cost basis (see special requirements for flood hazard insurance below).
 - c) Amount of Coverage: The amount of coverage required is 100% of the insurable value of the improvements (as determined by the insurer), or the unpaid balance of the loan, providing it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis (see special requirements for flood hazard insurance below); and
 - d) Deductible Limitations: The deductible shall NOT exceed the higher of \$1,500 or 1% of the face amount of the policy unless a higher maximum is required by state law or investor (see special requirements for flood hazard insurance below).
4. Requirements for Condominiums and Cooperative Projects: The Loan & Bond Specialist shall ensure that the following requirements are met for condominium or cooperative projects:
- a) Insured Entity Named: The owner’s association shall maintain a master policy on the entire project with the premiums paid as common expenses.
 - b) Type of Coverage: The coverage shall protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement plus those losses covered by the “Standard Risk Endorsement”.
 - c) Property to Be Covered: All common areas, except land, foundations, and excavation shall be covered including common fixtures, equipment, and supplies. Additionally, the equipment, fixtures, and other personal property inside individual units must be covered by a personal property policy.
 - d) Amount of Coverage: The amount of coverage shall be 100% of the current replacement cost of the project facilities and the individual units, plus an “Inflation Guard Endorsement”, when available (see special requirements for flood hazard insurance below).
 - e) Additional Required Endorsements:
 - i) Reimbursement for Additional Costs: If construction codes require changes to undamaged portions of the project, in the event of partial damage, an

- endorsement shall be included that will provide reimbursement for those additional costs.
- ii) Condominium Endorsement: A condominium endorsement shall be obtained that contains the following:
 - (1) A provision that recognizes any Insurance Trust Agreement.
 - (2) A provision that waives the right of subrogation against unit owners.
 - (3) A provision that states that the insurance is not prejudiced by any acts or omission of individual unit owners that are NOT under the control of the owner's association; and
 - (4) A provision that states that the policy is primary, even if a unit owner has other insurance that covers the same loss.
 - iii) Deductible: The deductible shall be the lesser of \$10,000 or 1% of the face amount of the policy (unless a higher maximum is required by state law); and
 - iv) Notices of Cancellation or Change: The policy shall require the insurer to notify the owner's association, in writing, at least 30 days before it cancels or substantially changes the project's coverage.
5. Requirements for Income Producing Property: MBOH guidelines on First Time Home Buyer Programs limit business use of residence to 15% of total area. If an exception is made, the Loan & Bond Specialist shall ensure that the following requirements are met for income producing property:
- a) Type of Coverage: The coverage shall protect against loss or damage from fire and other hazards with the "Operational Perils Endorsement".
 - b) Amount of Coverage: The amount of coverage shall be the greater of:
 - i) The amount of the original mortgage allowing for negative amortization; or
 - ii) The minimum amount required to compensate for damage or loss.
 - c) Additional Required Endorsements and Coverage's: The following additional endorsements and coverages shall be included:
 - i) An "Agreed Amount Endorsement" that suspends the applicability of any co-insurance clauses.
 - ii) A minimum of six (6) months "Rent Loss Insurance"; and
 - iii) Comprehensive general liability insurance, with a minimum of \$1 million (\$3 million for elevator buildings) coverage for bodily injury and property damages for any single occurrence.
 - d) Deductible: The deductible shall NOT exceed \$1500 or 1% of the dwelling coverage. If the insurance company allows for a separate wind/hail deductible, the maximum deductible is \$2500 or 1% of the dwelling coverage.

E. THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP)

1. Policy: MBOH shall develop, maintain, and administer policies and procedures that allow MBOH to comply with the requirements set forth herein and in the National Flood Insurance Program for loans serviced at MBOH including the requirements that adequate flood insurance will be maintained, if applicable, for the life of loan; flood insurance premiums will be escrowed where MBOH requires the escrow of other hazard insurance; and all required parties will be notified if there is a change of servicer.
2. Scope: NFIP applies credit extended on improved real estate, including commercial loans, located or to be located in a Special Flood Hazard Area (SFHA):

- a) Covered Loans: All real estate secured loans.
 - b) Exceptions: N/A for MBOH portfolio.
3. Flood Insurance for Life-of-Loan Requirement:
- a) Rule: In accordance with NFIP, the Mortgage Servicing Program Manager and Daily Operations Supervisor shall ensure that MBOH maintains adequate flood insurance for the life of the loan. This includes situations where the covered loan was NOT in a SFHA at the time the loan was originated, but later, due to flood zone re-mapping, was determined to be in a SFHA.
 - b) Adequate Flood Insurance: In accordance with NFIP, the amount of flood insurance shall be the LESSER of:
 - i) The outstanding principal balance of the loan; OR
 - ii) The maximum limit of coverage made available under the NFIP with respect to that loan type.
 - (1) Residential: \$250,000.
 - (2) Commercial: \$500,000; OR
 - iii) The full insurable value of the building, which is the same as 100% replacement cost value (RCV).
 - c) Life-of-Loan Monitoring:
 - i) General: MBOH shall utilize a flood determination company(s) for life-of-loan monitoring.
 - ii) Reports: The Daily Operations Supervisor shall ensure that reports from the flood determination company are reviewed and where changes are noted (e.g., the loan is now in a SFHA or no longer in a SFHA), they are communicated with the Loan & Bond Specialist.
 - iii) Obtain New Flood Certification: The Loan & Bond Specialist shall order a new Flood Certification form from MBOH's flood determination company. Once the Flood Certification is received, the Loan & Bond Specialist shall confirm that the flood zone in the Flood Certification form matches the report received above.
 - iv) Properly No Longer in a SFHA: Where the report and Flood Certification confirm that the property is no longer in a SFHA, the Loan & Bond Specialist responsible for insurance shall send the borrower a letter that flood insurance is no longer required for the loan.
 - v) Property Now in a SFHA:
 - (1) Policy/Rule: Prior to force-placing flood insurance, MBOH must comply with the same procedures set forth above for force-placement of hazard insurance. The procedures for compliance with those provisions is set forth below.
 - (2) Initial Notification of Borrower by the Loan & Bond Specialist. (45 Day Notice): Within two (2) business days of receiving the notice of flood zone change, the Loan & Bond Specialist must send Force Place Letter 1-Map Change to the borrower(s).
 - (a) The letter is to be completed electronically (it is fillable) and signed by the Daily Operations Supervisor.
 - (b) A copy of the new Flood Certification form (above) shall be included with Letter 1.
 - (c) Letter 1 gives the borrower 45 calendar days to obtain flood insurance and explains that if flood insurance is not obtained within that time frame that MBOH will purchase insurance on the borrower's behalf at

- the borrower's expense (e.g., "force-place" the insurance):
- (3) Notification to the Daily Operations Supervisor:
 - (a) Copy of Letter: A copy of Letter 1 and the new Flood Cert shall also be immediately sent to the Loan & Bond Specialist; AND
 - (b) Calculation of "Adequate" Flood Insurance Amount: See above. The Loan & Bond Specialist shall calculate the minimum amount of flood insurance required under the law for the loan utilizing MBOH's worksheet loan origination flood calculation worksheet.
 - (4) Loan & Bond Specialist responsibilities:
 - (a) Documentation: Upon receipt of Letter 1 and a copy of the Flood Certification form, the Loan & Bond Specialist shall immediately begin documentation of compliance for each new loan in a SFHA and retain that documentation of compliance for each new loan in a SFHA and retain that documentation for the life of the loan AND until the completion of a next compliance exam.
 - (b) Calendar: Based on the deadlines noted below, the Loan & Bond Specialist shall also calendar ALL key dates with weekly escrow due report to the software servicing system to ensure compliance with NFIP (e.g., 30 and 45 days from date Letter 1 was mailed).
 - (5) Second Notice to Borrower (15 Day Notice): If the borrower has not provided evidence of adequate flood insurance and it has been 30 calendar days since Letter 1 was mailed, Force Place Letter 2-Map Change shall be mailed to the borrower.
 - (a) The letter is to be completed by the Loan & Bond Specialist and sent to the borrower.
 - (b) Copies of all letters and the new Flood Certification form must be retained by the Loan & Bond Specialist and are NOT required to be in the loan files.
 - (6) 45 Calendar Days Since Letter 1: Upon expiration of the 45 calendar days (e.g., day 46), and provided MBOH has not received evidence of adequate flood insurance on behalf of the borrower through MBOH's pre-approved flood insurance carrier (see above for force-placed hazard insurance requirements):
 - (a) If the 46th day falls on a weekend or Federal holiday, flood insurance shall be "force-placed" prior on the next available business day (e.g., day 47 or 48).
 - (b) The Loan & Bond Specialist must then determine if the flood insurance premium will be added to the balance on the loan or taken from an existing escrow account:
 - (i) Existing Escrow Account: If the loan currently has an escrow account, flood insurance payments should be deducted from the escrow account and a new escrow analysis including the flood insurance must be performed; or
 - (ii) Balance of Loan: If there is not an existing escrow account, the flood insurance must be added to the balance of the loan.
 - (iii) Paid by Borrower: If there is no escrow account on the loan, and the insurance cannot be added to the balance of the loan, the borrower must be billed for the flood insurance.
 - (7) Notice of Insurance: Immediately after purchasing flood insurance Force

Place Letter 3-Map Change MUST be mailed to the borrower(s). If MBOH is deducting the flood insurance from the borrower's escrow, a new escrow analysis shall be attached to Letter 3.

- (8) Borrower Provides Evidence of Adequate Flood Insurance:
 - (a) Adequate Insurance Amount: Where the borrower purchases flood insurance, the Loan & Bond Specialist is responsible for confirming that the amount purchased is adequate flood insurance under the law. The Loan & Bond Specialist shall use the same worksheets for calculating the required amount as those used in loan origination.
 - (b) Acceptable Proof of Coverage: To document coverage, the Loan & Bond Specialist must have one (1) of the following:
 - (i) A copy of the Flood Insurance Application AND premium payment;
OR
 - (ii) A copy of the Declarations Page.
 - (c) Within 15 Calendar Days: Once it has been determined that the borrower has adequate insurance, MBOH shall:
 - (i) Cancel any force-placed insurance, if applicable.
 - (ii) Refund to the borrower all force-placed insurance premiums charges and related fees for any period of overlapping coverage, if applicable; and
 - (iii) Remove from the borrower's account all force-placed insurance charges and related fees for the overlapping period.
- (9) Limits on Charges to Borrower: See Blanket Policy requirements.
- (10) Renewal of Force-Placed Insurance: See Blanket Policy requirements.

4. Escrow of Flood Insurance Premiums:

- a) Rule: Where MBOH requires the escrow of taxes, insurance premiums, fees, or other charges for a loan secured by residential improved real estate or a mobile home, than MBOH shall also require the escrow of premiums and fees related to flood insurance.
- b) Deposit Into Escrow Account: Upon receipt of the premiums, MBOH shall deposit the premiums in an escrow account on behalf of the borrower; and
- c) Payment of Flood Insurance Premium: Upon receipt of a notice from the flood insurance provider that flood insurance premiums are due, MBOH shall pay from the escrow account to the provider the amount of insurance premiums owed.

5. Notification of Change of Servicer: The transferee of servicing shall notify FEMA or a designee, of the transfer of servicing within 60 days of the transfer. MBOH is typically the transferor; however, if MBOH is a transferee, MBOH's flood determination companies, such as CoreLogic, AFR or ServiceLink would send the notice to MBOH.

6. Record Keeping/Retention:

- a) Sufficient Records: MBOH shall maintain sufficient records to indicate compliance with NFIP including all Flood Certification forms, acceptable proof of insurance (above), and correspondence regarding flood including notices provided to the borrower; and
- b) Record Retention: Evidence of compliance with NFIP shall be retained for the

life-of-loan.

F. PRIVATE MORTGAGE INSURANCE

1. Policy: In accordance with the Homeowner's Protection Act, MBOH shall comply with the requirements set forth herein regarding private mortgage insurance including provisions regarding the requirement for private mortgage insurance (PMI) for all covered loans where the loan-to-value ratio equals or exceeds 80% at loan origination.
2. Scope:
 - a) Covered Loans: Private mortgage insurance applies to first lien single-family residential mortgage transactions consummated after July 29, 1998 where the dwelling is the primary residence of the mortgagor including initial construction, refinancing, and acquisition of the primary residence.
 - b) Exceptions: Private mortgage insurance does NOT apply to:
 - i) Subordinate lien loans.
 - ii) Non principal dwelling loans (e.g., second home); or
 - iii) Investment property.
3. Responsibility:
 - a) Management: Mortgage Servicing Program Manager and Daily Operations Supervisor shall be responsible for developing, maintaining, and administering acceptable due diligence requirements for the selection of PMI insurers.
 - b) Servicing PMI Loans: Daily Operations Supervisor shall be responsible for developing, maintaining, and administering procedures to ensure MBOH complies with the retention and cancellation requirements set forth herein regarding the servicing of loans with PMI.
 - c) Loss Mitigation: The Mortgage Servicing Program Manager shall be responsible for ensuring that MBOH complies with the requirements set forth herein regarding delinquent loans and filing PMI claims.
4. Obtaining Private Mortgage Insurance:
 - a) Insurer's Underwriting and Appraisal Standards: MBOH's origination objectives through lenders include the making of loans on single family residential properties with a loan-to-value ratio more than 80% at origination, underwriting shall review each loan carefully to ensure that it will meet the underwriting and appraisal standards of the PMI company
 - b) Insurer's Written Commitment to be Received BEFORE Closing:
 - i) Application: Before the loan is closed, the lender from underwriting or loan processing shall complete an application for PMI, along with all supporting documentation, and forward such information to the PMI company as required.
 - ii) Written Commitment to Insure: MBOH shall NOT close until proof of a written commitment to insure the loan is received from the PMI company. Where PMI cannot be obtained, the loan will be denied.
 - c) Certificate of Insurance or Policy: After the loan is closed, the Single-Family Loan & Bond Specialist shall confirm a notice has been sent by the lender to the PMI company that the loan has been closed. The PMI company will then send MBOH either a Certificate of Insurance or a separate policy for mortgage insurance.

- d) Receipt of Certificate or Policy/Set Up Escrow: Upon receipt of the Certificate or Policy from the lender (above), the Loan & Bond Specialist shall:
 - i) Place the Certificate or Policy in the loan file.
 - ii) Set up an insurance file; and
 - iii) Set up an escrow account to accumulate funds from which to pay future premiums (except for single premium policies).
5. Termination of Private Mortgage Insurance:
- a) Approval of Premium Notice: The insurer will send a premium notice for the PMI to MBOH:
 - b) Cancellation of PMI:
 - i) Borrower Requested Cancellation: Depending on the property type and the occupancy, PMI may, subject to certain requirements, be cancelled at 80% loan-to-value. All such borrower requests shall be:
 - (1) In writing.
 - (2) Subject to completion of a new appraisal.
 - (3) Approved by the Daily Operations Supervisor.
 - c) Delinquent Loans:
 - i) Monthly Report to Insurer: The Loan and Bond Specialist shall provide the insurer(s) with a monthly report summarizing all their respective loans which have become delinquent.
 - ii) Notification to Insurer: When a loan with private mortgage insurance becomes delinquent, the Loan & Bond Specialist shall:
 - (1) Immediately notify the insurer that the loan has become delinquent; and
 - (2) Continue to include the loan on the monthly summary of delinquent loans provided to the insurer until the delinquency is cured.
 - iii) Incurable Delinquency:
 - (1) Joint Tracking: If the delinquency cannot be cured, the Loan & Bond Specialist shall refer the case to the Mortgage Servicing Program Manager. Together they shall track to the delinquency through to conclusion.
 - (2) Obtaining Title of Property: The Loan & Bond Specialist shall:
 - (a) Consult with the insurer to determine the most effective way to obtain title to the property.
 - (b) Follow-through to obtain title to the secured property; and
 - (c) File claim with the insurer.
 - iv) Claim Filed with Insurer: Where the insurer pays on the claim:
 - (1) Claim Paid in Full: If the insurer elects to pay the claim in full, MBOH shall relinquish the property title to the insurer.
 - (2) Claim NOT Paid in Full: If only a percentage of the claim is paid, the Loan & Bond Specialist shall oversee the disposal of the property.
 - (d) PMI Notices:
 - i) Termination Notices: No later than 30 days after PMI has been terminated or cancelled, MBOH shall notify the borrower, in writing, that:
 - (1) PMI has terminated, and the borrower no longer has PMI; and
 - (2) No further premiums, payments, or other fees are due or payable by the borrower in connection with PMI.
 - ii) Annual Notice:
 - (1) Loans Originated Before July 29, 1999: If PMI was required, MBOH shall provide the borrower with an annual written statement that:

- (a) States that PMI may be canceled with the consent of the lender or in accordance with state law; and
- (b) Provides MBOH's address and telephone number that the borrower may contact to determine if they may cancel PMI.
- (2) Loans Originated After July 29, 1999: For all covered loans subject to the PMI requirements, MBOH shall provide to the borrower an annual written statement that:
 - (a) Sets forth the rights of the borrower to cancel and terminate PMI; and
 - (b) Provides MBOH's address and telephone numbers that the borrower may contact to cancel PMI.
- iii) Borrower Does NOT Qualify for PMI Termination Notice: If MBOH determines that a borrower does NOT qualify for PMI termination, MBOH must provide the borrower with a written notice of the grounds for making that determination within 30 days following the date the request was received or scheduled termination date. If an appraisal was used, MBOH must provide the borrower with the results of the appraisal.

G. TITLE INSURANCE, ERRORS, AND OMISSIONS COVERAGE, AND REO COVERAGE

1. General Policy Statement: MBOH shall comply with the requirements set forth therein regarding title insurance, errors, and omissions coverage, and REO coverage.
2. Scope: Real Estate secured loans.
3. Responsibility: The Mortgage Servicing Program Manager and Daily Operations Supervisor shall develop, maintain, and administer procedures for escrow accounts that comply with the requirements set forth herein and designate the loan originators and Single-Family Loan & Bond Specialist(s) responsible for all servicing aspects of title insurance, errors, and omissions coverage and REO coverage prior to purchase of the loan.
4. Title Insurance: If a mortgage loan is being assumed, a designated origination lender may obtain and file a copy of any new policy that may be obtained by the person assuming the loan.
5. Errors and Omissions Coverage: If a loss or a claim is experienced on a property covered by errors and omissions insurance, MBOH Servicing shall assist in the filing of such claim.
6. REO Coverage:
 - a) Vacancy Coverage Clause: If a property is acquired by MBOH through foreclosure or voluntary conveyance and the property is vacant:
 - i) Vacancy Coverage Clause: The Homeownership Foreclosure Specialist shall obtain a vacancy coverage clause on the policy in addition to the original endorsement
 - ii) Policy Cancelled: If the property is rented and no longer vacant, the Homeownership Foreclosure Specialist may cancel the vacancy coverage clause.
 - b) Repairs to Property: If repairs are made to the property or new equipment is

- purchased, the Homeownership Foreclosure Specialist shall ensure that insurance amounts are adjusted to consider any increase in replacement cost.
- c) All Insurance for REO Properties: The Homeownership Foreclosure Specialist shall:
- i) Order and maintain all insurance for REO properties.
 - ii) Ensure that coverage is sufficient (according to circumstances that exist) to protect MBOH from loss.

VII. CONTRACT CHANGES

A. COMPLIANCE POLICY

1. General Policy Statement: MBOH shall develop, maintain, and administer policies and procedures that comply with the law and the provisions set forth herein for any type of contract change involving either the persons responsible for repaying the debt, the security of the property, or the loan terms. According to MBOH & MBOI guidelines, these contract changes shall be made by either the department in which the loan is being modified and the Accounting & Finance Department.
2. Scope: All loans within the original scope of this Policy.
3. Responsibility:
 - a) All Montana Board of Housing Employees: All MBOH employees shall be responsible for ensuring that changes are routed to the appropriate department for approval and implementation and for NOT implementing changes beyond their authority.
 - b) Loan & Bond Specialist: Only Loan & Bond Specialist, Homeownership Foreclosure Specialist and Accounting Finance Department shall be responsible for approving or making changes.

B. SERVICE MEMBER CIVIL RELIEF ACT (SCRA)

1. Policy: As required by the Service Member Civil Relief Act (SCRA), MBOH shall develop, maintain, and administer policies and procedures to ensure service members on "active duty" or "active service" receive certain legal protections. Failure to comply with these rules can result in civil, as well as criminal prosecution.
2. Scope: The SCRA protections are afforded to borrowers under this Section under the following circumstances:
 - a) Covered Borrowers: The SCRA protections apply to:
 - i) Active-duty members of the Army, Navy, Marine Corps, Coast Guard, and active National Guard.
 - ii) Active service members of the commissioned corps of the National Oceanic and Atmospheric Administration.
 - iii) Active service members of the commissioned corps of the Public Health Service.
 - iv) United States citizens serving with the armed forces of a nation with which the United States is allied in the prosecution of a war or other military action; and
 - v) Dependents (of above).
 - b) NOT Covered Borrowers: The SCRA protections do NOT apply to:
 - i) Reserve or national guard components that are NOT on active duty.
 - ii) Retired service members; or

- iii) National Guard troops called under state orders (e.g., Montana orders).
3. SCRA Requirements for Interest Rate Reductions: Qualified service members may be entitled to a reduced interest rate of 6% on qualifying loans:
- a) Qualifying Loans:
 - i) Covered Loans: SCRA applies to:
 - (1) Credit card debt.
 - (2) Car loans.
 - (3) Mortgage loans.
 - (4) Personal (borrower) loans; and
 - (5) Other similar obligations and responsibilities.
 - ii) Exceptions: Federally guaranteed student loans.
 - b) Legal Requirements: The SCRA interest rate rules require that
 - i) The debt must have been incurred prior to the service member entering active duty.
 - ii) The service member shall provide MBOH Servicing with:
 - (1) Written notice of active-duty status (can be provided any time up to 180 days after the termination or release from active duty).
 - (2) A copy of their military orders of activation.
 - (3) Evidence that the debt precedes activation; and
 - (4) FHA case number, if applicable.
 - iii) All such debts shall not bear an interest rate more than 6% during the period of active duty and for mortgage loans, for one (1) year after active duty has ceased. Interest includes service charges, renewal charges, fees, or any other valid charge.
 - iv) All interest more than 6% must be forgiven by the creditor and cannot be shifted to the principal or shifter for payment later.
 - v) The change shall be effective the date the service member was called to active duty. The service member has up to 180 days after active duty ends to notify MBOH Servicing: and
 - vi) MBOH Servicing shall re-amortize the payments on the loan based on the 6% interest.
 - c) Exception: MBOH may seek judiciary relief where it can prove that the ability of the service member to pay the interest on the debt is not materially affected by reason of the military service.
4. Borrower Protections for Exercising Rights Under SCRA: MBOH shall NOT take adverse action against a service member or dependent because the service member invoked their rights under the SCRA. This includes specific protections from foreclosure (50 U.S.C. 3953).

VIII. RESIDENTIAL REAL ESTATE LOAN COLLECTIONS

A. COMPLIANCE POLICY

1. General Policy Statement: MBOH shall develop, maintain, and administer policies and procedures for residential real estate loan collections that comply with all applicable federal laws and investor requirements outlined in this Section including, but not limited to, fair debt collection laws, and the Service Member Civil Relief Act (SCRA).

2. Key Definitions:

- a) **Late Payment:** A payment shall be considered “late” if the payment sufficient to covered principal, interest, and escrow (if applicable) is not received by MBOH Servicing on the due date (see also delinquency).
- b) **Late Charges:** Charges assessed by MBOH Servicing according to the terms of the note, usually 15 days after the due date on the 1st of the month.
- c) **Delinquency:** For purposes of Regulation X (RESPA) and the early intervention rule, delinquency begins on the day a payment sufficient to cover principal, interest, and escrow (if applicable) is due and unpaid.
- d) **30 Day Delinquency:** Exists when the borrower owes two (2) payments on the first day that the second payment is due (e.g., a payment due on September 1st is 30 days delinquent on October 1st). This is also the date the loan is considered in default of the mortgage terms.
- e) **45 Day Delinquency:** Exists the 45th day after the borrower has not made a payment sufficient to cover principal, interest, and escrow, if applicable, by the due date (see 45-day delinquency written notice requirements below).
- f) **60 Day Delinquency:** Exists when the borrower owes three (3) payments on the first day that the third payment is due (e.g., a payment due on September 1st is 60 days delinquent on November 1st).
- g) **90 Day Delinquency:** Exists when the borrower owes four (4) payments on the first day that the fourth payment is due (e.g., a payment due on September 1st is 90 days delinquent on December 1st).
- h) **Delinquency Notices or Letters:** Notices and/or letters sent to the borrower informing them of their delinquency which may contain additional disclosures and/or notifications required by law and/or the investor and insurer.
- i) **Live Contact:** Includes telephoning, reciprocated email and/or conducting an in-person meeting with the borrower. It does include live contact initiated by the borrower but does not include leaving a recorded message.

B. FAIR DEBT COLLECTION PRACTICES ACT (Sec I E Governing Law)

C. SERVICE MEMBER CIVIL RELIEF ACT (SCRA) (Sec I E Governing Law)

D. FEDERAL TRADE COMMISSION ACT – UDAAP (Sec I E Governing Law)

E. HUD REQUIREMENTS (Sec I E Governing Law)

F. EARLY INTERVENTION WITH DELINQUENT BORROWERS

1. Key Definitions:

- a) **Delinquency:** Early payment defaults need to begin contact attempts no later than the 10th day of delinquency. Early intervention begins on the day a payment sufficient to cover principal, interest, and escrow (if applicable) is due and unpaid (regardless of whether MBOH Servicing has a grace period prior to the assessment of a late fee).
 - i) **Exception:** Borrowers who are performing as agreed under a loss mitigation option designed to bring them current are NOT considered delinquent for purposes of the early intervention rules.
- b) **Good Faith:** Reasonable steps under the circumstances; and
- c) **Live Contact:** Includes telephoning or conducting an in-person meeting with the borrower. It does include live contact initiated by the borrower or ongoing contact

with borrower but does NOT include leaving a recorded message. May also be satisfied by establishing contact with an authorized agent of the borrower provided MBOH Servicing has verified that the agent has provided legal documentation of authority (e.g., power of attorney).

2. MBOH Monitoring of Covered Loans for Delinquency: MBOH Servicing shall monitor delinquencies through delinquency reporting. The reports are reviewed monthly.
3. Initial Delinquency Notices: To ensure that MBOH maintains early intervention with delinquent borrowers, MBOH Servicing shall:
 - a) Late Fee Notice: Sent 15 days after the due date on the 1st of the month.
 - b) 20 Day Letter: Sent on the 20-25th day of delinquency.
 - c) Inspection Letter: An inspection letter is sent on the 46th day of delinquency and before the 60th day of delinquency.
 - d) Demand Letter: MBOH may send a demand letter on or about the 61st day of delinquency.
 - e) Continued Pursuit of Payment: Notwithstanding the requirements set forth herein, MBOH Servicing shall continue to pursue payment by the borrower through a combination of the most appropriate communications (e.g., notices, letters, and telephone contact).
4. Live Contact/Collection Calls:
 - a) MBOH Servicing has established a calling schedule that is tailored to the insurer's due diligence requirements as outlined in the insurer's compliance guides. Call lists are held in record retention and calls are documented in the software system borrower's memos.
5. Inform Borrower of Loss Mitigation Options:
 - a) Rule: The law is designed to give MBOH flexibility and discretion in determining which loss mitigation options MBOH Servicing should promptly inform delinquent borrowers of (e.g., what are reasonable options under the circumstances).
 - b) Examples of Flexibility and Discretion:
 - i) During live contact the borrower notifies MBOH Servicing that they have had a material adverse change in financial circumstances that is likely to cause the borrower to experience long-term delinquency. In this case, MBOH Servicing would promptly provide the borrower with MBOH's loss mitigation information.
 - ii) A borrower who misses a January 1 payment notifies MBOH Servicing that the borrower will make a full payment by February 15. MBOH would not be expected to provide the borrower with loss mitigation options because there does not appear to be a long-term issue.
 - c) Promptly Informing: In providing loss mitigation information to delinquent borrowers promptly after establishing live contact MBOH Servicing may provide the loss mitigation information:
 - i) During the live contact communications with the borrower.
 - ii) Orally, electronically, or in writing.
 - iii) Through a standard notice; or
 - iv) By notifying the borrower in any of the above methods that "in general", MBOH Servicing has loss mitigation options available.

- d) List Options and Requirements for those Options (e.g., Temporary Indulgence, Repayment Plan, or Forbearance).
6. Policy: In general, MBOH is required by RESPA (Regulation X) to maintain policies and procedures reasonably designed to provide delinquent borrowers with access to personnel who can assist them with the loss mitigation options where applicable. This includes:
- a) Availability of Assigned Personnel: MBOH shall assign a Loan & Bond Specialist(s) to delinquent borrowers by the time the 45-day written notice has been mailed (see above).
 - b) Borrower Contact with MBOH: Borrowers shall be able to reach the assigned MBOH personnel by phone and the assigned personnel shall respond to borrower inquiries and, as applicable, help the borrower pursue loss mitigation options including by advising the borrower about the status of any loss mitigation application and applicable timelines.
 - c) Retrieval of Accurate Information: Assigned MBOH personnel shall be able to retrieve, in a timely manner, the complete record of the borrower's payment history and all the written information the borrowers provide in connection with a loss mitigation application and, when appropriate, provide such information to other persons responsible for evaluating a borrower for available loss mitigation options; and
 - d) Montana Board of Housing Response: Assigned MBOH personnel shall provide same or next day timely live response to borrowers who call and must leave a message when they cannot reach a live person.
7. Responding to Agents/Representatives of Delinquent Borrowers: MBOH is required to interact with a person "authorized" by a borrower to act on the borrower's behalf. MBOH policy, however, also requires that MBOH personnel verify that the "authorization" is legally binding (e.g., power of attorney, privacy release, etc.).
- a) Availability of Assigned Personnel, a Loan & Bond Specialist shall be assigned to delinquent borrower prior to the date of the 45-day delinquency notice ("delinquency" defined above); and
 - c) Time Period of Availability: The assigned MBOH personnel must be available to the borrower until the borrower has made two (2) consecutive mortgage payments, without incurring a late charge, in accordance with the terms of the mortgage or permanent loss mitigation agreement.
8. Retrieval of Accurate Information:
- a) MBOH assigned personnel shall retrieve and provide borrowers with accurate information regarding:
 - i) The specific loss mitigation options available to them.
 - ii) How to submit a complete loss mitigation application, get the application evaluated and, if applicable, how to appeal an application that is denied.
 - iii) The status of the borrower's loss mitigation application.
 - iv) The circumstances under which MBOH Servicing may refer borrowers to foreclosure.
 - v) Loss mitigation deadlines set by the loan owner or assignee or the provisions of the Mortgage Servicing Rules; and
 - vi) How to submit a Written Notice of Error or Information Request (see Section Entitled Error Resolution and Information Requests); and

- b) MBOH assigned personnel shall be able to retrieve certain information in a timely manner including:
 - i) A complete record of the borrower's payment history.
 - ii) All written information the borrower has provided to you, and if applicable, to prior servicers, in connection with a loss mitigation application.

G. MINIMUM LOSS MITIGATION PROCEDURES

1. Policy: As required by RESPA (Regulation X) and the owners of the loans, MBOH shall develop, maintain, and administer policies and procedures regarding:
 - a) Submitting Loss Mitigation Applications: Working with borrowers to complete timely applications for loss mitigation options.
 - b) Evaluating Loss Mitigation Applications: Evaluating complete and timely loss mitigation applications within 30 days for all loss mitigation options available to the applicant.
 - c) Acknowledging Receipt of Loss Mitigation Application/Notify Borrower of Decision: For complete and timely applications, informing borrowers of whether MBOH will offer the borrower a loss mitigation option and, if the borrower is denied a loan modification option, of the actual reasons for the denial.
 - d) Evaluating Borrower Appeals: Evaluating timely appeals submitted by eligible borrowers. The appeals must be reviewed by independent personnel, that is, NOT the same personnel who initially evaluated the loss mitigation application; and
 - e) Refraining from Foreclosure: Refraining from beginning or completing the foreclosure process in certain circumstances, as set forth below, when a borrower is being evaluated for loss mitigation options as required by law.
2. Required Actions Once Loss Mitigation Application Received: MBOH shall develop, maintain, and administer procedures for situations where a loss mitigation application is received 45 or more days before a foreclosure sale is scheduled (for under 45 days also see below) that include:
 - a) Evaluating Loss Mitigation Application for Completeness: The application must be evaluated to determine if the application is complete (e.g., MBOH has received all the information needed from the borrower to evaluate the borrower for the loss mitigation options available from the owner or investor of the loan).
 - b) Acknowledging Receipt: Once MBOH receives a loss mitigation application and has evaluated it for completeness, MBOH must acknowledge receipt, within the timeframe required by law, of the application status and inform the borrower of the following:
 - i) Incomplete Application:
 - (1) Where the loss mitigation application is deemed incomplete, MBOH must notify the borrower within five (5) days (Monday-Friday, excluding legal holidays) that:
 - (a) The application is incomplete.
 - (b) Inform the borrower of any necessary documents needed to complete the application.
 - (c) Provide the borrower with a reasonable date by which the borrower should submit the missing information or documents needed to complete the application. The date should be based on the earlier of the date by which any document or information submitted by the borrower will be considered stale or invalid or the proximity of a foreclosure sale; and
 - (d) Include a statement that the borrower should consider contacting servicers

of any other mortgage loans secured by the same property to discuss available loss mitigation options.

(2) In addition, MBOH must exercise reasonable diligence to make an incomplete application complete. Although the above notice is required to inform the borrower of what is required to make an incomplete application complete, MBOH is required to also take additional steps necessary to help the borrower complete the application such as:

(a) If an address or telephone number is needed to verify employment, MBOH can promptly contact the borrower to obtain this information.

(b) Missing personal information that can be quickly obtained by contacting the borrower.

- ii) Complete Application: Where the loss mitigation application is deemed complete MBOH must notify the borrower within five (5) days (Monday-Friday, excluding legal holidays) that:
 - (1) The application is complete.
 - (2) Include a statement that the borrower should consider contacting servicers of any other mortgage loans secured by the same property to discuss available loss mitigation options; and
 - (3) Proceed to Evaluate Completed Loss Mitigation Application (below).
- c) Evaluating Loss Mitigation Application for Loss Mitigation Options:
 - i) Timing: Once MBOH has determined that a loss mitigation application is complete, it shall proceed with evaluating the application for all potential loss mitigation options available to the borrower within 30 calendar days. NOTE: This requirement also applies to loss mitigation applications received 37 days or more before a scheduled foreclosure sale.
 - ii) Correcting Facially Complete Loss Mitigation Application: Circumstances may arise where MBOH Servicing notifies the borrower that the loss mitigation application is complete (e.g., facially complete), then later while evaluating the loss mitigation application, MBOH Servicing determines that it needs additional information or documents. In these cases, MBOH Servicing shall:
 - (1) Promptly request whatever corrected documents or information are needed.
 - (2) Allow the borrower reasonable time, ten business days, to provide MBOH Servicing with the requested documents.
 - (3) Do NOT make the first notice or filing for foreclosure or otherwise refer the borrower to foreclosure UNTIL the borrower has had a reasonable amount of time to provide the requested information or documents.
 - (4) Once the information or documents requested are received, the loss mitigation application is deemed complete on the date the requested documents or information is received and shall be evaluated within 30 calendar days of that date.
 - (a) Exceptions (e.g., date requested documents received is NOT date facially complete):
 - (i) Foreclosure Sale Scheduled: If 90 days from foreclosure sale, the date considered complete is date "facially complete" which is when application was submitted; and
 - (ii) Borrower Appeals: If borrower appeals, the date considered complete is date "facially complete" application was submitted.
 - (iii) If requested information or documents is not in the borrower's control (for example documentation lost in the mail or not received by

MBOH), MBOH Servicing shall consider the application complete;
(iv) Identify Loss Mitigation Options: RESPA (Regulation X) does NOT require that MBOH make available specific loss mitigation options; however, where MBOH does have loss mitigation options available, the regulation does require that MBOH consider each application with the available loss mitigation options in mind.

(1) *Complete Application:*

(a) Various Loss Mitigation Options:

(i) Investor Loans: With regards to all investor loans, MBOH shall identify loss mitigation options based on the investor and insurer requirements.

(ii) Portfolio Loans: For non-investor loans, the assigned Loan & Bond Specialist(s) shall be knowledgeable of all available relief options available under the various potential delinquency circumstances (reason for delinquency, borrower's attitude, and resources) including, but not limited to:

- 1 Temporary Indulgence.
- 2 Repayment Plan; or
- 3 Forbearance Relief Agreement.

(b) Prohibition on Foreclosure Referral: MBOH Servicing shall NOT make the first notice or filing required by applicable law for any judicial or non-judicial foreclosure process unless:

- (i) A borrower's mortgage loan obligation is more than 120 days delinquent: OR
- (ii) The foreclosure is based on a borrower's violation of a due-on-sale clause, OR
- (iii) MBOH is joining the foreclosure action of a subordinate lienholder.

(c) Prohibition on Foreclosure Sale: If the borrower submits a completed loss mitigation application after MBOH has made the first notice or filing required by applicable law for any judicial or non-judicial foreclosure process, but more than 37 days before a foreclosure sale, MBOH shall NOT move for a foreclosure judgment or order of sale, or conduct a foreclosure sale, unless:

- (i) MBOH has previously sent the borrower the notice outlined below that the borrower is NOT eligible for any loss mitigation option(s), the appeals process outlined below is not applicable or the borrower has not requested an appeal within the applicable time, or the borrower's appeal has been denied, OR
- (ii) The borrower rejects the loss mitigation option(s) offered to them, OR
- (iii) The borrower fails to perform under an agreement on a loss mitigation option.

(d) Borrower's Response:

(i) Acceptance: Acceptance will be deemed where the borrower fulfills the requirements of the offer by the requisite deadline. All foreclosure processes, if applicable, must be suspended once the borrower accepts a loss mitigation option offered by MBOH and performs under that loss

mitigation agreement.

(ii) Rejection: Except as outlined below, if the borrower fails to accept an offer by the deadline of the offer, MBOH may consider this a rejection of the offer. Exceptions to this rule include:

(1) Interaction with Appeals Process: If a borrower appeals Montana Board of Housing's (MBOH) decision (below), the borrower's deadline for accepting a loss mitigation offer(s) shall be extended 14 calendar days after the deadline in the written notice (above).

(e) Borrower Appeals Process:

(i) Complete Application:

(1) >90 Days Before Foreclosure Sale: If completed loss mitigation application was received by MBOH more than 90 days before a foreclosure sale MBOH shall allow the borrower to appeal MBOH determination and shall allow the borrower 14 calendar days to file that appeal.

(2) <90 Days but >37 Days Before Foreclosure Sale: If a completed loss mitigation application was received by MBOH less than 90 days before a foreclosure sale, but more than 37 days before a foreclosure sale, MBOH shall allow the borrower to appeal MBOH's determination and shall allow the borrower at least seven (7) calendar days to file that appeal.

(ii) Incomplete Application: MBOH is not required to allow for an appeal for incomplete applications.

(iii) Independent Evaluation: An appeal shall be reviewed by different personnel than those responsible for evaluating the completeness of the loss mitigation application.

(iv) Appeal Determination: Within 30 calendar days of the borrower making an appeal, MBOH shall provide a notice to the borrower stating MBOH determination of whether MBOH will offer the borrower a loss mitigation option based on the appeal and, if applicable, how long the borrower must accept or reject this offer. MBOH shall allow the borrower 14 calendar days to accept or reject. MBOH is NOT required, beyond this, to offer the borrower any additional appeals.

(f) Duplicative Requests: MBOH is only required to comply with these Requirements for a single loss mitigation application during the same default episode.

(g) Failure to return subordinate mortgage documents: If not returned by the effective date or properly executed, MBOH will void the offer of loss mitigation.

H. INVESTOR/OWNER REQUIREMENTS

1. Policy: In addition to the foregoing requirements, the owner of a loan may impose additional requirements on MBOH that afford more protections to the borrower and MBOH as servicer of those loans, shall comply with those requirements.

I. BORROWER BANKRUPTCY

1. Communications: The moment that MBOH becomes aware that the borrower is declaring bankruptcy, all communications to the borrower shall be made through

the borrower's attorney.

2. Notification of MBOH Attorney: MBOH shall send a copy of the borrower's bankruptcy notice to MBOH's previously approved Attorney, and the Attorney shall prepare themselves to represent MBOH.
3. Update Borrower Profile: MBOH shall update the borrower's profile so that statements and delinquency notices print correctly.

J. COLLECTION OF LATE CHARGES

1. Late Charge Timing and Amount Restrictions: If late charges are allowed under the terms of the Note, MBOH may collect late charges as additional servicing compensation, provided the following requirements are met:
 - a) Installments Received within Grace Period:
 - i) No Late Charges: Where the payment is received with the Notes Grace Period, usually 15 calendar days after the due date, no late charges may be imposed.
 - ii) Extension of Grace Period: Where the Grace Period ends on a weekend or holiday, the Grace Period shall be extended to the next business day.
 - b) Amount of Late Charge: The amount of any late charge imposed shall not exceed the amount in the Note or limit set by state or federal law, whichever is less.
2. Restrictions on the Collection of Late Charges: The following methods for collecting late charges are expressly prohibited by any member or affiliate of this institution:
 - a) Charging the borrower's escrow or impound account.
 - b) Deducting the late charge(s) from a payment which was made by the borrower to help cure a delinquency; and/or
 - c) Adding the late charge(s) to the outstanding principal balance of the loan.

K. ADVANCES TO SUPERIOR LIENHOLDERS

1. Policy: MBOH shall develop, maintain, and administer policies and procedures for making advances to superior lienholders if the following conditions are met:
 - a) Approval: Of the investor (if sold).
 - b) Economically Justified: To prevent foreclosure through the avoidance of delinquency under obligations secured by superior liens, or to reinstate superior liens; and/or
 - c) Other Appropriate Actions: In the case of a second mortgage where advances were made to prevent foreclosure may not be justified, MBOH shall take other appropriate actions to be made whole.

IX. RESIDENTIAL REAL ESTATE FORECLOSURE OR DEED-IN-LIEU

A. KEY DEFINITIONS:

- a) Late Payment: A payment shall be considered "late" if the payment sufficient to cover principal, interest, and escrow (if applicable) is not received by MBOH on the due date (see also delinquency).
- b) Late Charges: Charges assessed by MBOH according to the terms of the note,

usually beginning on the 16th day of delinquency.

- c) Delinquency: Begins on the day of payment sufficient to cover principal, interest, and escrow (if applicable) is due and unpaid.
- d) First Notice or Filing: Determined based on foreclosure procedures under the applicable state law. For instance:
 - i) Where the foreclosure requires a court action, the first notice or filing is the earliest document required to be filed with the court.
 - ii) Where no court action is required, it is the first document required to be recorded or published; OR
 - iii) Where no court action, recording, or publication, it is the date the earliest documents set or establish a date for the sale.

B. SERVICE MEMBER CIVIL RELIEF ACT (SCRA)

- 1. Procedures: identify how SCRA status/protections are enforced. If borrower took out a mortgage before entering active duty service, they cannot be foreclosed on without a court order, unless they waived their rights. This protection applies while borrower is on active duty and for an additional one year after leaving active duty. This protection also applies in states that do not require a court order to foreclose and whether or not borrower tells their lender or servicer about the service member status.

C. MINIMUM FORECLOSURE & DEED-IN-LIEU OF FORECLOSURE

- 1. Deed-in-Lieu of Foreclosure:
 - a) Procedures to Complete Prior to Accepting a Deed-in-Lieu of Foreclosure: Before accepting a deed-in-lieu, MBOH shall ensure that the following items have been completed and our relatively current:
 - i) Determine Occupancy: Of the secured property.
 - ii) Full Credit Package: Must be obtained to verify the borrower's financial capability including:
 - (1) Credit report.
 - (2) Verification of deposits, income, and employments; and
 - (3) Itemized statement of monthly obligations, including household and debt obligations.
 - iii) Property Appraisal: Obtain an appraisal by a licensed appraiser which will complete the Environmental Risk Checklist.
 - iv) Order Title Search: To determine the priority of the mortgage lien.
 - (1) No Deed-In-Lieu of Foreclosure is acceptable if there is a superior or junior lien on the property.
 - v) Assess Marketability: Of the secured property; and
 - vi) Determine Loss Coverage: If applicable, determine loss coverage including FHA insurance, VA guarantee, or mortgage insurance.
 - b) Additional Requirements for Down Payment Assistant Loans (DPA): In addition to all the procedures noted above, the following additional information shall be collected for DPA loans:
 - i) The status and unpaid balance of each superior lien.
 - ii) Whether or not any superior lienholder has sold its mortgage to a secondary marketing entity or investor such as FHLMC or FNMA.
 - iii) The actions anticipated by any superior lien holder; and
 - iv) Whether or not a cooperative arrangement may be made regarding the disposition of the secured property.

- c) Conveyance of Title: In the process of conveying title to MBOH, MBOH or its counsel shall take the following steps:
 - i) Prepare all documents necessary for the conveyance of title.
 - ii) Obtain an executed estoppel affidavit from the borrower which is acceptable to title insurers in the state where the secured property is located; and
 - iii) Confirm that the secured property is vacant, unless a hardship exists, and the date of possession has been agreed upon in advance.
- d) Costs for Accepting a Deed-in-Lieu of Foreclosure: Where possible, MBOH shall attempt to collect for the costs associated with the process (e.g., appraisal, credit report, title search, etc.). If not possible, MBOH shall explore the possibility of sharing expenses with the applicable entity.

2. Steps Leading to Foreclosure:

- a) When to Recommend Foreclosure: MBOH shall only recommend foreclosure where:
 - i) Borrower NOT Performing Under Loss Mitigation Agreement Restriction: The borrower is NOT currently performing under a previously approved loss mitigation option (above) and property found vacant or abandoned.
 - ii) Prohibition on Foreclosure Referral/Residential Real Estate Mortgage: For residential real estate foreclosures, MBOH shall NOT make the first notice or filing required by applicable law for any judicial or non-judicial foreclosure process unless:
 - (1) A borrower's mortgage loan obligation is more than 120 days delinquent:
OR
 - (2) The foreclosure is based on a borrower's violation of a due-on-sale clause,
OR
 - (3) MBOH is joining the foreclosure action of a subordinate lien holder; OR
 - (4) The borrower materially defaulted on another covenant of the Mortgage/Deed of Trust contract. For example, allowing the home collateral to be so deteriorated that MBOH must take possession in order to protect it.
 - iii) All Loss Mitigation Options Exhausted: Every option has been exhausted to cure the delinquency.
 - iv) Mortgage Accelerated by Superior Lienholder: A superior lienholder has accelerated the mortgage or taken other similar actions; and
 - v) Approval Obtained:
 - (1) Portfolio Mortgage Loans: Approval by someone besides Loan & Bond Specialist.
 - (2) Insurer Mortgage Loans: Where applicable, all insurer procedures must be complied with including appropriate approval for proceeding with foreclosures. Due to the variety of insurers (and procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.
 - vi) SCRA Compliance: Proceeding with foreclosure would not violate any provision of SCRA.
- b) Foreclosure Attorney or Trustee:
 - i) Referral: Before a loan is referred to foreclosure, the Loan and Bond Specialist shall refer the foreclosure action to the Mortgage Servicing Program Manager for a final review. Once the Mortgage Servicing Program Manager has approved, the Loan & Bond Specialist shall continue to work

with the MBOH Homeownership Foreclosure Specialist until the foreclosure proceedings have concluded; and

ii) Reimbursement:

- (1) From Borrower: If for any reason the foreclosure proceedings are terminated, the Loan and Bond Specialist shall make every attempt to collect the foreclosure agent's fees from the borrower, unless prohibited by law.
- (2) From Insurer: For all insurer loans, the Loan and Bond Specialist shall comply with insurer requirements. Due to the variety of insurer (and procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.

3. Steps Taken During Foreclosure:

a) Protection of the Secured Property:

- i) Portfolio Mortgage Loans: Once approval for the foreclosure has been received (see above), MBOH shall take immediate steps, as necessary, to protect the secured property.
- ii) Investor/Insured Mortgage Loans: For all investor/insured loans, MBOH shall comply with their requirements. Due to the variety of insurers (procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements; and

b) Unapplied Impound Funds:

- i) Expenses to Be Paid: The Loan and Bond Specialist shall ensure that all invoices regarding the secured property are obtained, and all expenses are paid.
- ii) Unapplied Impound Funds: MBOH shall retain any of the borrower's unapplied impound funds to pay expenses such as taxes, special assessments, ground rents, and any other expenses which have the potential to become first liens on the property.
- iii) Deficient Unapplied Impound Funds: If the unapplied impound funds are deficient, MBOH shall advance such funds that are necessary to protect this institution's interest in the property.

c) Inspections:

- i) Portfolio Mortgage Loans: After foreclosure proceedings have been initiated, MBOH shall:
 - (1) Order a physical inspection of the property every 30 days after an initial ten (10) day inspection.
 - (2) Ensure the HUD Inspection form is used; and
 - (3) Maintain all inspection reports as part of the applicable mortgage file.
- ii) Investor/Insurer Mortgage Loans: For all investor/insurer loans, MBOH shall comply with investor/insurer requirements regarding inspections. Due to the variety of investors (procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.
- iii) Other Loans: As applicable to insurer.

d) Foreclosure Status Report:

- i) Timing of Reports:
 - (1) Portfolio Mortgage Loans (Monthly Reporting): The Loan and Bond Specialist shall prepare a monthly report regarding the status of all portfolio mortgage loans and present it to the Mortgage Servicing Program Manager.
 - (2) Investor Mortgage Loans (Quarterly Reporting): The Loan and Bond

Specialist shall prepare a quarterly report regarding the status of all investor/insured owned mortgage loans and present it to the Mortgage Servicing Program Manager .

- ii) Content of Reports: The reports shall include:
 - (1) Protective actions taken.
 - (2) Dates of any sale which is scheduled.
 - (3) Any foreclosures that have been suspended and/or reinstated.
 - (4) Any changes to the previous foreclosure status reports; and
 - (5) Any other applicable information (e.g., investor/insurer required information).
- e) Consideration of Intervening Events: MBOH may be required to suspend foreclosure if there is an intervening event such as:
 - i) Prohibition on Foreclosure Sale/Residential Real Estate Mortgage: If the borrower submits a completed loss mitigation application after MBOH has made the first notice or filing required by applicable law for any judicial or non-judicial foreclosure process, but more than 37 days before a foreclosure sale, MBOH shall NOT move for a foreclosure judgment or order of sale, or conduct a foreclosure sale, unless:
 - (1) MBOH has previously sent the borrower all requisite notices and the borrower is NOT eligible for any loss mitigation option(s), the appeals process is not applicable, or the borrower has not requested an appeal within the applicable time, or the borrowers appeal has been denied, OR
 - (2) The borrower rejects the loss mitigation option(s) offered to them, OR
 - (3) The borrower fails to perform under an agreement on a loss mitigation option.
 - ii) Receive Completed Loss Mitigation Application/Residential Real Estate Mortgage: If the borrower submits a completed loss mitigation application at any time during the foreclosure process, even if less than 37 days before the foreclosure sale has been scheduled, MBOH shall review that application for other viable loss mitigation options (see Section Entitled Residential Real Estate Loan Collections), where reasonable, and consider suspension of the foreclosure sale.
 - iii) SCRA Protection: See above.
 - iv) Bankruptcy:
 - (1) Borrower Communications: Once MBOH becomes aware that a borrower has declared bankruptcy, all communications with that borrower must go through the borrower's attorney (no direct borrower contact).
 - (2) Notify MBOH's Attorney: In addition, MBOH must immediately notify MBOH's attorney to determine appropriate actions.
 - (3) Coding in Customer Profile for Dwelling Secured Loans:
 - v) Investor/Insurer Considerations: MBOH shall also consider any other intervening event as required by each individual insurer. Due to the variety of insurers (procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.

D. OFFERS FOR FULL OR PARTIAL REINSTATEMENT OF THE MORTGAGE

- 1. Scope: This section applies to Residential Real Estate Mortgages.
- 2. Offers for Full Reinstatement of the Mortgage:
 - a) Borrower Offers to Pay Reinstatement: If the borrower offers to pay the full

- delinquency during the foreclosure process, MBOH shall accept and calculate the advances, legal costs, or foreclosure expenses, and all future expenditures which will occur before the offer is accepted and include the total of the expenses in the amount of the full delinquency. The Loan & Bond Specialist will check with vendors and make certain all charges are up to date on the loan record.
- b) Status of Superior Liens: If the loan is a second mortgage, MBOH shall contact each superior lienholder to ascertain the position and status of the lien and ensure that the acceptance of the offer will not jeopardize MBOH's position.
 - c) Review and Decision on Offer:
 - i) Portfolio Mortgage Loans:
 - (1) Loan and Bond Specialist: Based on a review of the above information, the Loan and Bond Specialist shall recommend to the Mortgage Servicing Program Manager whether they feel the offer should be accepted.
 - (2) Mortgage Servicing Program Manager: The Mortgage Servicing Program Manager shall review the circumstances surrounding the case and make an independent decision. That decision must then be conveyed, in writing, to the Loan & Bond Specialist.
 - ii) Investor Mortgage Loans: Approval shall be obtained by any investors prior to acceptance of the offer and all investor procedures shall be followed. Due to the variety of investors (and procedures), the Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.
3. Offer for Full Payoff: If the borrower offers to pay the full amount of the delinquency, including all current and future foreclosure expenses, MBOH shall accept the offer without further approval from the Mortgage Servicing Program Manager as long as the funds are certified or a cashier's check. MBOH cannot accept wires.
4. Offer of Partial Payoff:
- a) Recommendation to Mortgage Servicing Program Manager: If the borrower offers to pay an amount less than the amount of the full delinquency, including current and future foreclosure expenses, MBOH shall analyze the circumstances and recommend the best solution to the Loan & Bond Specialist for review.
 - b) Consideration of MBOH's Best Interest: In the evaluation of the circumstances surrounding the mortgage in (a) above, MBOH shall consider future foreclosure losses and decide whether it is in the best interest of MBOH to sell the property for an amount less than the amount needed to recover the outstanding balance.
 - c) Mortgage Servicing Program Manager and Decision: After the recommendation, the Mortgage Servicing Program Manager shall convey their decision in writing.
 - d) Approval from Mortgage Insurer: If the security property carries mortgage insurance, MBOH shall obtain appropriate approval from the mortgage insurer before proceeding with the sale of the security property.

E. SALE OF THE SECURED PROPERTY

1. Scope: First Mortgage, Real Estate
2. Investor Mortgage Loans: Approval shall be obtained by the Homeownership Program Manager prior to acceptance of the offer and all investor procedures shall be followed. The Loss Mitigation Team shall be responsible for keeping current procedural checklists on these requirements.
3. Ordering Appraisals or Valuations:
 - a) Ordering Appraisal/Valuation: Before proceeding with the sale of the secured property, MBOH shall order an appraisal or similar valuation of the secured property when warranted as per insurer.
 - b) Contents of Appraisal/Valuation: The appraisal/valuation shall include:
 - i) The estimated market value of the secured property in “as is” condition; and
 - ii) If repairs are required, the estimated market value of the secured property after repairs and the expense of the repairs; and
 - c) Copy to Borrower:
 - i) Scope: Dwelling secured, first lien, borrower’s loans and
 - ii) Rule: As required by the Equal Credit Opportunity Act (ECOA), MBOH must send a copy of the appraisal to the borrower promptly upon completion of the appraisal.
4. Down Payment Assistance Loans (DPA) In the case of a DPA loans, MBOH shall obtain an itemization of all superior liens including:
 - a) The unpaid balance.
 - b) Accrued interest; and
 - c) Any other outstanding charges.

F. CHARGE-OFF OF DOWN PAYMENT ASSISTANCE LOANS

1. Evaluation of Circumstances Surrounding Delinquency:
 - a) Research of Information to Be Evaluated: MBOH shall discover and evaluate the following information before making any recommendation:
 - i) Estimated cost of continued collection efforts.
 - ii) Estimated cost of legal action.
 - iii) Unpaid balance of any superior lien.
 - iv) Estimated market value of the security property both “as is” and “after repairs”; and
 - v) financial ability of the borrower to make any payments.
 - b) Recommendations of Charge-Off to Bad Debt: If the evaluation in (a) above indicates that a partial or full settlement is not likely to be forthcoming, MBOH shall consider the recommendation of a charge-off to bad debt to the Mortgage Servicing Program Manager.

X. REO ASSETS

A. COMPLIANCE POLICY

1. Key Definitions:
 - a) Real Estate Owned (REO): Property held by this agency because of a loan default, such as:
 - i) Real estate granted to MBOH in a court judgment.

- ii) Real Estate acquired through statutory foreclosure.
- iii) In-substance foreclosure.
- iv) Real estate acquired through deed-in-lieu of foreclosure; and
- v) Any real property exchanged for foreclosed real estate.

B. ACCOUNTING AND FINANCE

1. Accounting for REO: For purposes of this Policy, the economic substance shall determine whether the property should be reported as REO, and NOT the legal form in which the property is held.
2. Additional Investments in REO: Any additional investments in REO shall be reported in MBOH's book value subject to the assets fair market value.

C. REQUIREMENTS OF INVESTOR, FHA, OR VA

1. Scope: REO properties by private insurer, FHA, VA, RD, or HUD184 fee simple loans.
2. Private Mortgage Insurer: In the case where the original mortgage was insured by a private mortgage insurer, the REO Specialist shall follow their procedures and complete any reports required by the insurer regarding the disposition of the REO. Due to the variety of insurers that MBOH may have, MBOH shall be diligent about remaining current on all insurer requirements.
3. FHA, RD, or VA: In the case where the original mortgage was an FHA, VA or RD insured mortgage, the REO Specialist shall follow all procedures and complete any reports required by FHA, VA or RD regarding the disposition of the REO. MBOH shall be diligent about remaining current on all FHA, VA, and RD requirements.

D. DOCUMENTATION REQUIREMENTS

1. Maintenance of Complete Records:
 - a) All Loans: MBOH shall maintain records in accordance with this and other sections of the Servicing Policy Manual. Such records shall, at a minimum, include:
 - i) Loan Identification: Identification of the loan and security for the loan.
 - ii) Fee and Charges: Itemization of all fees and charges incurred by the action and records of to whom those charges were paid; and
 - iii) Title Holder: Identification of the holder of title.
 - b) Mortgage Loan: In terms of a real estate mortgage loan, the REO Specialist shall ensure that the following documentation is obtained for an REO:
 - i) Original Note: Or other similar instrument, and any documentation indicating modifications to the original note.
 - ii) Original Appraisal or Evaluation: Including original photographs, and any applicable satisfactory certificate or verification of completion of repairs or improvements.
 - iii) Certificate of Mortgage Insurance: If applicable.
 - c) Mortgage Less Than Three (3) Years Old: In addition to above, if the real estate mortgage is less than three (3) years old (calculated by using the note date or date of assumption (whichever is later) to the date of the last paid installment), the REO Specialist shall ensure that the following documentation

is obtained.

- i) Loan Application: The original residential loan application.
- ii) Assumption Documentation: If applicable.
- iii) Credit Report.
- iv) Verification: Of deposits, income, and employment.
- v) Down Payment Source: Verify down payment source, if applicable
- vi) Sales Contract and Escrow Instructions: If applicable; and
- vii) Shared Equity Agreement: Or buydown agreement and calculation of buydown amount, if applicable.

2. Additional Documentation: In addition to above, as soon as possible after acquiring title and possession to the property MBOH shall obtain the following additional documentation:
 - a) Appraisal or Valuation: A current appraisal or valuation which reflects the estimated current market value of the property in an “as is” condition and, if applicable, a “repaired” condition, including an estimated cost for the repairs.
 - b) Market Analysis: For real estate loans, a market analysis estimating the REOs probable sales price and marketing time, prepared by a real estate broker who is familiar with the market conditions in the area in which the property is located.
 - c) Recommendations for the Sales Price: Based on the above and method for disposing of the property.

E. MORTGAGE INSURANCE CLAIMS

1. Scope: Real estate mortgage loans with mortgage insurance only.
2. Prompt Filing of Mortgage Insurer: The REO Specialist shall work closely with the mortgage insurer to achieve either a conveyance or the property to the mortgage insurer or payment of the claim.
3. Working with Mortgage Insurer: The REO Specialist shall work closely with the mortgage insurer to achieve either a conveyance of the property to the mortgage insurer or payment of the claim.
4. Offer to Purchase Property is Sufficient to Cancel Claim:
 - a) Before Claim is Filed: If MBOH receives an offer to purchase the property before a mortgage insurance claim is filed, and the offer is sufficient to cancel the claim, then the REO Specialist shall accept the offer and decide for closing the sale.
 - b) Offer After Claim is Filed: If MBOH receives an offer to purchase the property after a mortgage insurance claim has been filed and before it has been acted upon, and the offer is sufficient to cancel the claim, then the REO Specialist shall notify the mortgage insurer of the offer and obtain all appropriate approval to accept the terms of the sale agreement.
5. Offer to Purchase Property is NOT Sufficient to Cancel Claim: If MBOH receives an offer to purchase the property before or after a mortgage insurance claim has been filed, and the amount is NOT sufficient to cancel the claim, the REO Specialist shall contact the mortgage insurer and obtain a decision whether to accept the offer and under what conditions.

F. ACTIONS TO BE TAKEN WHEN REO IS STILL OCCUPIED

1. Scope: All REO properties.
2. Eviction Proceedings: If the REO property is still occupied, and the Loan and Bond Specialist has determined that there is no useful purpose for the person to continue the occupancy, such as the security of the property or a rent-paying occupant, then the REO Specialist shall commence eviction proceedings when:
 - a) Refusal to Vacate: The borrower or other occupant refuses to vacate the premises after being asked to do so; and
 - b) Law Permits Eviction: The laws in the area where the property is located permit eviction.
3. Alternatives to Eviction: If the laws in the area where the property is located prohibit eviction, the REO Specialist shall work with occupant to determine an alternative to eviction in vacating the occupant from the property.

G. SALE OF REO

1. Scope: All REO properties.
2. Approval of Mortgage Insurer for Property Listed for Sale: If the REO carries mortgage insurance, the REO Specialist shall contact the mortgage insurer and obtain all appropriate approval to accept the terms of the listing agreement and of any offers to purchase which are received before the final disposition of the mortgage insurance claim.
3. Sale of REO to Party Affiliated with this Institution: The REO Specialist shall ensure that the sale of REO to a party affiliated with this agency is NOT permitted unless the following conditions are met:
 - a) Independent Appraisal: The sale is substantiated by an independent appraisal which meets all requirements of both MBOH's Real Estate Appraisal and Evaluation Policies, and Procedures and the appraisal requirements detailed in this Policy.
 - b) Same Terms as the General Public: The terms of the sale are the same as the terms that would be offered to a member of the public.

H. MAINTENANCE AND SECURITY OF REO

1. Scope: All REO properties
2. Advances: To the extent necessary to protect MBOH's interest in the REO, the REO Specialist shall ensure that funds are advanced to maintain and secure the property, such as funds for the payment of taxes, security measures, etc.
3. Inspections: The REO Specialist shall:
 - a) Order a physical inspection of the REO and use it depending on the type of property, every 30-90 days.
 - b) Ensure that the appropriate inspection form is used. See procedure. Desktop Manual Property Preservation Inspection form and,
 - c) Maintain all inspection reports as part of the applicable mortgage file.

4. Insurance Coverage for REO with Losses: If the REO has sustained losses which are covered under the borrower's insurance policy, the REO Specialist shall:
 - a) Discover whether the claim has been filed with the insurer.
 - b) If the claim has NOT been filed with the insurer, the REO Specialist shall expedite the claim.
5. Cancellation of the Borrower's Insurance Policy: After the REO Specialist has confirmed that all claims regarding the property have been paid, or that the REO has indeed sustained no losses, the REO Specialist shall cancel the borrower's policy of property insurance.
6. Continued Insurance Coverage of the REO:
 - a) Insurance Coverage: The REO Specialist shall ensure that the REO is covered by insurance either as part of a blanket policy, or individual policy, to protect MBOH's interest in the REO; and
 - b) Insurance Assessment: Also, if the REO is a condominium or PUD, the REO Specialist shall ensure that an assessment for any insurance, maintained by the homeowner's association, is paid.
7. Damages to the Property:
 - a) Repair: If any damages occur to the property in the process of selling the property, the REO Specialist shall ensure that all damages are repaired, and the property is restored to its original condition before the damages occurred; and
 - b) Insured Loans: The REO Specialist shall follow all appropriate procedures required by the insurer in the case of damages. Due to the variety of investors that MBOH may have, MBOH shall be diligent about remaining current on all investor requirements.

I. INTERNAL CONTROLS FOR REO

1. Inspections: See above.
2. Maintenance: See above.
3. Separate Subsidiary Records: MBOH shall maintain separate and thorough subsidiary records for each REO parcel, including the items capitalized, expenses, rentals, etc. Subsidiary ledgers for individual properties shall be balanced to the general ledger at least monthly.
4. Separate Files for Each Parcel of REO: Separate and complete files shall be maintained for each parcel for REO.
5. Rental Records: The REO Specialist shall ensure that adequate records are maintained on the REO, including rental receipts and security deposits, which are subject to audit.
6. Advertising: All advertising for the sale or rental of the REO shall comply with the provisions contained in the Department of Housing and Urban Development housing guidelines.

7. Hazard Insurance: The REO Specialist shall ensure that the proper hazard insurance is acquired and maintained on the property.
8. Recognition of Profits: Management shall maintain records supporting the recognition of profits resulting from the sale of the REO.
9. Continuing Pursuit of Payment: Where permitted by law, management shall continue to pursue repayment of any deficiency, after the collateral has been sold, from the borrower.

XI. ERROR RESOLUTION AND INFORMATION REQUESTS

A. PROCESSING ERROR NOTICES AND INFORMATION REQUESTS:

1. Rule: As noted above, MBOH must adhere to federal law in responding to error notices and information requests.
2. Responsibility: MBOH Mortgage Servicing Program Manager shall designate the employee(s) responsibility for proper handling of all error notices and information requests and ensuring that they are properly trained on MBOH procedures.
3. Procedures:
 - a) Applicability: Confirm that error notice or information request is covered by this Section (see above):
 - b) Log Notice/Request: Once it has been determined that the error notice or information request is covered by this Section, the loan servicing employee shall access the Mortgage Loan Servicing Error Resolution and Information Requests Log. The log is set-up to walk the loan servicing employee through the legal requirements and includes additional worksheets that summarize the rules. This log will be accessed several times throughout the procedures:
 - c) Provide Written Acknowledgement: Send borrower written acknowledgement within five (5) days (Monday-Friday, excluding legal holidays) of receipt of the error notice or information request if the error was not resolved. Log date sent in Mortgage Loan Servicing Error Resolution and Information Requests Log
 - d) Investigate: Investigate the error notice or information request within the required timeframe (see key dates in Mortgage Loan Servicing Error Resolution and Information Requests Log)
 - e) Written Response/Timely: Within 30 business days, send borrower written notice informing them of the results of the investigation or to provide the requested information within the requisite timeframe (see worksheets in Log). Log date sent in Mortgage Loan Servicing Error Resolution and Information Requests Log
 - f) Notice of Error/Accuracy and Integrity of Borrower Information: For 60 calendar days from the date of the notice of error, MBOH may NOT furnish adverse information to a Borrower Reporting Agency.
 - i) Charging Borrower, A Fee: In general, MBOH may NOT charge a fee for responding to error notices or information requests. In addition, MBOH may NOT require the borrower to make any payment owed to MBOH as a condition to MBOH's response or investigating the error.

XII. THIRD PARTY VENDOR & SERVICE PROVIDERS:

A. SERVICING EXEMPTIONS IN THE DELEGATION AGREEMENT

1. Under the current 2020-2021 Delegation Agreement, Section 5.5 Agency Statutory & Negotiated Exemptions, subsection (j) MBOH Mortgage Servicing Program, exempts property specialist services from procurement. MBOH, as a loan servicer, needs infrequent and variable rate services required and regulated by HUD and other government insured loans including realtor services, inspections, and property maintenance. Property specialist services are funded through either service fees earned by servicing loans, assessed late and miscellaneous fees to borrowers, or through reimbursement claims as allowable. As listed in this provision, property specialist services include the following types of services real estate agents, appraisers, title companies, inspectors, property maintenance specialists, and repair services. As noted in the exemption, the list of property specialist services is not all inclusive. MBOH also utilizes the specialized tax services that CoreLogic provides fits within this exemption because these services are (1) provided to the MBOH Mortgage Servicing Program, (2) funded from the same source, and (3) are specialized property related services. The language “including but not limited to” was added to this exemption to clarify that additional services might fit within this exemption that were not specifically called out. As a loan servicer, it is required to pay property taxes on certain loans that are serviced. The specialized tax services needed include tracking, paying, and reporting on all property tax amounts due. This is a very specialized need that must interface with loan servicing software. For these reasons, the specialized tax services provided by CoreLogic fit within the aforementioned exemption.

Mortgage Servicing Program Dashboard

Effective 04/30/2023

2023 Monthly Servicing Report

MONTH	Last Year	Last Month	This Month
	Apr-22	Mar-23	Apr-23
PORTFOLIO TOTAL LOANS	5380	5482	5505
MBOH	5026	5016	5029
BOI	312	305	305
MULTI FAMILY	16	16	16
HAF-Homeownership Assistance Fund	26	145	155
PRINCIPAL (all loans)	\$521,774,565.94	\$545,300,348.50	\$547,083,148.08
ESCROW (all loans)	\$7,344,751.88	\$6,309,819.33	\$7,373,031.16
LOSS DRAFT (all loans)	\$829,503.10	\$734,189.79	\$753,855.62
LOANS DELINQUENT (60+ days)	232	239	240
ACTUAL FORECLOSURE SALES IN MONTH	3	1	1
FORECLOSURES TOTAL CALENDAR YEAR	5	4	5
DELINQUENT CONTACTS TO MAKE	578	586	590
LATE FEES - NUMBER OF LOANS	676	779	718
LATE FEES - TOTAL AMOUNT REVENUE	\$18,277.66	\$21,780.00	\$20,169.16
PAYOFFS	68	30	16
NEW LOANS	46	51	38

HUD's National Servicing Center TRSII SFDMS Reporting FY 2022 Q4 Final Score 91.71% - Grade A

LOSS MITIGATION	Apr-22	Mar-23	Apr-23
ACTIVE FINANCIALPACKETS	1	0	0
REPAYMENT/SPECIAL FORBEARANCE	2	0	0
COVID19 FORMAL FORBEARANCE (MAR 23)	103	95	98
HAMPS, PARTIAL CLAIMS & MODS PNDG	10	8	13
CHAPTER 13 BANKRUPTCIES	12	10	10
PRESERVATION PROPERTIES	7	8	8
REAL ESTATE OWNED PROPERTIES	2	2	2
SHORT SALE	0	0	0
DEED IN LIEU	0	0	0

BOARD AGENDA ITEM

PROGRAM

Operations/Executive Director

BOARD MEETINGS

The next scheduled Board meeting is June 12, 2023 and will be held virtually via Zoom.

Due to scheduling conflicts, the September 12, 2023 Board meeting will be held virtually via Zoom instead of in-person in Miles City.

Additionally, based on responses from Board members, staff would propose shifting the October 23, 2023 Board meeting from virtual to in-person in Helena (for LIHTC allocation decisions). We did have an all-day strategic planning session scheduled for September 11, 2023 in Miles City. Rather than conducting this session virtually, staff propose shifting the strategic planning to October 24, 2023 in Helena.

BOARD TRAINING & CONFERENCE OPPORTUNITIES

- NCSHA Annual Conference & Showplace, October 14-17, 2023 in Boston, MA. Board members are strongly encouraged to attend this conference, as there are specific sessions and training opportunities tailored specifically to Housing Finance Agency Board members. Please let Cheryl and Kylee know if you are interested.

CONTRACTS / PROCUREMENT

- Housing Development Software contract has been routed for execution.
- RFP for Financial/CPA services for secondary reviews of financial statements is posted and will close on May 26.
- The RFP for Field Agency contracts for Section 8 are scored and will be awarded in the next few weeks.

PERSONNEL UPDATE

Montana Housing has two positions under recruitment:

- Accounting and Finance Supervisor – Board of Housing
- Loan Servicing Specialist

EMERGENCY RENTAL ASSISTANCE UPDATE

- As of May 15, 2023, we have awarded \$128.6 million in rent and utility assistance; approximately 2,600 applications are currently under review.
- Over \$48.4 million in potentially fraudulent applicants (2,755 applications) have been flagged, isolated, and ultimately denied. The team continues to actively pursue payment returns for overpaid situations (i.e., renter moves out before the three months future rent assistance has ended).
- The backlog of applications are processed in the date order submitted, with the exception of expedited applications for eminent evictions and utility shut offs.

BOARD AGENDA ITEM

- The program is no longer accepting any applications as of March 24th at midnight.
- Projections indicate that we will complete the wind down of the program around the July. However, the program could go longer depending on funding available.

HOMEOWNER ASSISTANCE FUND UPDATE

- As of May 12, 2023, there have been 637 applications submitted to the statewide program and HAF staff have approved and paid over \$1.9 million in total through all statewide program areas.
- HAF staff is in the process of drawing up a contract to help fund NWMT in their counseling efforts for foreclosure clients.
- HAF staff are currently working on expansion areas to further help Montana homeowners with safe and stable housing.

COMMUNITY HOUSING UPDATE

- Stay tuned for details about a late June 2023 HOME-ARP application workshop.

EXECUTIVE DIRECTOR UPDATE

- The **Montana Housing Partnership Conference**, held May 15-17, 2023 in Helena, was a tremendous success! Open discussion on conference take-aways...
- The **Legislative Audit Division Performance Audit** kick-off call was held on Wednesday, April 26. The Board packet includes the Audit Entrance Conference Agenda, which outlines the audit scope and objectives. This engagement will focus on multifamily housing programs, and the Low-Income Housing Tax Credit (LIHTC) program in particular.

LEGISLATIVE UPDATE

- The following housing-related bills have been signed by Governor Gianforte (as of May 16, 2023):

Bill Number	Short Title
<u>HB 25</u>	Repeal gray water property abatement
<u>HB 30</u>	Generally revise mortgage laws
<u>HB 56</u>	Extend the application of the bond validating act
<u>HB 246</u>	Allow for the zoning of tiny dwelling units
<u>HB 296</u>	Revising laws relating to real estate transaction disclosures
<u>HB 523</u>	Require reporting on emergency rental assistance paid to businesses and landlord
<u>SB 105</u>	Prohibit rent control of private property
<u>SB 323</u>	Allow for duplex, triplex, and fourplex housing in city zoning

BOARD AGENDA ITEM

[SB 331](#) Revise condo and townhouse exemptions

[SR 43](#) Confirm governor's appointees for the board of housing

[SR 57](#) Confirm governor's appointees for board of housing

- The following bills have not yet been signed:
 - HB 5 Long-range building appropriations (\$5 milli for emergency shelters)
 - HB 244 Revise laws governing the Housing Montana Fund
 - HB 358 Revise property manager license law
 - HB 819 Montana Community Reinvestment Act
 - HB 830 Optional alternative property tax payment schedule
 - SB 407 Revise municipal zoning laws
 - SB 382 Create the Montana Land Use Planning Act

- HB 889 Revise the Residential Mobile Home Lot Rental Act was vetoed by the Governor on May 16, 2023.

LAD Personnel: Angus Maciver, Legislative Auditor, angus.maciver@legmt.gov or 444-3200
Will Soller, Deputy Legislative Auditor, wsoller@legmt.gov or 444-3225
John Harrington, Project Oversight, john.harrington@legmt.gov or 444-3220
Amber Robbins, Project Lead, amber.robbins@legmt.gov or 444-9779
Christiane Rudmann, Project Staff, christiane.rudmann@legmt.gov or 444-3231

Audit Process:

- Audit process flowchart
- Audit assessment and planning work complete
- Fieldwork starting
- Auditors may be on-site periodically with notification

Audit Scope and Objectives:

Scope:

- Focus on governance and decision-making by the board for multifamily housing programs in general, but the Low-Income Housing Tax Credits (LIHTC) in particular; Excludes MBOH single family programs
- Excludes multifamily housing programs outside BOH but under the purview of the Montana Housing Division
- Timeframe: CY2018-CY2022

Objective 1: Does the governance framework of the Board of Housing align with best practices and provide for effective administration and oversight of multifamily housing programs?

Objective 2: Does the Board of Housing allocate and approve Low-Income Housing Tax Credits (LIHTC) to maximize the number of new or rehabilitated affordable multifamily housing units in areas where it is most needed?

Major Methodology Steps:

- Review federal and state statutes, policies, and procedures
- Review national best practices and industry guidelines
- Interview other states (about 5), mostly states with similar population size, mix of rural/urban areas, similar LIHTC allocation, and similar development costs
- Interview board members, staff, the QAP consultant, and various stakeholders
- Survey LIHTC applicants and grantees
- Review LOIs and full applications
- Review board meeting materials
- Determine which factors are most significant for board decision-making about LIHTC applications and awards
- Compare the location of LIHTC properties to the areas of greatest affordable housing need
- Visit sample of LIHTC properties (about 3)

Confidentiality of Audit Documentation:

- Audit documentation is securely protected
- Individual names will not be used in the report
- Access and confidentiality of data

Audit Communication

We will mainly work with program level staff on the detailed audit work during fieldwork; however, we will be sure to share and discuss findings with management throughout the process.

- Informal way of discussing audit findings throughout fieldwork
- Communication of any audit findings
- While rare, if formal documentation during fieldwork needed, whom should we copy?
 - Formal, written audit communications are public information
- As fieldwork is wrapping up and prior to report writing, we will meet with you to discuss findings

Estimated Milestones

Fieldwork completed – *late Fall 2023*

Report draft to MBOH – *Winter 2023/early 2024*

- MBOH will have opportunity to review draft report and provide a written response prior to finalization
- MBOH will be notified when report will be presented to Legislative Audit Committee

Housing MT

Report Date: May 16, 2023

Bill Number	Bill Sponsor	Current Committee	Last Action	Next Hearing
HB 5	Mike Hopkins(R) HD 92	Finance and Claims (S)	05/11/23 - Signed by Speaker	
Long-range building appropriations				
HB 25	Tom Welch(R) HD 72	Taxation (S)	04/19/23 - Chapter Number Assigned	
Repeal gray water property abatement				
HB 30	Alice Buckley(D) HD 63	Business, Labor, and Economic Affairs (S)	02/17/23 - Chapter Number Assigned	
Generally revise mortgage laws				
HB 56	Julie Dooling(R) HD 70	Taxation (S)	03/16/23 - Chapter Number Assigned	
Extend the application of the bond validating act				
HB 244	Dave Fern(D) HD 5	Finance and Claims (S)	05/08/23 - Transmitted to Governor	
Revise laws governing the housing Montana fund				
HB 246	Scot Kerns(R) HD 23	Local Government (S)	04/19/23 - Chapter Number Assigned	
Allow for the zoning of tiny dwelling units				
HB 296	Kerri Seekins-Crowe(R) HD 43	Judiciary (S)	05/04/23 - Chapter Number Assigned	
Revising laws relating to real estate transaction disclosures				
HB 358	Katie Zolnikov(R) HD 45	Business, Labor, and Economic Affairs (S)	05/08/23 - Transmitted to Governor	
Revise property manager license law				
HB 523	Michael Yakawich(R) HD 51	Business, Labor, and Economic Affairs (S)	05/05/23 - Chapter Number Assigned	
Require reporting on emergency rental assistance paid to businesses and landlord				
HB 819	Paul Green(R) HD 41	Finance and Claims (S)	05/11/23 - Signed by Speaker	
Create Montana community reinvestment act to fund workforce housing				
HB 830	George Nikolakakos(R) HD 26	Taxation (S)	05/12/23 - Transmitted to Governor	
Optional alternative property tax payment schedule for primary residences				

Housing MT

Report Date: May 16, 2023

Bill Number	Bill Sponsor	Current Committee	Last Action	Next Hearing
HB 889	Jonathan Karlen(D) HD 96	Business, Labor, and Economic Affairs (S)	05/10/23 - Transmitted to Governor	
Revise the Residential Mobile Home Lot Rental Act				
SB 105	Steve Fitzpatrick(R) SD 10	Judiciary (H)	05/03/23 - Chapter Number Assigned	
Prohibit rent control of private property				
SB 245	Daniel Zolnikov(R) SD 22	Local Government (H)	05/11/23 - Transmitted to Governor	
Revise municipal zoning to allow multifamily and mixed use development				
SB 323	Jeremy Trebas(R) SD 13	Local Government (H)	05/05/23 - Chapter Number Assigned	
Allow for duplex, triplex, and fourplex housing in city zoning				
SB 331	Greg Hertz(R) SD 6	Local Government (H)	05/05/23 - Chapter Number Assigned	
Revise condo and townhouse exemptions				
SB 407	Shane A Morigeau(D) SD 48	Local Government (H)	05/11/23 - Transmitted to Governor	
Revise municipal zoning laws				
SR 43	Jason D Small(R) SD 21	Business, Labor, and Economic Affairs (S)	03/29/23 - Filed with Secretary of State	
Confirm governor's appointees for the board of housing				
SR 57	Jason D Small(R) SD 21	Business, Labor, and Economic Affairs (S)	03/29/23 - Filed with Secretary of State	
Confirm governor's appointees for board of housing				

LEGISLATIVE AUDIT DIVISION

Performance Audits

Performance audits are reviews and analyses of state programs undertaken to determine whether the programs are: 1) achieving the intended results; 2) being conducted efficiently and economically; and 3) in compliance with related laws and regulations. These reviews result in recommendations which, if implemented, should increase the effectiveness or efficiency of the program and/or result in cost savings.

Audit Process

Performance audits are conducted in accordance with generally accepted government auditing standards. Audits progress through the following distinct stages:

