

# Montana Board of Housing – Board Training & Strategic Planning

**Meeting Location:** via Zoom

**Date:** April 14, 2025

**Time:** 8:30 am – 5:00 pm

**Location:** Kwataqnuq Resort & Casino  
49708 UD-93, Polson, MT 59860  
Alexander Conference Room  
406-883-3636

**Attendance:** In-person attendance is preferred.

Board members and partners unable to join in-person can register remotely via [Zoom](#)

## Agenda Monday April 14, 2025

### 7:30 am to 8:30 am – Breakfast Buffet

- Scrambled eggs, bacon, and sausage links. Fresh seasonal fruit, mini croissants, or English muffins.

### 8:30 am – Introductions & Icebreakers

- Ice Breaker: It's springtime so time for spring cleaning!

What's your go-to music album to play on full blast while you clean? OR

What collection of items belonging to your spouse, roommate, or children would you love to purge?



**9:00 am – Board Governance**

- Drew Page - Kutak Rock
- Boardmanships Basics

**10:15 am - Break**

- Coffee Break

**11:00 am – Policy Discussions**

- Nathan Bilyeu – Jackson, Murdo and Grant
- Ex Parte Communications
- Board Member Conflict of Interest Policy
- Board Member Attendance Policy

**12:00 pm – To Go Boxed Lunch**

- Turkey or Ham served on honey wheat bread with mild cheddar cheese, lettuce, and tomato. Served with mayo/mustard packets, bag of chips, piece of whole fruit, and a freshly baked cookie.

**1:00 pm – Housing Credits and Multifamily Loans 101**

- Jason Hanson - Multifamily Program Manager
- Mark Shelburne – Novogradac (virtual)
- Low-Income Housing Tax Credit 101 training



**2:00 pm – Mortgage Revenue Bond 101**

- Mina Choo, Patrick Zhang - RBC Capital Markets
- David Jones - CSG Advisors (virtual)
- Vicki Bauer – Accounting & Finance Manager
- Mortgage Revenue Bond 101 training

**3:00 pm – Break**

- Variety of cubed cheese, assorted crackers, meats (variety of pepperoni, salami, and summer sausage)

**3:15 pm – Reverse Annuity Mortgage Administrative Rules**

- Jessica Michel – Homeownership Program Manager
- Proposed Administrative Rule changes

**7:00 pm – Dinner Hosted by RBC Capital Markets**

- The Shoe – Lakeview Dining & Spirits | <https://thelakeviewshoe.com/>  
820 Shoreline Dr, Polson, MT 59860



## Agenda Tuesday, April 15

### 7:30 am to 8:30 am – Plated Breakfast

- French Toast, fresh fruit, scrambled eggs, bacon

### 8:00 am – 2025A Bond Closing Call

- Board members and staff meet in conference room at 8:00 am for an overview of the bond closing process and documents by Drew Page with Kutak Rock.
- Our bond closing call will be held at 8:15 am prior to the 8:30 am public meeting.

### 8:30 am – Montana Board of Housing Board Meeting

- Please see April 15<sup>th</sup> Board Packet for details

### 10:30 am – Morning Break

- Orange and apple juice, assorted pastries, yogurt variety



# Montana Board of Housing

# Boardmanship Basics

Drew Page | [drew.page@kutakrock.com](mailto:drew.page@kutakrock.com)

# Governance Essentials

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A successful  
HFA Board  
has:

Knowledge of the HFA and its mission

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An understanding of the role of the  
Board

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The ability to function as a team

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Awareness of legal duties

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# I. Nature of MBOH

## MBOH Legal Structure

- MBOH was created by the Housing Act of 1975 as an agency of the State that now operates within the Housing Division of the Department of Commerce for administrative purposes.

## Legislature establishes purposes and powers

- Governed by a 7-member Board (members are appointed by Governor and confirmed by Senate)
- Finances and administers affordable housing programs

## Self-supporting

- No taxing power
  - Primary operating and program revenue sources: bond/loan proceeds, program loan spread, investment income, fees
- Various federal/state exemptions/special rules

## Multiple “overseers”

- State and federal (IRS, HUD, SEC, CFPB, Governor and Legislature)

## Multiple stakeholders

- Lower income persons
- Residential real estate industry
- Bondholders & financial institutions



# MBOH Business Model

## Bonds Finance Loans

- Issue bonds to investors \$ at fixed rate (x %) for 30 years
- Buy 30-year mortgages at fixed rate (x + 1.125 %)
- Scheduled mortgage principal pays scheduled bond principal
- Mortgage interest pays bond interest
- Mortgage prepayments used to redeem bonds
- Maximum 1.125% excess interest spread pays MBOH expenses and small profit
- Bond reserve fund \$ invested in matching 30-year Treasury rate

## Bottom Line

- Assets should  $\geq$  liabilities
- Finance jargon – HFAs “match” assets and liabilities

## DPA - Alternative

# GAAP Accounting Aberrations

- Bonds and whole loans – valued at par
- Investments – “marked-to-market” although held to maturity
  - Mortgage Backed Securities are “investments”
  - “Marked-to-Market” changes are reflected in an HFA’s income statement and balance sheet
- Federal grant \$ (HOME, etc.) treated as “revenue”

# Income Statement

	(in millions)			(in millions)		
	2023	2022	2021	2020	2019	2018
<b>Operating Revenues:</b>						
Interest on mortgage loans	\$ 113.8	\$ 115.7	\$ 122.9	\$ 129.0	\$ 140.9	\$ 143.0
Interest on investments	126.2	79.3	62.7	72.7	76.4	62.4
Fees and other income	13.7	13.1	18.6	13.5	15.5	10.6
<b>Total operating revenues</b>	<b>253.7</b>	<b>208.1</b>	<b>204.2</b>	<b>215.2</b>	<b>232.8</b>	<b>216.0</b>
<b>Operating Expenses:</b>						
Interest	150.4	123.6	128.4	144.0	153.4	147.3
Bond issuance costs	5.5	6.3	8.1	6.0	6.2	6.9
Servicer fees	20.9	12.2	7.9	7.3	9.6	12.1
Administrative	38.7	35.8	35.8	34.8	36.3	37.8
Provision for loan loss reserve	19.9	1.1	(16.1)	3.8	(10.6)	14.8
<b>Total operating expenses</b>	<b>235.4</b>	<b>179.0</b>	<b>164.1</b>	<b>195.9</b>	<b>194.9</b>	<b>218.9</b>
<b>Operating income (loss)</b>	<b>18.3</b>	<b>29.1</b>	<b>40.1</b>	<b>19.3</b>	<b>37.9</b>	<b>(2.9)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Actuarial assumption changes pension & OPEB	9.6	12.6	0.4	(6.1)	(7.8)	(4.9)
<b>Net increase (decrease) in the fair value of investments</b>	<b>33.1</b>	<b>(343.2)</b>	<b>(74.6)</b>	<b>119.3</b>	<b>109.1</b>	<b>(49.5)</b>
Other	1.4	(0.5)	2.5	0.7	2.7	11.8
<b>Total nonoperating income (loss)</b>	<b>44.1</b>	<b>(331.1)</b>	<b>(71.6)</b>	<b>113.9</b>	<b>104.0</b>	<b>(42.6)</b>
<b>Change in Net Position</b>	<b>\$ 62.4</b>	<b>\$ (302.0)</b>	<b>\$ (31.6)</b>	<b>\$ 133.2</b>	<b>\$ 141.9</b>	<b>\$ (45.5)</b>

# Balance Sheet

	(in millions)			(in millions)		
	2023	2022	2021	2020	2019	2018
<b>Assets</b>						
Current assets	\$ 1,416.3	\$ 1,667.3	\$ 1,388.8	\$ 1,188.6	\$ 892.7	\$ 798.8
Capital assets	4.2	4.6	3.3	3.1	2.9	3.0
Noncurrent assets	4,860.6	4,386.0	4,753.9	5,188.5	5,280.5	4,962.8
<b>Total assets</b>	<b>6,281.1</b>	<b>6,057.9</b>	<b>6,146.0</b>	<b>6,360.2</b>	<b>6,156.1</b>	<b>5,764.6</b>
<b>Deferred outflows of resources</b>						
Unamortized deferred bonds refunding costs	53.9	61.9	71.1	75.7	84.6	96.0
Deferred amounts for OPEB	15.5	15.2	17.5	39.9		
Deferred amounts for pensions	9.5	13.1	11.1	24.0	13.3	2.6
<b>Total deferred outflows of resources</b>	<b>78.9</b>	<b>90.2</b>	<b>99.7</b>	<b>152.5</b>	<b>116.4</b>	<b>115.4</b>
<b>Liabilities</b>						
Long-term bonds payable	4,464.8	4,210.6	4,051.0	4,453.2	4,626.9	4,378.4
Net OPEB liability	52.1	51.3	77.3	82.4	78.5	63.1
Net pension liability	42.0	50.1	64.9	70.5	76.5	67.9
Other liabilities	808.1	899.6	986.6	837.9	555.7	537.1
<b>Total liabilities</b>	<b>5,367.0</b>	<b>5,211.6</b>	<b>5,179.8</b>	<b>5,444.0</b>	<b>5,337.6</b>	<b>5,046.5</b>
<b>Deferred inflow of resources</b>						
Deferred amount for OPEB	32.9	37.7	17.0	16.2	5.9	6.9
Deferred amount for pensions	16.1	17.0	9.7	8.6	5.5	8.4
Derivative Financial Instruments	171.3	171.5	26.9		12.8	49.5
<b>Total deferred inflows of resources</b>	<b>220.3</b>	<b>226.2</b>	<b>53.6</b>	<b>24.8</b>	<b>24.2</b>	<b>64.8</b>
<b>Net position</b>						
Net investment in capital assets	4.2	4.6	3.3	3.1	2.9	3.0
Restricted	768.5	705.7	1,009.0	1,040.8	907.8	765.7
<b>Total Net Position</b>	<b>\$ 772.7</b>	<b>\$ 710.3</b>	<b>\$ 1,012.3</b>	<b>\$ 1,043.9</b>	<b>\$ 910.7</b>	<b>\$ 768.7</b>

# HFA Challenges

Changing federal and state housing policies and priorities

Changing federal tax rules affecting housing

Federal regulation (IRS, HUD, SEC, CFPB)

Financial Challenges

- Rate/Capital Market changes/limited spread
- PAB Volume Cap is a limited resource
- Limited administration fees
- Increased construction and program costs

Technology and Cybersecurity (changes/costs/risks)

Business Continuity/Succession

## II. Role of the Board

- Responsible for overall governance of MBOH
- Govern and monitor, not micromanage
  - Program Reports (Finance, Homeownership, Servicing, Multifamily)
  - Operations Reports (Executive Director Update, Legislation, Rental Assistance)
- Approve Programs, Establish Parameters; Provide Oversight
  - Single Family and Multifamily Bond Resolutions
  - LIHTC QAP and Allocations
  - Coal Trust Loan Program and Reverse Annuity Mortgage Program

# Role of the Board

- Set/review/revise policies
  - Program (mission, financial prudence, transparency, etc.)
  - Operational (Attendance Policy, Conflict of Interest Policy, etc.)
- Strategic planning
  - Short term
  - Long term

# III. Functioning as a Team

- Authority to act is vested in the Board, not individual Members
  - Decisions are made by the Board
  - No individual member (including the Chair) may act for the Board or MBOH
  - When decisions are made, all Members must be in support (even the dissenters)
- Members are community, industry or governmental leaders with special expertise
  - But a Member's duty of loyalty is to the Board, not to the Member's constituency
- Committee function and participation
- Consensus building is key, but professional disagreements are constructive
- Executive Director is key part of Board team



# Board Meetings

Board action occurs at meetings

Meeting packet (distributed in advance)

Agenda

- Focus on substance/policy
- Must adhere to agenda (absent an emergency)

Length and frequency

Board Minutes – legal record

Attendance is a must

# Board/Executive Director Relationship

## Executive Director:

- Is CEO and reports to the Board
- Implements Board policies and direction
- Makes recommendations for Board approval
- Has broad responsibilities for MBOH operations
- Provides information requested by Board
- Hires and supervises/manages staff
- Should be periodically reviewed/evaluated

# Professional Team

## General Counsel/Bond Counsel

- HFA is client; not individual Board Member or Executive Director
- Advises on the HFA act and ethical rules

## Accounting Firm

- Independence is key

## Investment Bankers

- Technically adverse but key market advisors

## Financial Advisors

- (general, cash flow, swaps) – fiduciary

## Bond Trustee

- Bondholder fiduciary (both pre-default and post-default)

# IV. Legal Duties

## Due Care

- Ministerial (meet periodically, keep minutes, adopt budget, etc.)
- Discretionary (set program parameters)

## Loyalty: no conflicts

## Disclosure (SEC Anti-fraud)

## Liability – avoiding it

- Pay attention – read agendas/meetings/reports
- Use common sense
- Follow Housing Act and open meetings and public records laws
- State/federal law protection (limited)
- D&O/E&O insurance (limited value)
- Board Indemnification (often the best)

Thank You!

# Montana Board of Housing (the Board or MBOH)

## *Ex Parte* Communication Policy

*December 9, 2024*

### **Purpose**

The purposes of this *ex parte* communication policy are to:

- (1) promote transparency and openness concerning the Board's interactions with public stakeholders;
- (2) assure that, where required, Board decisions are based upon information presented to the Board in a duly noticed public meeting;
- (3) prevent individuals and entities from gaining an unfair advantage, or the perception of an unfair advantage, over others by communicating with one or more Board members on an *ex parte* basis;
- (4) assure that all Board members and public stakeholders have access to information presented to the Board and its members and opportunity to comment and respond; and
- (5) reduce the risk that Board decisions will be subject to challenge due to reliance on information obtained through inappropriate *ex parte* communication.

This policy, by design, accounts for the varying nature of matters that come before the Board.

### **Applicability**

This policy applies to Board members and the Board's public stakeholders with respect to the matters specified below. For purposes of this policy, the following terms (whether or not capitalized herein) have the following meanings:

- (1) "Board" means the Montana Board of Housing established by Mont. Code Ann. § 2-15-1814, acting through a duly constituted quorum of its members.

- (2) “Board meeting” or “meeting” means a duly noticed meeting of the Board at which a quorum is present.
- (3) “*Ex parte*” or “*ex parte* communication” means communication in any form (including but not limited to oral, written or electronic) between one or more Board members and one or more public stakeholders other than in the course and on the record of a Board meeting (e.g., emails, telephone calls or conversations between an applicant and Board member outside a meeting urging favorable action on an application, award or other benefit).
- (4) “Matter” means and includes any one of the following matters:
- a. Loan applications, exceptions and related matters requiring Board approval;
  - b. Participating lender applications;
  - c. Requests for fund set-asides, purchase of lien, loan or servicing portfolios, and similar requests;
  - d. Bond resolutions or similar resolutions;
  - e. Housing Credit letter of intent project selections and credit awards, and other requests and approvals under the Board’s Qualified Allocation Plan requiring Board action (e.g., waiver requests and credit refresh requests);
  - f. Competitive procurement contract awards;
  - g. Award of any benefit to any one or more particular applicants;
  - h. Contested cases;
  - i. Any other matters in which the Board is required to adjudicate or adjudicates the matter by applying a law or policy to particular facts or situations based upon evidence in the record.

The term does not include any of the following matters, decisions, participation and communications, or Board consideration and action thereon, unless specifically included within the foregoing list of covered matters:

- a. Board policies or standards of general applicability;
- b. Board program reports, minutes, audits and similar items;
- c. Board rulemaking, including QAP development and approval;
- d. Board training, planning and policy discussions;
- e. Board program development and adoption and related matters;
- f. Conferences, forums and related discussions relating to affordable housing or other matters generally within the Board's purview;
- g. Scheduling, status, administrative and ministerial matters;
- h. Any decision or matter performed by or delegated to Board staff;
- i. Documents or information submitted to Board staff and included in the materials provided generally to Board members in connection with any meeting agenda item;
- j. Any matter constituting an exercise of the Board's legislative or operational functions;
- k. Communication and interaction in the course and on the record of a Board meeting;
- l. Communication unrelated to Board business.

(5) "Member" means a member of the Board appointed by the Governor as provided by law and does not include the Board's Executive Director or other staff.

(6) "Public stakeholder" means an individual, association, organization or other entity (and any owner of an interest in any such entity) with any interest, direct or indirect, in a matter, whether such interest is financial, contractual, legal,



policy, advocacy or otherwise, and includes but is not limited to applicants, borrowers, lenders, investors, sponsors, local governmental entities and officials, and advocacy organizations. The term does not include the Board's Executive Director or other staff.

(7) "Quorum" means a majority of the membership of the Board.

This policy applies to Board members and all Board members must abide by this policy in all communication with a public stakeholder regarding any matter that is before the Board for consideration or action (as indicated by inclusion of the matter on a Board meeting agenda) or that will require Board action to proceed (*e.g.*, a potential/proposed project that will apply for Housing Credits or a Board loan). This policy also applies to all public stakeholders with respect to communication with Board members regarding any such matter. This policy applies to all communication and interactions, including oral, written and electronic, between one or more Board members and any one or more public stakeholders.

### **Policy**

In acting on any matter, the Board and any member may consider only information and documents:

- (i) presented by Board staff generally to Board members for purposes of the meeting;
- (ii) communicated or submitted in the course and on the record of a Board meeting; or
- (iii) unless otherwise restricted by Board action, included in an *ex parte* communication to the extent such information is disclosed on the record of a Board meeting.

Board members should not receive or consider any other communication, information, material or documents for purposes of acting on any matter.

Board members should refrain from and take all reasonable measures to avoid engaging in *ex parte* communication with any public stakeholder regarding any matter that is before the Board for consideration or action (as indicated by inclusion of the matter on a Board meeting agenda) or that will require Board action to proceed (e.g., a potential/proposed project that will apply for Housing Credits or a Board loan).

Members should not initiate contact with any public stakeholder regarding any such matter. If contacted or approached by a public stakeholder on an *ex parte* basis regarding any such matter, a Board member should attempt to prevent or stop the communication and inform the public stakeholder that such communication is prohibited except in a Board meeting. This may include the member providing information to the public stakeholder on how to appropriately submit material to MBOH.

Public stakeholders should not make or cause to be made any *ex parte* communication to any Board member who is or may reasonably be expected to be involved in Board consideration or action on any matter that is before the Board for consideration or action (as indicated by inclusion of the matter on a Board meeting agenda) or that will require Board action to proceed (e.g., a potential/proposed project that will apply for Housing Credits or a Board loan). Further, if a Board member initiates an *ex parte* communication with a public stakeholder, the public stakeholder should attempt to prevent or stop the communication and avoid discussing the matter with the member.

### **Process**

A Board member who has had any *ex parte* communication (including without limitation any communication or receipt of information, material or documents) to, from or with any public stakeholder regarding any matter that is before the Board for consideration or action (as indicated by inclusion of the matter on a Board meeting agenda) or that will require Board action to proceed (e.g., a potential/proposed project that will apply for

Housing Credits or a Board loan) must disclose all such communication on the record at any Board meeting at which the matter is considered.

The disclosure must include:

- (i) the identity of the public stakeholder making the communication(s);
- (ii) the date(s) of the communication;
- (iii) the substance of all oral communication, including the member's response; and
- (iv) copies of all written and electronic communication included in the *ex parte* communication.

Absent Board action to the contrary, the disclosing member may participate in consideration, discussion and action on the matter. The Board may, however, impose additional measures or remedies deemed necessary or appropriate to avoid any unfair advantage or perception of unfair advantage or to cure any prejudice to other interested parties, including but not limited to any one or more of the following:

- (i) mandatory recusal of the disclosing member from participation in consideration, discussion and action on the matter;
- (ii) adverse action on the matter, including denial or rejection of an application or request, if the applicant or requestor committed, caused or failed to take reasonable action to avoid the *ex parte* communication;
- (iii) no consideration of or reliance upon content of the *ex parte* communication;
- (iv) where the opportunity does not already exist, providing all interested persons an opportunity to respond to the disclosed material; or
- (v) other reasonable measures or remedies.

If a member has any doubt or question regarding whether any communication constitutes an *ex parte* communication subject to this policy, the member will contact the Board's Executive Director or legal counsel to discuss and obtain further guidance.

**Board Member Responsibility**

In addition to the foregoing, all Board members will acknowledge and accept the responsibility to follow all applicable state laws and policies regarding *ex parte* communication, including but not limited to:

- (i) initial and annual completion, execution and submission of an acknowledgement and affirmation of this policy in the form required by the Board;
- (ii) attendance and participation in at least annual training regarding *ex parte* communication; and
- (iii) compliance with the terms of this policy, including full disclosure and any other measures or remedies determined by Board action as provided in this policy.

The Board will provide a copy of this policy to each Board member and each member must sign and return the policy, acknowledging receipt of the policy and that the member has read, understands, and will comply with the policy.

**Acknowledgement**

The undersigned Board member hereby acknowledges receipt of a copy of this policy and that the member has read, understands, and will comply with the policy.

DATED: \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_

Print Board Member Name: \_\_\_\_\_

# Montana Board of Housing Conflict of Interest Policy

## Purpose

This policy is intended to protect against conflicts between the public duties and the private interests of board members by ensuring that board members: (1) avoid conflicts of interest and any potential harm to the integrity of the Board, its programs, interests or actions; (2) disclose any actual or apparent conflicts of interest; and (3) recuse themselves from participation in any Board actions in which a member has an actual or apparent conflict of interest unless otherwise provided by law.

## Policy

The Board expects its members to respect their public office and duties and act in an ethical manner in accordance with the rules applicable to Montana public officers. Members must use sound judgment and awareness regarding the discharge of their public duties to the citizens of Montana, avoiding any activities that compromise the public trust.

Conflicts of interest subject to this policy and any required disclosure and recusal include both actual and apparent conflicts of interest. “Apparent” conflicts of interest are circumstances that may not constitute an actual conflict of interest but that would lead a reasonable, average person with knowledge of all relevant facts to think that a conflict of interest exists.

Board members will acknowledge and accept the responsibility to follow all applicable state laws and policies regarding ethical conduct of public officials and Board members, including without limitation the following:



Board members will comply with the terms of this policy, including completion, execution and submission of annual disclosure forms, disclosure of any actual or apparent conflict of interest with respect to any matter on which the Board may take official action, and recusal from participation any Board consideration or action on any such matter, unless otherwise allowed by law and express approval of the Board.

Board members may purchase and hold MBOH bonds only if: (i) the member intends to hold the bonds to maturity and refrains from buying and selling MBOH bonds on a regular basis; (ii) the member does not inquire of or otherwise communicate with staff or Board advisors regarding MBOH bonds that will be redeemed; and (iii) the member discloses such ownership and recuses themselves from participating in Board action relating to MBOH bonds where the Board action would directly and substantially benefit the member economically.

Board members will not:

1. Use public time, facilities, equipment, supplies, personnel or funds for private business purposes.
2. Engage in any substantial financial transaction for the member's private business purposes with a person the member inspects or supervises in the course of their official duties.
3. Disclose or use confidential information acquired in the course of official duties for the member's personal economic interests or otherwise except as allowed by law and Board policy.
4. Perform any official act that will directly and substantially affect the economic benefit of a business or other undertaking in which the member has a substantial financial interest or is engaged as counsel, consultant, representative or agent.



5. Acquire an interest in any business or undertaking the member has reason to believe may be directly and substantially affected to its economic benefit by actions taken by the Board.
6. Perform any official action which directly and substantially harms a business when the member has a substantial personal interest in a competing business.
7. Accept gifts or receive duplicate compensation from overlapping public positions in violation of applicable law or policies.
8. Take any official action related to the Board that would result in the receipt of a substantial financial benefit to the member or the member's family, relatives, related parties, property or business or employment interests.

## Process

The Board will provide and its members must participate in at least annual training regarding ethical conduct of public officials, including conflict of interest rules.

Board members must complete, execute and submit an annual conflict of interest disclosure in the form required by the Board.

Board members must disclose promptly, once a potential conflict becomes known to them, any actual or apparent conflict of interest with respect to any matter on which the Board may take official action. This includes, but is not limited to, Board action involving the award of contracts, loans or tax credits. Disclosure must be made on the record in a public meeting of the Board prior to the Board's consideration of the matter.

- Members are not considered to have conflict of interest *merely* because the member is stockholder, officer or employee of a lending institution that may



participate in Board's programs, but there may be more facts that indicate a conflict.

If a member has any doubt or question regarding the existence of any actual or apparent conflict of interest, the member will contact the Board's executive director or counsel to discuss and obtain guidance regarding whether the circumstances constitute an actual or apparent conflict of interest and any disclosure or recusal obligations with respect to such matter.

Board members must recuse themselves from participation in Board consideration, voting and other action on any such matter, unless otherwise allowed by law and express approval of the Board.

Recusal means a Board member's voluntary removal of themselves completely from the matter, including comment or other participation in deliberations or asking or directing any other person to comment or participate on their behalf.

- Recusal may not be required by law in some circumstances if the member's participation is necessary to establish a quorum or administer a statute and if the conflict is disclosed. However, such participation will be allowed only upon the determination of the Board in consultation with legal counsel.

The Board will provide a copy of this policy to each Board member and each member must sign and return the policy, acknowledging receipt of the policy and that the member has read, understands and will comply with the policy.





## Acknowledgement

The undersigned Board member hereby acknowledges receipt of a copy of this policy and that the member has read, understands and will comply with the policy.

DATED: \_\_\_\_\_

\_\_\_\_\_

Print Board Member Name: \_\_\_\_\_



# Montana Board of Housing Board Meeting Attendance Policy

The Montana Board of Housing was established by the Housing Act of 1975 to address a shortage of decent, safe and sanitary housing for lower income persons and families by assisting private and governmental entities in financing critical housing needs in the state. The Board comprises members informed and experienced in housing, economics or finance from diverse areas of the state.

## Purpose

This policy is intended to ensure the Board functions as effectively as possible by encouraging member contributions of their expertise and judgment through regular attendance and participation in Board meetings.

## Policy

Board members are expected to attend all scheduled Board meetings and training sessions, including attendance in person where a meeting is so designated. It is recognized that members may be unable to attend some meetings due to conflicts with prior-scheduled commitments or unforeseen circumstances. Members are expected to notify the Board chair as far in advance as possible if they will be unable to attend. Members may not have more than two (2) absences from meetings or training sessions within any calendar year, only one (1) of which may be unexcused. Members will be considered absent unless they attend the entire meeting or training session.

## Process

Board meetings will be scheduled and members notified of scheduled meetings typically six to twelve months in advance. Special Board meetings may be called as necessary with as much advance notice as possible. Meetings may be virtual or in person, but



typically three or more in- person meetings/training sessions will be conducted annually. In-person meetings may be held in Helena or periodically in other locations within the state.

Board staff will notify members of scheduled meeting dates and times by meeting announcements and email. Members are expected to notify the Board chair promptly and as far in advance as possible of scheduled meetings that conflict with prior commitments.

Otherwise, members are expected to defend scheduled meeting times in their personal calendars and to avoid scheduling other meetings or activities during that time.

Members occasionally are unable to attend due to circumstances beyond their control, such as illness, jury duty or previously scheduled travel. Such instances will be considered "excused" absences. "Silent failure" (*i.e.*, missing a meeting without notification to the Board chair) is unacceptable and will be unexcused absent good cause. Members are expected to provide maximum advance notice to the Board chair if unable to attend and the reason for the absence. Virtual participation at scheduled in-person meetings is acceptable in case of illness or emergency.

A member unable to attend regularly should consider resigning from the Board. If a member has more than one (1) excused and one (1) unexcused absence within any calendar year, the Board chair will contact the member to discuss the member's attendance and seek a commitment of the member to regular attendance going forward. If the member cannot or does not commit to regular attendance, the Board chair may ask the member to resign.

If noncompliance continues despite the member's commitment to regular attendance, the Board chair will discuss the issue with the Board at its next meeting. The member



will be allowed to address the attendance issue. The Board will decide what actions, if any, to take regarding the member's attendance. The Board may authorize the Board chair to contact the Governor's Office to request removal of the member for cause.

New Board members will be provided with a copy of this policy and will sign to confirm they have read, understand and will comply with the policy.

This policy is adopted this 13th day of May 2024.

## Acknowledgement

The undersigned Board member hereby acknowledges receipt of a copy of this policy and that the member has read, understands and will comply with the policy.

DATED: \_\_\_\_\_

\_\_\_\_\_

Print Board Member Name: \_\_\_\_\_



# Housing Credits & Multifamily Loans

Board Member Training

April 14, 2025



# Credits Timeline/Order of Events

- Letter of Intent Submission (4/14/2025) Second Monday in April
  - Presentations/Board Invitation to Apply (5/12/2025- 5/13/2025) May Board Meeting
  - Application Submission (8/4/2025) First Monday in August
  - Award Determination (10/20/2025) October Board Meeting
- 
- LOI packets will be distributed to Board members for review a week before the May meeting
  - Developers will present proposals at the May meetings
  - LOI packets include the Letter of Intent Narrative, Letter of Intent attachment, and the Mini Market Study
    - These attachments include an overview of applicant information, project specifics, funding sources, income averages, etc.

# LOI Meeting and After Process

- Board will review proposals and select up to 8 projects to invite for full application
  - Board decision making is discretionary
  - Geographical and Demographic guides provided in LOI packets
- Full Applications are due the first Monday in August
  - Staff assess the Development Evaluation Criteria and conduct a financial analysis of the project's Application
- Selection Process at May and October meetings
  - Each Board Member will discuss their top 8 priority projects in May and their top priority projects in October, specifying their reasons for the priority projects selected
  - Common priority projects of Board Members are identified to generate a slate of projects for the Board to vote on

# Specifics to Note for Selection

- Required 10% Nonprofit Set Aside
- Small Rural Project Spotlight
- Tribal Spotlight
- Maximum Credit Award of \$8.5 Million
- Community Vacancy
- New Construction versus Acquisition Rehab
- QCT/DDA/Discretionary Boost 130%
- Total credit amount for 2026: \$34,550,000



# Selection Criteria

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

# Summary Sheet & Application Packet

## First Packet Released Late September

1. Demographic & population graph – applicable counties on top/separated
2. # of units in last 10 years & 4% & 9% projects by county

Staff will prepare this form with the facts of the project and will have one for each project.

Housing Credits  
Staff Notes and Information

Hidden Creek Apartments  
Bozeman MT  
United Housing Partners

Income Levels Targeted  
Comments: 20 units at 60% averaging 60%

Project Efficiency

Credits Per Unit:	\$325,000
Cost Per Unit:	\$330,198
% of Soft Costs:	37.4%

Location Considerations  
Comments: Market study shows vacancy rate of 2.4%.

Geographic Distribution  
Comments: Gallatin County has 165 units approved in the last 10 years.

Community Contributions  
Comments: Gallatin County -land donation. 4% side has \$2mm (ARPA), \$2.45mm (Gallatin Impact)

Other Project Notes  
Project Type: Family

Period of Affordability (yrs): Permanent

QCT, DDA or Discretionary: QCT

Rental Subsidies: Potential project based rental units on 4% side.

Developer Performance: No past issues

Substantial Changes: No substantial changes from LOI

Amenities: AC, Carports add'l chg, Dishwasher, Microwave, Patios, W/D hoops in units, On-site Mgr, Community Area

Other: Washer and dryer have a lease option in each unit for additional fee.



# Summary Sheet & Application Packet

## Second Packet Released Early October

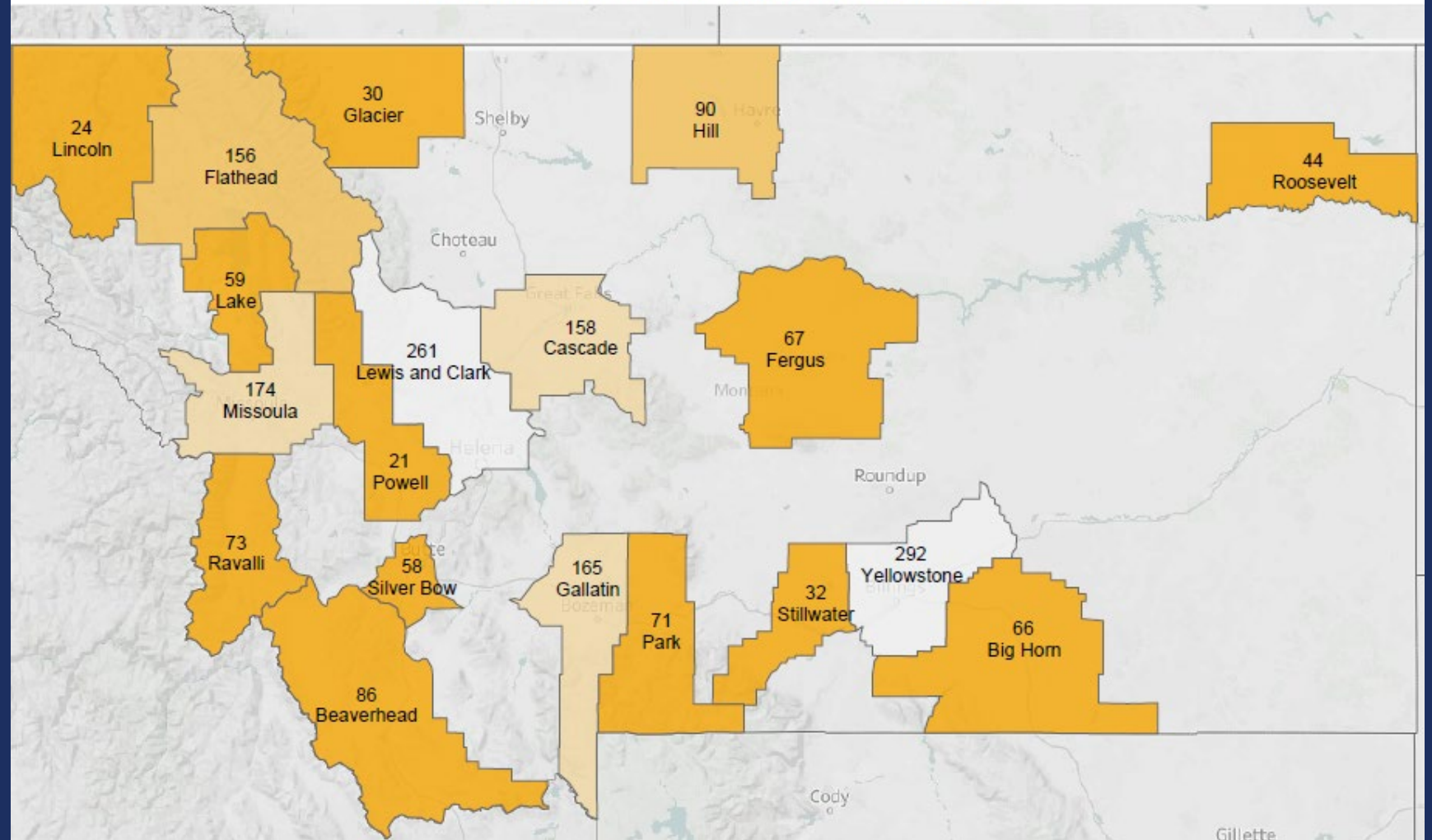
Projects are grouped together and include:

1. Staff notes and information
2. Project Packet
  - Cover page
  - Photos
  - Mini Market Study Summary
  - Project Amenities
  - Public Support Letters
3. Board Member worksheet for notetaking
4. Housing Credit project list award summary
5. Developer past project award and completion
6. Spreadsheets showing project comparative information



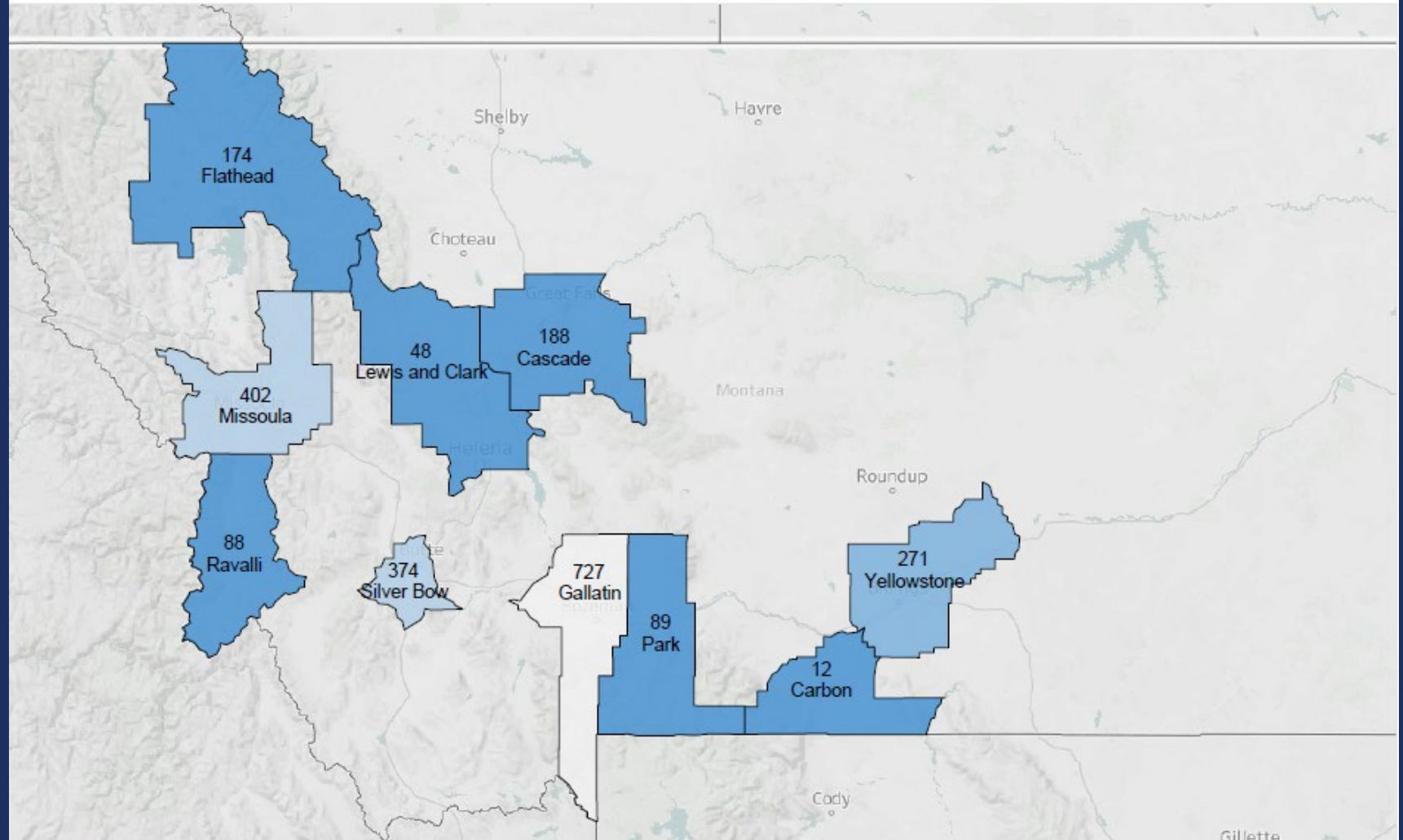
# 2025 Demographics 9%

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



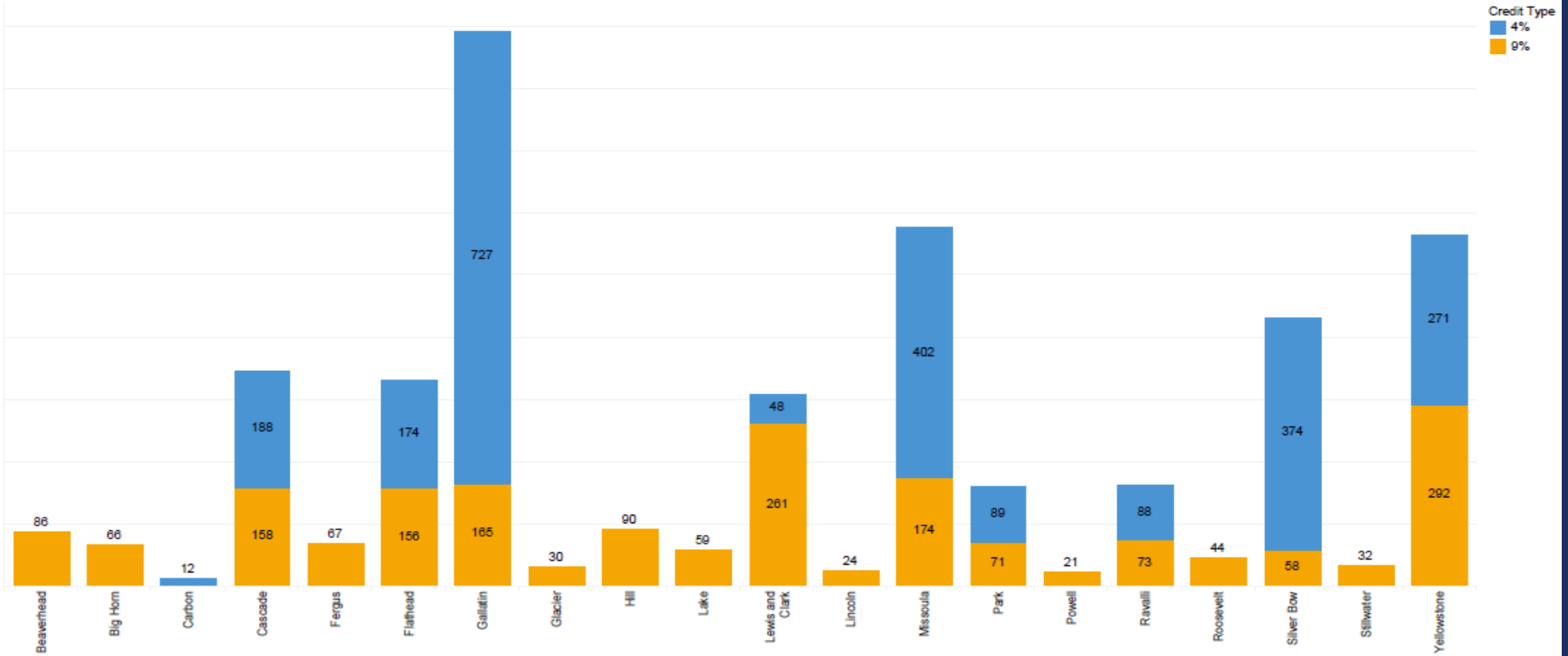
# 2025 Demographics 4%

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



# Number of Units Last 10 years

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 2015 to 2024. 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 2023	Total 4% Bond Homes Created	% of 2020 State Population	% of Statewide 9% Homes
Statewide	Total	989,415	1,084,225	1,132,812	3,418	100.00%	100.00%
Beaverhead	Total	9,246	9,371	9,885	0	0.86%	1.63%
	Dillon	4,134	3,880	4,176	0	0.36%	1.63%
Big Horn	Total	12,865	13,124	12,751	0	1.21%	1.79%
	Crow Agency	1,616	1,657		0	0.15%	1.20%
	Hardin	3,505	3,818	3,709	0	0.35%	0.59%
Blaine	Total	6,491	7,044	6,899	0	0.65%	1.63%
	Chinook	1,203	1,185	1,160	0	0.11%	0.18%
	Fort Belknap	1,293	1,567		0	0.14%	1.29%
	Hays	843	996		0	0.09%	0.16%
Carbon	Total	10,078	10,473	11,419	12	0.97%	0.49%
	Joliet	595	577	620	12	0.05%	0.01%
	Red Lodge	2,125	2,257	2,610	0	0.21%	0.47%
Cascade	Total	81,327	84,414	84,900	349	7.79%	7.38%
	Great Falls	58,505	60,442	60,422	349	5.57%	7.38%
Chouteau	Total	5,813	5,895	5,847	0	0.54%	0.15%
	Fort Benton	1,464	1,449	1,425	0	0.13%	0.15%
Custer	Total	11,699	11,867	11,985	0	1.09%	0.78%
	Miles City	8,410	8,354	8,438	0	0.77%	0.78%
Daniels	Total	1,751	1,661	1,633	0	0.15%	0.16%
	Scobey	1,017	999	983	0	0.09%	0.16%
Dawson	Total	8,966	8,940	8,810	0	0.82%	0.41%
	Glendive	4,935	4,873	4,796	0	0.45%	0.41%
Deer Lodge	Total	9,298	9,421	9,673	0	0.87%	0.15%
	Anaconda	9,298	9,421	9,673	0	0.87%	0.15%
Fergus	Total	11,586	11,446	11,772	0	1.06%	1.35%
	Lewistown	5,901	5,952	6,149	0	0.55%	1.35%
Flathead	Total	90,928	104,357	113,679	421	9.63%	10.56%
	Big Fork	4,270	5,118		0	0.47%	0.81%
	Columbia Falls	4,688	5,308	5,723	36	0.49%	0.83%
	Kalispell	19,927	24,558	29,886	385	2.27%	6.73%
	Whitefish	6,357	7,751	9,163	0	0.71%	2.19%

# 9% Credits

- Competitive Rounds
- Can subsidize 70 percent of the low-income unit costs in a project
- Usually for new construction and substantial rehabilitation without federal subsidies
- 15-year compliance; 35-year extended use period
- \$8.5 million maximum allocation per project



# Private Activity Bonds 4% Credits

- Can subsidize 30 percent of the low-income unit costs in a project
- Non-competitive, for now
- No amount cap like competitive, Volume Cap at state level determines cap
- Acquisition of existing buildings for rehabilitation and new construction financed by tax-exempt bond
- 15-year compliance; 35-year extended use period
- No discretionary boost
- “50%” Test imposes minimum debt requirements
- The Board will approve a resolution to be the issuing agency for the tax-exempt bonds

# Qualified Allocation Plan (QAP)

- The Qualified Allocation Plan is the governing document for Montana Housing Credits
- The QAP is intended to ensure the selection of those developments which best meet the most pressing housing needs of Montanans in accordance with the guidelines and requirements established by the federal government and the requirements, considerations, factors, limitations, criteria and priorities established by the Montana Board of Housing
- The QAP is updated annually, approved by both the Board and the Governor, and revised within ARM's – including a public hearing and public comment period

## 2026 QUALIFIED ALLOCATION PLAN

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# Housing Credit Compliance

- Housing Credit properties are governed by Section 42 of the Internal Revenue Code. All projects are governed by promises made by the owner in their application for funding and any other more restrictive rules implemented by the Montana Board of Housing. These rules can be found in the Declaration of Restrictive Covenants
- The Compliance Manual is intended as a reference to promote a better understanding of the Housing Credit program. Owners are responsible for compliance with all applicable federal and state rules and regulations that govern their properties.
- Our compliance team is responsible for tracking compliance of all LIHTC properties.



MONTANA DEPARTMENT OF  
**COMMERCE**

 **COMMERCE**

MONTANA BOARD OF HOUSING

2025

## **Compliance Manual**

Updated March 2025



Montana Department of Commerce | Montana Board of Housing

[commerce.mt.gov](http://commerce.mt.gov) | [montanarelay.mt.gov](http://montanarelay.mt.gov) (711)

P.O. Box 200528 | Helena, MT 59620-0528 | Phone: 406-841-2840 | Fax: 406-841-2841

# Loan Programs

## Types of Programs

- Multifamily Loan Program (MFLP)
- Coal Trust Multifamily Homes Program (CTMH)
- Housing Montana Fund – Affordable Housing Revolving Loan Fund

## Multifamily Loan Program

- Loan terms of 30-year fixed rate but will consider other variations
- Loan may or may not be in first lien position
- Underwriting assumptions and fee limitations will follow Housing Credits. Interest rate dependent on income targeting.
  - 2% if targeting 30% or less AMI households.
  - 3% if targeting from 31% to 50% AMI households.
  - 4% if targeting from 51% to 80% AMI households.
  - 6% if targeting from 81% to 95% AMI households.
  - Weighted average rate if targeting multiple ranges.

# Loan Programs Continued

## Coal Trust Multifamily Homes Program

- Loans must be in first lien position
- Project must pay property taxes, except for tribal land
- Underwriting assumptions and fee limitations will follow Housing Credits
- Loan Terms are 40-year amortizations with terms up to 30 years. Interest rates are set by Board of Investments.

## Housing Montana Fund (AHRLF)

- Loan may or may not be in first lien position.
- 30-fixed rate maximum. Interest rate is dependent on income targeting like the Multifamily Loan Program.
- Underwriting assumptions and fee limitations will follow the most current Qualified Allocation Plan for Housing Credits.

# Montana Board of Housing

## Overview of Housing Bonds

April 2025

**CSG** | ADVISORS



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## Financing Team (for Mortgage Revenue Bonds)

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- **Issuer (MBOH)**

Issuers of municipal bonds are state and local government institutions (including Housing Finance Agencies)

- **Issuer Counsel (Jackson, Murdo & Grant)**

advises the issuer on legal matters (in particular, state and local)

- **Bond Counsel (Kutak Rock)**

represent the issuer as it relates to bond and tax issues. They draft bond documents.

- **Financial Advisor (CSG)**

advises the issuer on financial matters (bond financing related and/or programmatic)

- **Underwriters (Senior: RBC Capital Markets; Co: B of A, DA Davidson, Raymond James)**

Bankers work with issuers to meet their financings needs; underwriting desk sell bonds to investors

- **Underwriters' Counsel (Orrick)**

represent Underwriters and draft documents: Official Statement, Bond Purchase Contract and Blue Sky

- **Trustee (Wilmington Trust)**

represents the interest of the bond holder. They act as custodian of the bonds proceeds and ensure the proper transfers of funds and accounts (and pay the bond holders)

- **Rating Agencies (Moody's and S&P)**

The rating agencies rate bonds by assessing the creditworthiness of each security (SFI and SFI – Aa1/AA+)

- **Master Servicer (Idaho Housing)**

Loan pooling / securitizing into MBSs and servicing

Other possible parties: GIC Provider & their Counsel

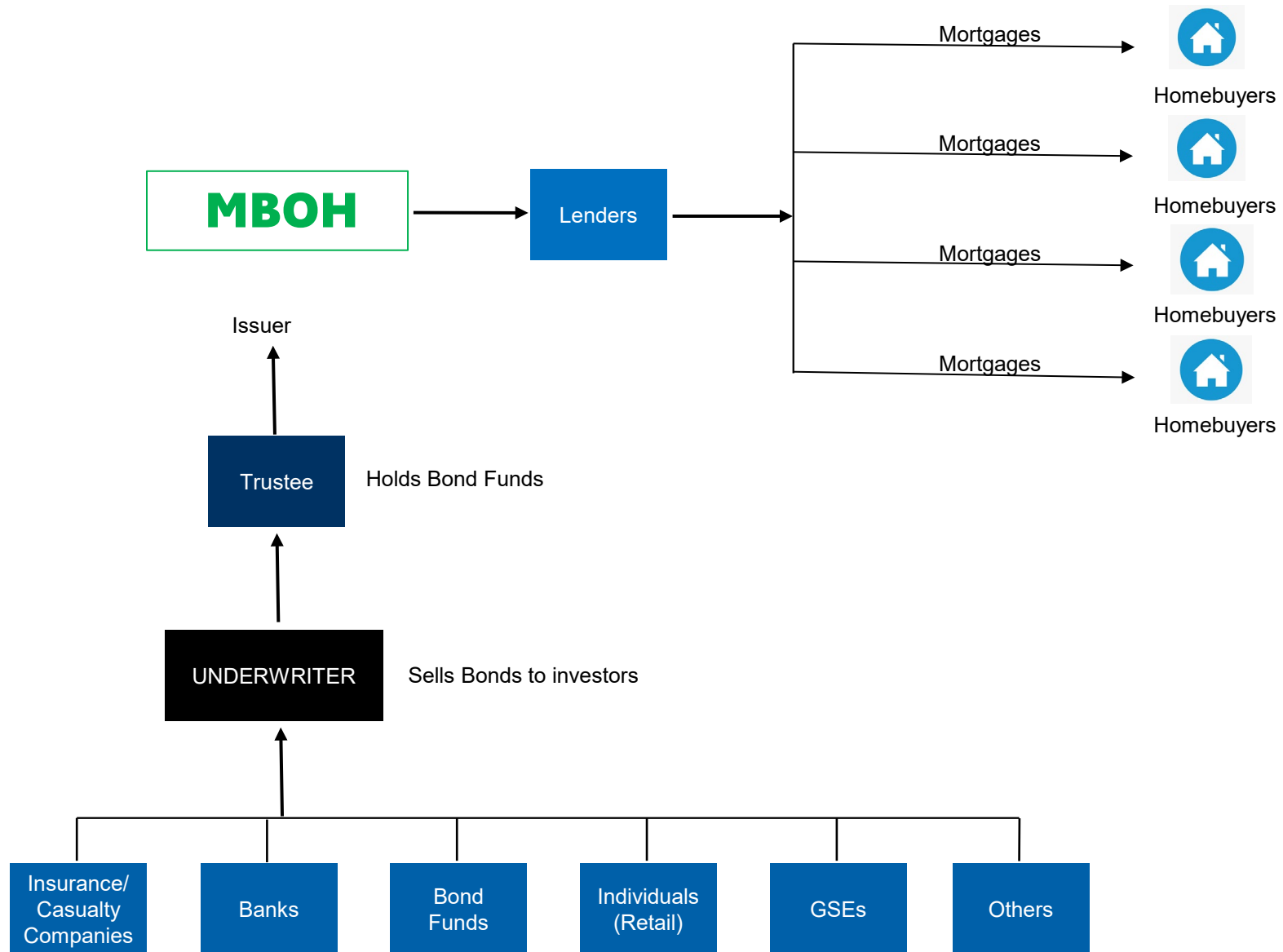
For VRDO: Liquidity Provider & Counsel, SWAP provider, Swap Advisor



# Mortgage Revenue Bonds – Issuance (Primary Market) – Bond Proceeds used to make mortgages

*Underwriter sells bonds to investors to make MBOH loans*

*MBOH is in essence “borrowing” money to finance mortgages*

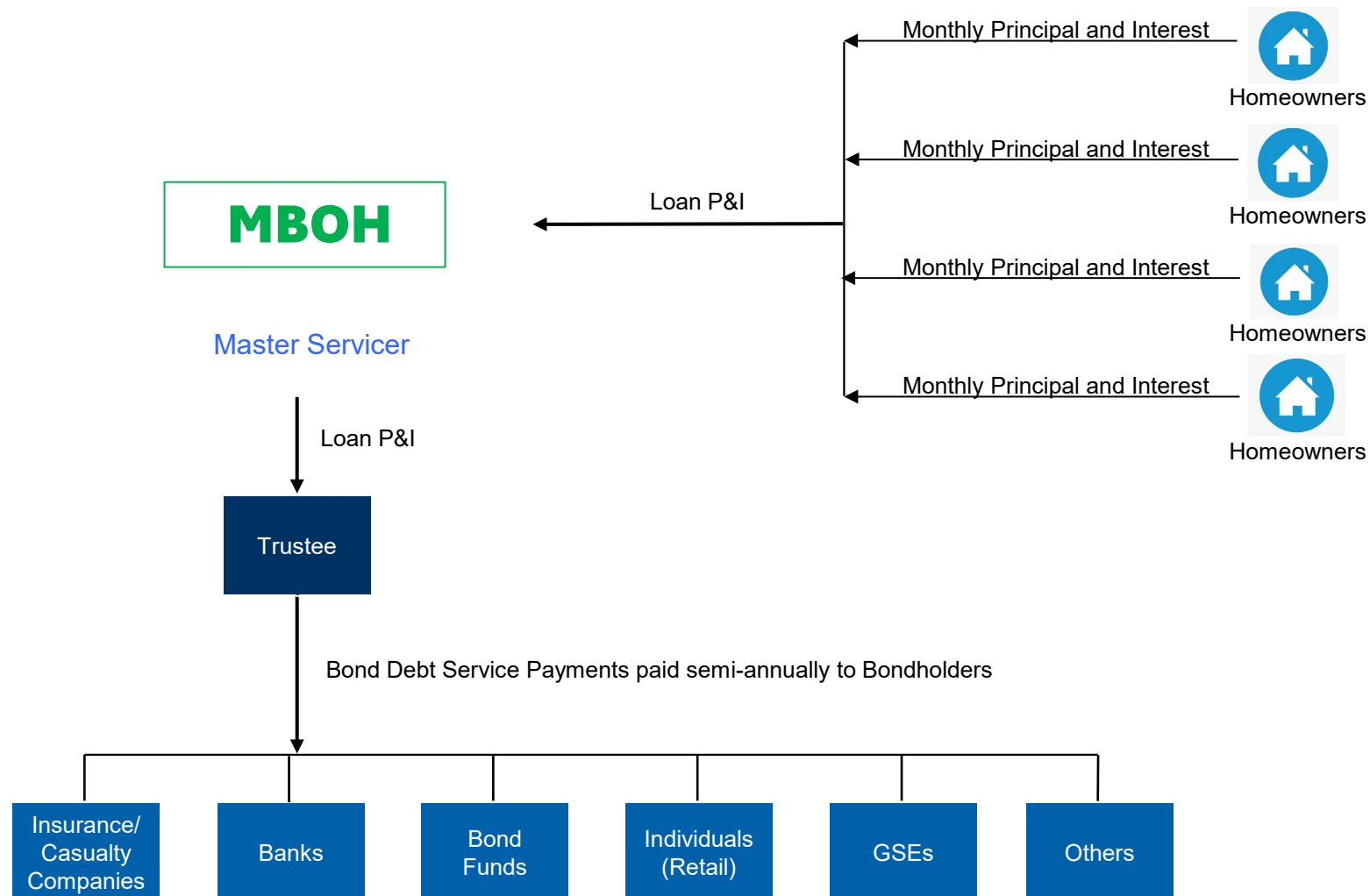


## Mortgage Revenue Bonds – Debt Service (mortgage revenues used to repay back bonds)

*Master Servicer pools loans into Mortgage Backed Securities (GNMA, Fannie Mae and Freddie)*

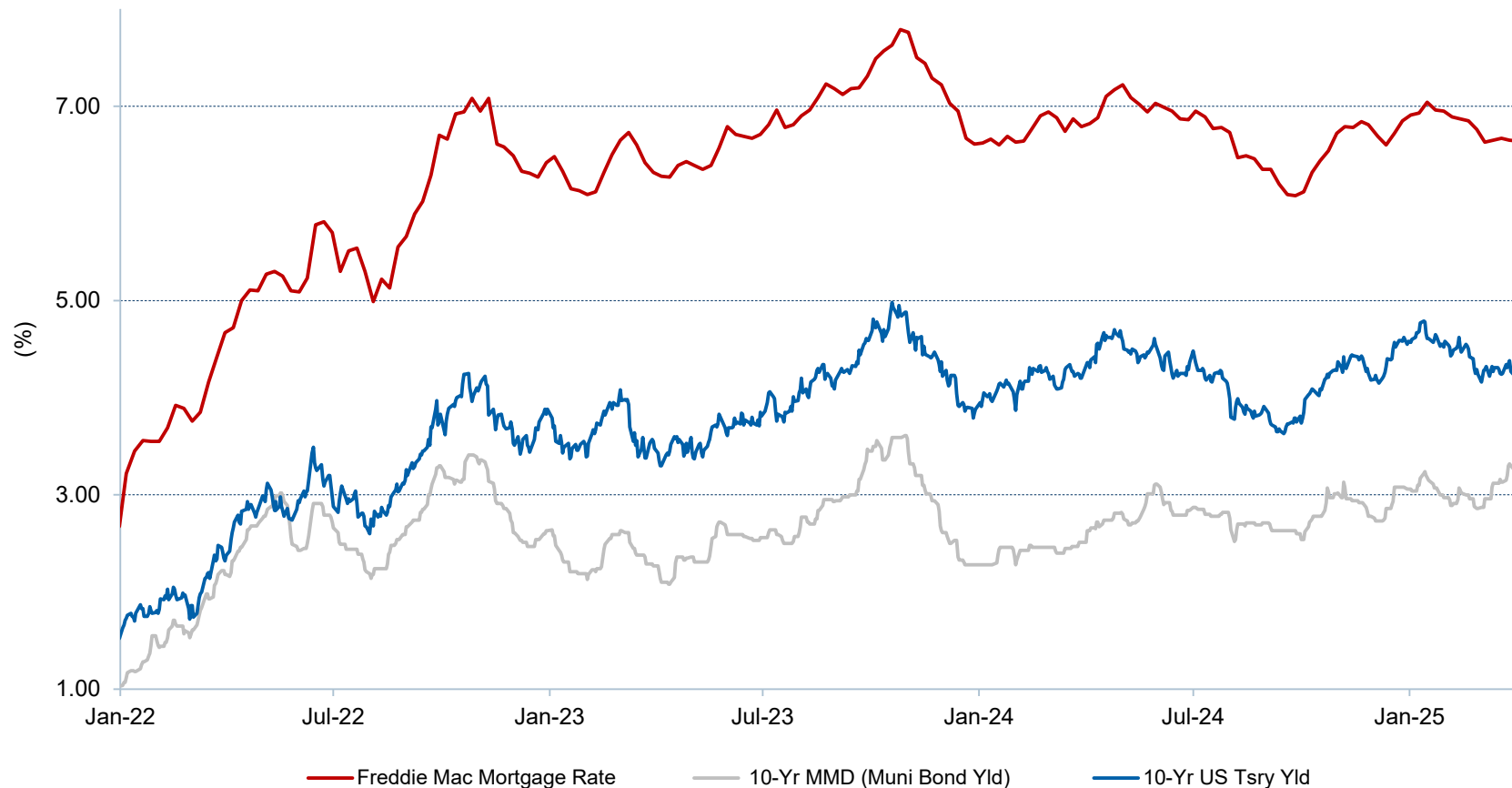
*Mortgage principal and interest are guaranteed by MBS and are used to repay back the bonds with interest*

*The difference between mortgage and bond rates is a spread that is a 30 year annuity over the life of mortgage*



## HFAs Issue Tax-Exempt Bonds to Fund Below Market Mortgages to First Time Homebuyers

- Spread between mortgage rates and bond rates = annuity for 30 year life of loan (limited to 1.125%)
- Mortgage rates have more than doubled since 2022. When rates are high, HFAs can be more impactful
- Because interest on the bonds are tax-free, IRS sets requirements (private activity volume cap – determined by state population, income/purchase price limits, 1<sup>st</sup> time home buyer, etc).

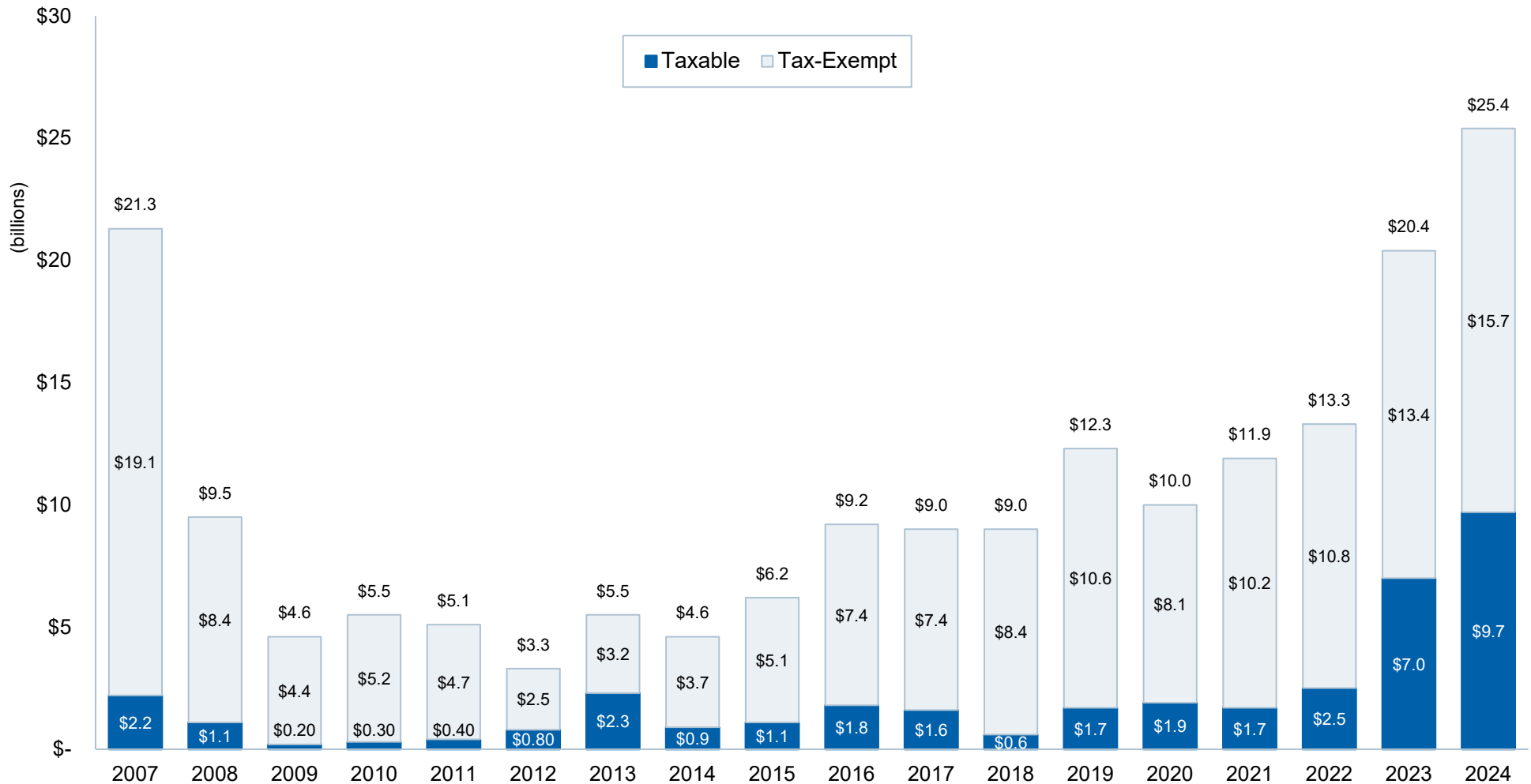


Rates	01/03/2022	Current	Δ Since Jan 22
Freddie Mac Mortgage	3.22	6.64	3.42
10-Year Treasury	1.63	4.01	2.38
10-Year MMD	1.04	2.97	1.93

Source: Bloomberg

## Historical Municipal Single Family Housing Bond Volume by Tax Status (2007 – 2024)

- **HFA single family bond issuance in 2024 was the largest in history**
- **38% of the total par amount is taxable (largely due to lack of volume cap and to fund non-conforming loans)**
- **69% of HFA single family bond issuances contained taxable bonds**

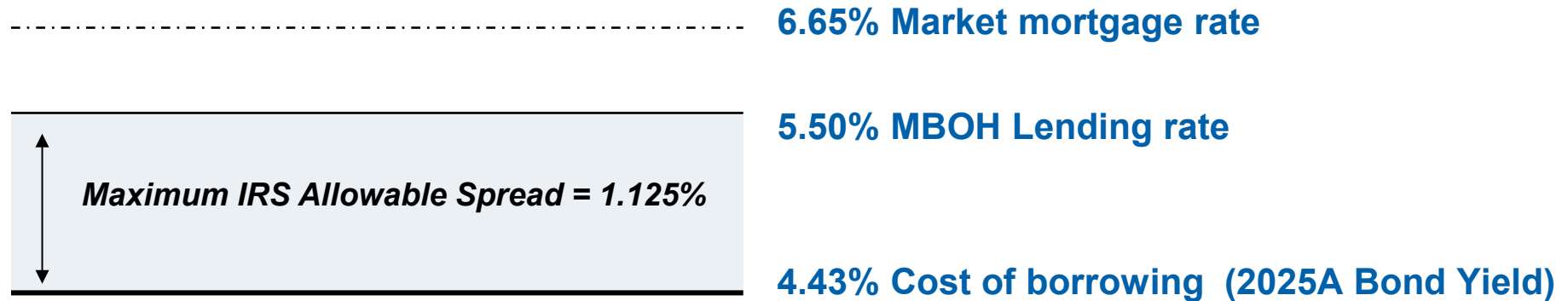


Source: Bloomberg (Negotiated, true economics to bookrunner)

Bonds have up front cost of issuance but spread over time

---

**Spread between Mortgage and Bonds Yields = ongoing annuity over the life of mortgage/bonds**



- ✓ If one series of bonds exceeds 1.125% spread, MBOH CREATES Zeros
- ✓ We save excess spread for future series of bonds (as a hedge for volatility in rates)
- ✓ MBOH currently has over \$20mm of “zeros” saved for future

### 2025A Yield Summary

Loan Yield	5.544%
Bond Yield	4.429%
<u>Spread</u>	<u>1.115%</u> (with \$1.0mm of zeros created)

# 2025 Series A Bond Issue Sources & Uses and Spread Summary

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## Final Sources & Uses of Funds

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### Sources:

2025 Series A Bonds Par	\$75,000,000.00
2025 Series A Bonds Premium	1,732,720.00
<b>Total</b>	<b>\$ 76,732,720.00</b>

### Uses:

2025 Series A Program Fund	\$75,902,720.00
Total Cost of Issuance	830,000.00
<b>Total</b>	<b>\$ 76,732,720.00</b>

---

## Spread Summary

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Mortgage Yield	5.618%
Bond Yield	4.429%
<b>Unadjusted Spread *</b>	<b>1.189%</b>

\* Allowable max spread = 1.125%; apprx. \$1.0mm of zeros created

## 2025 Series A Bond Sale - Pricing Progression

Maturity	Series	Type	Consensus Scale	Reprice	Final Pricing	Bond Par	MT Retail	Nataional Retail	Total Retail	Institutional	Total	Balance	Subscription
06/01/2026	2025A	Serial	3.00%		3.00%	655	-	440	440	-	440	215	0.7
12/01/2026	2025A	Serial	3.00%		3.00%	670	90	160	250	-	250	420	0.4
06/01/2027	2025A	Serial	3.05%		3.05%	685	325	955	1,280	95	1,375	-	2.0
12/01/2027	2025A	Serial	3.10%		3.10%	690	30	675	705	-	705	-	1.0
06/01/2028	2025A	Serial	3.15%		3.15%	705	400	20	420	-	420	285	0.6
12/01/2028	2025A	Serial	3.15%		3.15%	720	1,120	225	1,345	-	1,345	-	1.9
06/01/2029	2025A	Serial	3.20%		3.20%	730	200	425	625	730	1,355	-	1.9
12/01/2029	2025A	Serial	3.25%		3.25%	745	-	450	450	745	1,195	-	1.6
06/01/2030	2025A	Serial	3.30%		3.30%	760	10	310	320	-	320	440	0.4
12/01/2030	2025A	Serial	3.35%		3.35%	775	1,185	750	1,935	-	1,935	-	2.5
06/01/2031	2025A	Serial	3.40%		3.40%	790	175	250	425	790	1,215	-	1.5
12/01/2031	2025A	Serial	3.45%		3.45%	805	100	300	400	805	1,205	-	1.5
06/01/2032	2025A	Serial	3.50%		3.50%	820	870	175	1,045	-	1,045	-	1.3
12/01/2032	2025A	Serial	3.55%		3.55%	690	200	200	400	100	500	190	0.7
06/01/2033	2025A	Serial	3.60%	+0.025%	3.625%	705	290	-	290	-	290	415	0.4
12/01/2033	2025A	Serial	3.65%	+0.05%	3.70%	720	140	100	240	-	240	480	0.3
06/01/2034	2025A	Serial	3.70%	+0.05%	3.75%	745	50	175	225	-	225	520	0.3
12/01/2034	2025A	Serial	3.75%	+0.05%	3.80%	685	165	150	315	-	315	370	0.5
06/01/2035	2025A	Serial	3.80%	+0.05%	3.85%	705	345	10	355	-	355	350	0.5
12/01/2035	2025A	Serial	3.85%	+0.05%	3.90%	730	240	160	400	-	400	330	0.5
06/01/2036	2025A	Serial	3.95%		3.95%	750	-	430	430	750	1,180	0	1.6
12/01/2036	2025A	Serial	4.00%		4.00%	690	-	470	470	100	570	120	0.8
06/01/2037	2025A	Serial	4.05%		4.05%	715	190	315	505	125	630	85	0.9
12/01/2037	2025A	Serial	4.05%		4.05%	745	125	110	235	-	235	510	0.3
12/01/2040	2025A	Term	4.25%		4.25%	4,810	990	1,520	2,510	2,000	4,510	300	0.9
12/01/2045	2025A	Term	4.70%	+0.05%	4.75%	8,855	1,170	1,710	2,880	3,050	5,930	2,925	0.7
12/01/2050	2025A	Term	4.85%		4.85%	11,960	250	1,555	1,805	17,710	19,515	-	1.6
12/01/2054	2025A	Term	4.90%	-0.025%	4.875%	12,585	1,895	9,080	10,975	27,685	38,660	-	3.1
06/01/2055	2025A	PAC	3.74%		3.74%	19,360	-	-	-	40,720	40,720	-	2.1
<b>Total:</b>						<b>75,000</b>	<b>10,555</b>	<b>21,120</b>	<b>31,675</b>	<b>95,405</b>	<b>127,080</b>	<b>7,955</b>	<b>1.7</b>

Note: Par value in \$000's, order summary at the end of Institutional Order Period

## 2025 Series A Bond Sale - Syndicate Order Summary

<b>Underwriter</b>	<b>Net Designated/ Institutional</b>	<b>Montana Retail</b>	<b>National Retail</b>	<b>Member/ Inventory</b>	<b>Total</b>
<b>Manager <sup>(1)</sup></b>					
RBC Capital Markets	\$99,505	\$3,695	\$3,670	-	\$106,870
BofA Securities	-	2,620	3,200	5,000	10,820
D.A. Davidson	-	2,670	1,150	8,930	12,750
Raymond James	-	1,025	1,765	10,500	13,290
<b>Selling Group <sup>(2)</sup></b>					
Academy Securities	-	-	-	-	-
Fidelity Capital Markets	-	620	9,665	1,780	12,065
Piper Sandler	-	-	-	-	-
Wells Fargo	-	-	1,545	-	1,545
<b>Total</b>	<b>\$99,505</b>	<b>\$10,630</b>	<b>\$20,995</b>	<b>\$26,210</b>	<b>\$157,340</b>

(1) Managers take risk/liability and can take Net Designated/Institutional orders

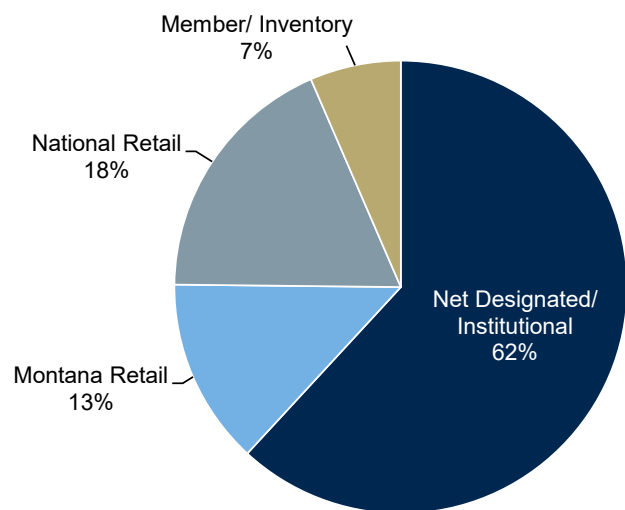
(2) Selling group takes no risk. They can only sell bonds to retail.



# 2025 Series A Bond Sale - Buyer Distribution

## Allotments by Type (\$000)

Net Designated/Institutional	46,395
National Retail	13,745
Montana Retail	9,985
Member/Inventory	4,875
<b>Total</b>	<b>\$75,000</b>

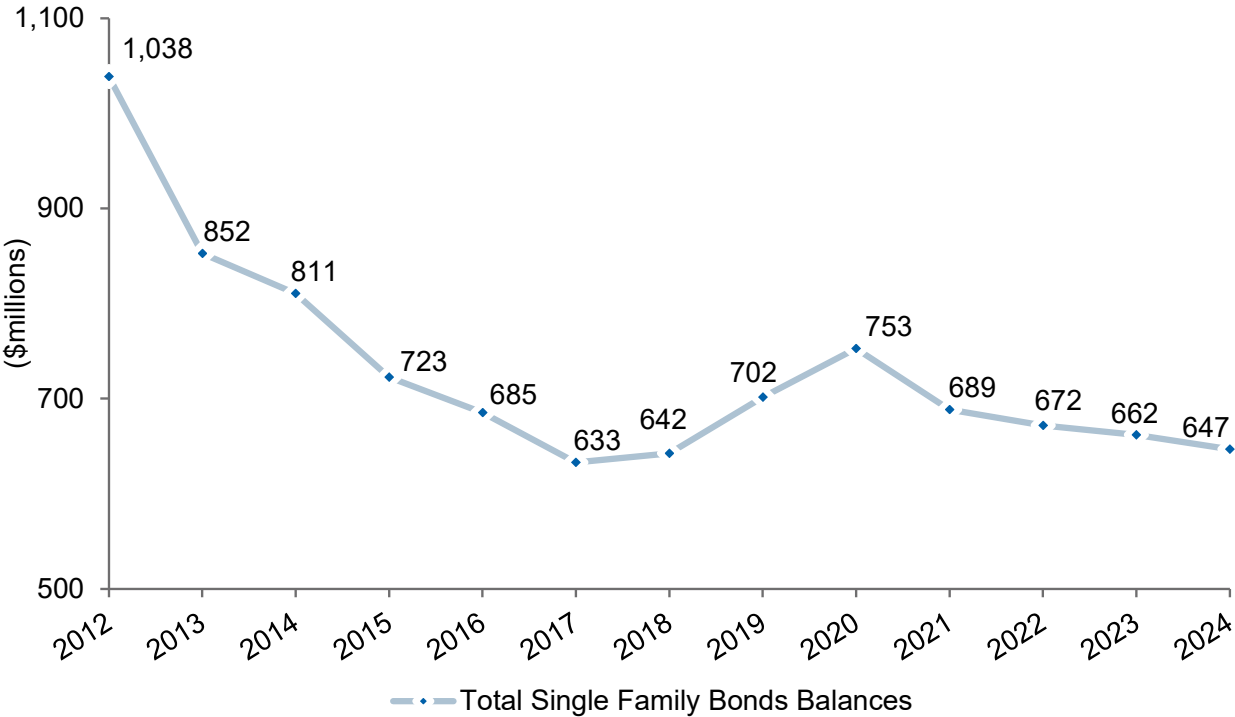


## Orders and Allotments by Purchaser (\$000)

Investor	Order Type	Orders	Allotments
Sit Investment Advisors	Net Designated	\$24,545	\$9,385
Lord Abbett	Net Designated	19,360	8,500
Vanguard	Net Designated	19,360	8,510
Searle & Company	Net Designated	10,000	2,150
Nuveen Advisory Corp	Net Designated	6,475	4,485
Victory Capital Management	Net Designated	5,000	1,900
Mackay Shields Financial Corporation	Net Designated	2,925	2,925
Brown Brothers	Net Designated	2,000	2,000
Texas Farm Bureau Mutual	Net Designated	2,000	2,000
Edward D. Jones & Co.	Net Designated	1,600	400
Prime Advisors	Net Designated	1,595	770
Northwestern Mutual Life	Net Designated	850	850
Gulfstream Partners	Net Designated	850	200
Arvest Asset Management Inc	Net Designated	845	470
First Tennessee	Net Designated	750	750
Ameriprise Financial Services	Net Designated	500	250
Commerce Bank, N.A.	Net Designated	400	400
Western Commerce Trust	Net Designated	300	300
Wise Investments	Net Designated	125	125
Cypress Capital Partners	Net Designated	25	25
<b>Total Net Designated/Institutional</b>		<b>\$99,505</b>	<b>\$46,395</b>
Fidelity Capital	Retail	\$10,285	\$6,390
RBC Capital Markets	Retail	7,365	6,505
BofA Securities	Retail	5,820	4,700
D.A. Davidson	Retail	3,820	3,340
Raymond James	Retail	2,790	1,910
Wells Fargo Bank NA	Retail	1,545	885
<b>Total Retail</b>		<b>\$31,625</b>	<b>\$23,730</b>
<b>Total Member/Inventory</b>	Member	<b>\$26,210</b>	<b>\$4,875</b>
<b>Grand Total</b>		<b>\$157,340</b>	<b>\$75,000</b>

# Montana Housing Single Family Bonds Outstanding (SF1, SF2 and SFXI NIBP)

- The longer the loans stay outstanding, the longer MBOH receives the spread
- Historically low mortgage rates increased prepayments/refinancings: loan payoffs outpaced new loan production
- Higher rate environment slows down prepayments and makes HFAs loans more attractive relative to market (and short-term rates increases investment earnings)
- MBOH budgets \$3.4 million in expenses (to be taken out of the single family indentures) annually



Year	Balances (\$MM)
2012	\$1,038
2013	\$852
2014	\$811
2015	\$723
2016	\$685
2017	\$633
2018	\$642
2019	\$702
2020	\$753
2021	\$689
2022	\$672
2023	\$662
2024	\$647

Source: Audited Financial Statements, 6/30 balances including interest (except for 2024)

# MBOH 1977 (SFI) Indenture: Assets & Liabilities

- When bonds are retired, we move excess assets into the Consolidated Account (or Special Reserve Fund)
- In addition to taking \$3.4 million for budget (administrative fees), MBOH does special program loans, habitat loans and RAM

## ASSETS AND LIABILITIES SUMMARY

Montana Board of Housing, Single Family I Indenture

6/30/24 Starting Balances, Plus 24B and Preliminary 25A, as of 2/14/25

SERIES	ASSETS										LIABILITIES		NET ASSETS	PARITY
	First Mortgage Loans		DPA Loans	Acquisition/ Program Fund	Debt Service Reserve		Revenue Account, COI, Prog. Excess	Redemption Account	Total Assets (Lns Afr Partic, DSR at FedTC)	Bonds Outstanding				
	Before Participations	After Participations			Federal Tax Cost	Par Value								
Consol.	1,366,589	1,366,589			352,253	360,346	15,536,298		17,255,141	0	17,255,141	N/A		
15B	16,389,097	16,556,580			5,723,040	4,712,867	211,451	549	22,491,619	11,800,000	10,691,619	190.61%		
16A	30,007,630	30,007,630			816,495	835,340	543,887	3,364,307	34,732,320	26,040,000	8,692,320	133.38%		
17A	13,774,001	13,659,678					282,338	626	13,942,643	12,020,000	1,922,643	116.00%		
17B	15,306,876	14,701,339			1,000,000	1,023,123	497,541	4,878	16,203,758	15,185,000	1,018,758	106.71%		
18B	22,127,545	21,667,325					1,062,313	0	22,729,638	15,370,000	7,359,638	147.88%		
19B	14,440,454	14,263,586	134,639				477,531	0	14,875,756	14,370,000	505,756	103.52%		
20A	24,202,898	24,131,844	174,967		1,310,198	1,311,354	892,235	4,377	26,513,621	23,900,000	2,613,621	110.94%		
20B	20,773,807	20,883,428	231,704				725,751	2,126	21,843,009	21,385,000	458,009	102.14%		
20C	20,367,889	20,700,910	372,761				932,446	579	22,006,696	21,260,000	746,696	103.51%		
21A	33,076,795	33,110,854	460,061		3,444,020	3,635,000	1,060,351	2,456	38,077,743	32,710,000	5,367,743	116.41%		
21B	27,319,904	28,103,008	502,687				902,012	2,487	29,510,194	27,860,000	1,650,194	105.92%		
22A	29,082,906	28,834,187	615,512				722,008	1,211	30,172,917	29,355,000	817,917	102.79%		
22B	28,456,110	28,512,819	608,084				875,460	3,243	29,999,605	29,940,000	59,605	100.20%		
22C	38,288,804	38,245,599	799,622	76,535			461,554	3,339	39,586,648	39,225,000	361,648	100.92%		
23A	39,748,786	39,507,189	705,071	62,423			520,253	1,153	40,796,089	40,550,000	246,089	100.61%		
23B	40,597,963	40,705,488	536,656	86,021	1,290,000	1,319,829	840,033	2,113	43,460,311	42,995,000	465,311	101.08%		
23C	37,156,682	37,184,762	480,585	4,003,908	1,290,000	1,319,829	282,920	114	43,242,290	43,000,000	242,290	100.56%		
24A	11,892,565	11,892,565	160,728	50,921,818	1,950,000	1,950,000	183,936	0	65,109,047	65,000,000	109,047	100.17%		
<b>Total 6/30/24</b>	<b>464,377,302</b>	<b>464,035,383</b>	<b>5,783,076</b>	<b>55,150,705</b>	<b>17,176,007</b>	<b>16,467,688</b>	<b>27,010,318</b>	<b>3,393,557</b>	<b>572,549,047</b>	<b>511,965,000</b>	<b>60,584,047</b>	<b>111.83%</b>		
<b>Post - 6/30/24:</b>														
24B (11/7/24)	8,900,000	8,900,000		50,485,646	0	0			59,385,646	56,430,000	2,955,646	105.24%		
25A Prelim (4/24)				50,394,277	0	0			50,394,277	50,000,000	394,277	100.79%		
<b>Tot Est 4/24/25</b>	<b>473,277,302</b>	<b>472,935,383</b>	<b>5,783,076</b>	<b>156,030,628</b>	<b>17,176,007</b>	<b>16,467,688</b>	<b>27,010,318</b>	<b>3,393,557</b>	<b>682,328,970</b>	<b>618,395,000</b>	<b>63,933,970</b>	<b>110.34%</b>		
Debt Service Reserve Requirement:					17,051,850	(3% of Bond Par Outstanding Excl. 25A)			DBC 6/30/24 Starting Values:		60,217,647	111.76%		
Reserve +Excess / -Shortfall:					124,157	(using Federal Tax Cost of investments)			DBR 6/30/24 Starting Values:		(before loan partic & DSR at par)			

## State HFA Single Family Programs (Whole Loans vs MBS)

MBS does not take real estate risk because mortgages are securitized into GNMA, FNMA and Freddie Mac.  
US Government guarantee on MBS generally gives MBS issuers a higher rating

State HFAs MBS vs. Whole Loan	
MBS	Whole Loan
1 Alabama Housing Finance Authority	Maine State Housing Authority
2 Alaska Housing Finance Corporation	Michigan State Housing Development Authority
3 Arkansas Development Finance Authority	New York State HFA / SONYMA
4 California Housing Finance Agency	North Dakota Housing Finance Agency
5 Colorado Housing & Finance Agency	Oregon Housing and Community Services Dept
6 Connecticut Housing Finance Authority	Tennessee Housing Development Agency
7 Delaware State Housing Authority	Utah Housing Corporation
8 Florida Housing Finance Corporation	Vermont Housing Finance Agency
9 Georgia Housing and Finance Authority	Virginia Housing Development Authority
10 Idaho Housing & Finance Association	Wyoming Community Development Authority
11 Illinois Housing Development Authority	
12 Indiana Housing & Comm Development Authority	
13 Iowa Finance Authority	
14 Kentucky Housing Corporation	
15 Louisiana Housing Corporation	
16 Maryland Dept. of Housing & Community Development	
17 Massachusetts Housing Finance Agency	
18 Minnesota Housing Finance Agency	
19 Mississippi Home Corporation	
20 Missouri Housing Dev Commission	
21 Montana Board of Housing	
22 Nebraska Investment Finance Authority	
23 Nevada Housing Division	
24 New Hampshire Housing Finance Authority	
25 New Jersey Housing & Mortgage Finance Agency	
26 New Mexico Mortgage Finance Authority	
27 North Carolina Housing Finance Agency	
28 Ohio Housing Finance Agency	
29 Oklahoma Housing Finance Agency	
30 Pennsylvania Housing Finance Agency	
31 Rhode Island Housing & Mortgage Finance Corp	
32 South Carolina State Housing Finance & Development Authority	
33 South Dakota Housing Development Authority	
34 Texas Department of Housing and Community Affairs	
35 Washington State Housing Finance Commission	
36 West Virginia Housing Development Fund	
37 Wisconsin Housing & Economic Devt Authority	

# Board Agenda Item

Board Meeting: April 2025

## Reverse Annuity Mortgage Loans Discussion

### Administrative Rules of Montana for RAM loans

Attached are the proposed changes to the Administrative Rules of Montana for Reverse Annuity Mortgages.

### FHA Single Unity Approval Program fka: Spot Approval

#### What is required:

1. The single unit condo for which a borrower would like to secure a spot approval must be within a condominium project that is not already FHA approved.
2. The single unit must be habitable, have a certificate of occupancy, and must pass the FHA inspection.
3. The project must have a minimum of 5 condos and they cannot be manufactured.
4. The project must meet owner occupancy requirements. At least 50% of the units must be owner-occupied.
5. The project must meet the FHA insurance concentration requirements. There can not be an excessive number of units already insured by the FHA within the project. No more than 10% of the condos can be financed with an FHA insured

**Montana Department of Commerce** | [commerce.mt.gov](https://commerce.mt.gov) | Montana Board of Housing  
P.O. Box 200528 | Helena, MT 59620-0528 | Phone: 406-841-2840 | Fax: 406-841-2841  
Montana Relay 711: [dphhs.mt.gov/detd/mtap/traditionalrelayservice](https://dphhs.mt.gov/detd/mtap/traditionalrelayservice)



mortgage that contain a total of 10 or more units. For projects that have less than 10 units, no more than 2 units can have FHA financing.

6. The project must demonstrate financial responsibility. FHA guidelines require reserves to be at least 20% of the annual budget.

**Other notable expectations:**

1. A spot approval is expected to take two weeks or more.
2. The cost of a spot approval can be expected to be \$850.00.

**Community Outreach contacts**

Julie Hope reached out to Big Sky Senior Services and Adult Resource Alliance; Billings as requested by board member Amber Parrish to request their assistance in promoting our RAM program to their customers as situations came up. They were sent the RAM brochure along with the documents needed for applicants to apply. None of the people contacted replied to our email with any questions or comments.

### 8.111.401 PURPOSE OF REGULATIONS

- (1) These rules are enacted by the Montana Board of Housing ("board") to provide explanation and guidance to individuals in applying for reverse annuity mortgage loans. The legislature in enacting the reverse annuity mortgage loan program provided that the board shall adopt all procedural and substantive rules for the administration of the loan program. These rules are in conformance with the legislative directive.
- (2) These rules shall be liberally construed to secure just, speedy, and inexpensive determination of the issues presented.
- (3) If further information is needed as to procedures or instructions on reverse annuity mortgage loans, it will be furnished by the board.

### 8.111.402 DEFINITIONS

As used in these rules, the following words and phrases have the following meanings:

- (1) "Appraisal" means an opinion of a qualified FHA appraiser on the nature, quality, and value of specific interests in identified real estate approved for Federal Housing Administration (FHA) purposes.
- (2) "Family income" means the income of all adult members of the household, other than full-time students. The income is the amount of anticipated total income from all sources for the subsequent 12-month period from application. This includes nontaxable income such as social security and municipal bond interest. Any investment or business losses cannot be subtracted in determining gross income. An exclusion will be allowed for certain defined, nonreimbursed, ongoing, medical, and independent living expenses.
- (3) "Permanent vacation of the secured property" means any period when the mortgagor (or the last to survive) does not live in the residence for a period of 180 consecutive days.
- (4) "FHA" means Federal Housing Administration.

**Commented [CC1]:** For discussion. FHA appraiser only or could we accept VA, RD, Fannie Mae? Staff recommend shifting to Fannie Mae as the appraisal is typically less expensive and there are more qualified Fannie Mae appraisers than FHA.

### 8.111.403 COUNSELING REQUIREMENTS

- (1) All applicants for reverse annuity mortgage loans must complete the required reverse annuity mortgage counseling by a certified reverse annuity mortgage counselor.
- (2) Information as to the required counseling is available by contacting the Board of Housing by mail at P.O. Box 200528, Helena, MT 59620-0528 or by telephone at (406) 841-2840 ~~5~~ or (406) 841-2838.

#### 8.111.404 ELIGIBILITY REQUIREMENTS

(1) To be eligible for a reverse annuity mortgage loan, the applicant must do the following:

(a) successfully complete the required reverse annuity mortgage counseling by a certified reverse annuity mortgage counselor. ~~(i)~~ Information about required counseling is available by contacting the Board of Housing by mail at P.O. Box 200528, Helena, MT 59620- 0528 or by telephone at (406) 841-2840~~5 or (406) 841-2838~~;

(b) submit a reverse annuity mortgage application package to the board;

(c) agree to allow the board to obtain a current FHA appraisal and title insurance policy for the property;

Commented [CC2]: Same as above

(d) agree to pay for all closing costs including, but not limited to, the appraisal, title insurance policy, document recording, and other closing costs which can be included in the loan principal amount;

(e) assure that the reverse annuity loan is in first lien position at loan closing;

(f) be at least 68 years of age or older, except as provided on a case-by-case basis by the Board of Housing;

(g) meet the income limits as set by the board;

(h) if the property is jointly owned, both borrowers must meet all of the conditions;

(i) if property is jointly owned, it must be held as joint tenants, with rights of survivorship.

#### 8.111.405 INCOME LIMITS AND LOAN AMOUNTS

(1) The annual income limits to be eligible for a reverse annuity mortgage loan shall not exceed 200% of the poverty level per household size as set forth by the U.S. Department of Health and Human Services, changing each year.

(2) A loan amount may not exceed 80% of the appraised value of the property. The board will set the maximum dollar amount of a loan which amount may be changed by the board. The minimum dollar amount of a loan is \$15,000.

#### 8.111.406 REPAYMENT OF THE LOAN



(1) Repayment of the reverse annuity mortgage loan is not required so long as the borrower, or the last surviving borrower, has not permanently vacated the secured property and no event of default has occurred as provided in the loan documents. Notification to the board is required if the secured property has been vacated by the borrower or last surviving borrower for more than 180 consecutive days.

(2) The borrower may pay the outstanding loan balance in full at any time without penalty.

(3) The board may include in the reverse annuity mortgage loan documents such terms, conditions, and requirements as are usual and customary in similar loan transactions and which are designed to protect the value of the property securing the loan or to assure repayment of the loan. (4) The loan becomes due and payable and any remaining advances terminate upon the occurrence of any of the following events:

- (a) the death of the last surviving borrower;
- (b) sale or transfer of the property to anyone other than an original borrower;
- (c) permanent vacation of the secured property by the borrower; or
- (d) any other act or occurrence which constitutes an event of default under the mortgage instrument securing the loan.

#### **8.111.407 SECURITY FOR THE LOAN**

(1) The property pledged as security for the reverse annuity mortgage will be the only source the board has for repayment of the loan.

(2) The property pledged as security of the reverse annuity mortgage loan must meet the following requirements:

- (a) Located in the State of Montana
- (b) Owner occupied
- (c) Single Family residences including townhomes and condominiums
- (d) No manufactured homes are eligible
- (e) Must meet FHA appraisal standards
- (f) Condominiums must be FHA approved and no more than 25% of the total number of condominium units in any project may be financed by the board.

#### 8.111.408 INTEREST RATE

- (1) The board will set an interest rate for the reverse annuity mortgage program, which rate may be changed by the board.

#### 8.111.409 CASH ADVANCES

- (1) The board may disburse a portion of the loan amount as a cash advance at closing for any one or more of the following purposes:
  - (a) satisfaction of any liens on the property;
  - (b) necessary repairs to the property;
  - (c) actual loan closing costs, including but not limited to appraisals, title policies, recording of documents, and other closing costs; and
  - (d) other items to assist the borrower to continue residing in the property, including but not limited to, medical expenses, transportation expenses (including automobile purchase and loan payoff), payoff of credit card debt, and supportive and specialized care services.
- (2) To receive a cash advance at closing, the borrower must submit a request in writing on forms supplied by the board.
- (3) A cash advance for any of the purposes specified in (1) may be approved:
  - ~~(a)~~ in an amount not to exceed \$~~130~~,000 by board staff along with other loan approvals; ~~and~~
  - ~~(a)~~(b) in an amount greater than \$10,000 but less than \$50,000, by the board's homeownership program manager;
  - (c) in an amount exceeding \$~~530~~,000 by the board in a duly noticed meeting on a case-by-case basis.
- (4) A cash advance may be disbursed either to the borrower or to third parties as directed by the borrower and approved by the board. All cash advances disbursed at closing shall be added to the initial loan balance.