



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA
MONTANA BOARD OF HOUSING
NOVEMBER 30, 1990
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - October 26, 1990 Business Meeting
Chairman Tom Mather
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Hank Hudson and Dick
Kain
- IV. REPORT ON DECEMBER 1, 1990 BOND CALLS - Dick Kain
- V. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- VI. UNDERWRITER'S UPDATE - Randy Hynote
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Quarterly Delinquency Report - September 30, 1990
 - B. MCC Program Update
 - C. 1990 Series B Update
 - D. 1990 Series C Update
 - E. Neighborhood Housing Services, Inc., Great Falls
7-3/4% Setaside Extension Request
 - F. Proposed Appraisal/Inspection Requirements on FHA/VA
Properties
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
NOVEMBER 30, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Janet Kunz, Program Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak, Rock and Campbell

UNDERWRITERS: Laurel Esterlein, Merrill Lynch & Co.
Gordon Hoven, Piper, Jaffray & Hopwood
Randy Hynote, Goldman, Sachs & Co.
Mark Semmens, D. A. Davidson

OTHERS: Hank Hudson, Governor's Office on Aging

The meeting was called to order at 9:55 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the October 26, 1990 Business Meeting were approved as presented.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Richard A. Kain, Administrator and Hank Hudson, Governor's Office on Aging advised the Board that the Counseling Centers have been operational since November 1, 1990. A total of eight applications have been received between November 1 - 27, 1990, seven from RAM area #6 and one from RAM area #5. Hank Hudson advised the Board that applications are coming in slowly and mainly from Western Montana. Hank believes that because Eastern Montana is more conservative that applications will increase with time, and that right now they are mainly fielding questions regarding the program requirements. Nationally, the RAM program is moving well and Montana is at the forefront. Hank has received several calls from other states asking questions about Montana's program.

REPORT ON DECEMBER 1, 1990 BOND CALLS

Dick Kain reported the Board will call \$7,275,000 in bonds from the Single Family II Indenture, from mortgage prepayments accumulated through August 31, 1990

LOW INCOME HOUSING TAX CREDIT PROGRAM

Dick Kain advised the Board that October 19, 1990 was the final date for the submission of 1990 applications. Two applications were received and being in compliance with procedures, were presented for Board review and action. An application from the Columbia Arms Project in Columbia Falls, a FmHA 515 project, with a projected placed in service date of January 1, 1991, was presented. The project will consist of 12 units with 10 units being designed as elderly and two handicapped units. The project is requesting \$17,748 in tax credits.

An application from the Heights Centennial Apartments, in Billings, was presented. The project is a conventionally financed, with nine elderly units and has a projected placed in service date of May 1, 1991. The project is requesting \$28,474 in tax credits. Dick drew the Board's attention to a letter from the Mayor of Billings regarding this project and advised the Board that the staff recommends approval of both projects. Upon motion of Joe Gerbase, which was seconded by Howard Rosenleaf, the Board unanimously approved the applications and authorized the Administrator to pursue reservation agreements.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, advised the Board that market conditions are relatively quiet, and a bond issue similar to the Series 1990 C would produce a mortgage interest rate of approximately 8.25%.

Randy, presented a report indicating the bond allotments among the underwriting team for 1990 Series C issue.

Goldman, does anticipate that rates will go up slightly in December and then will again begin to decline in 1991.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT - SEPTEMBER 30, 1990

David J. Haviland, Single Family Program Officer, presented the quarterly delinquency statistics, as of September 20, 1990 and advised the Board that the percentage of loans in delinquency/foreclosure have decreased dramatically and compare very favorably with national delinquency percentages.

A listing of delinquent loans and loans in possible foreclosure by bond series and by servicer were presented.

MCC PROGRAM UPDATE

David Haviland presented the Mortgage Credit Certificate Program report as of November 28, 1990. The Board has issued 655 certificates, for \$6,300,000 and has 25 reservations outstanding for, \$224,929. The average purchase price is \$48,989, and average borrower income is \$25,032. \$8,480,025 in credit authority is remaining.

1990 SERIES B UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series B issue, as of November 28, 1990, which indicated that of the initial \$23,294,341.87 in lendable proceeds, the Board has purchased 437 loans, for \$21,043,852.78, and has reservations for 47 loans, for \$2,240,530.00. The average loan amount is \$48,155.26, and the average borrower income is \$26,124.65.

1990 SERIES C UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of November 28, 1990. The Board began taking applications on October 22nd and of the \$23,308,735 in lendable proceeds, 66 loans for \$3,336,311 have been purchased and reservations for 190 loans, for \$9,143,221 have been taken. There remains \$10,829,203 in lendable funds available for reservation. The Board was advised that Western Federal Savings and Loan, in Missoula, and Intermountain Mortgage Company, in Billings, have reached their 5% cap.

NEIGHBORHOOD HOUSING SERVICES, INC., GREAT FALLS 7-3/4% SETASIDE EXTENSION REQUEST

David Haviland advised the Board that Nancy Stephenson, Executive Director, of the Neighborhood Housing Services, Inc., has requested an extension of the 7-3/4% setaside, to July 1, 1991. Upon motion of Howard Rosenleaf, seconded by Brad Walterskirchen, the Board unanimously approved the 7-3/4% setaside extension to July 1, 1991.

PROPOSED APPRAISAL/INSPECTION REQUIREMENTS ON FHA/VA PROPERTIES

David Haviland advised the Board that the FHA does not require appraisals/inspections on properties that are owned by the FHA as a result of foreclosure and which are then sold by FHA. The Board has purchased 122 FHA insured loans under the 1990 Series A and Series B programs which have financed the purchase of 122 homes from FHA's inventory of real estate owned. These 122 home loans represent 15% of the loans purchased with 1990 A and B mortgage funds the general characteristic of a purchase is as follows:

Family Income - \$22,500 Purchase Price - \$39,300
Family Size - 3

The typical FHA insured or VA guaranteed loan requires an appraisal as part of the loan application process. When a property is sold by FHA and the purchaser finances the property with a new FHA insured mortgage, the appraisal is not required as part of the application process. Without the appraisal purchasers of FHA or VA owned properties may not be aware of property deficiencies and the absence of an appraisal or an inspection may eventually cause a borrower financial loss.

David proposed that with FHA/VA properties the Board consider in future bond issues requiring loans to have a qualified conventional appraisal/inspection.

George McCallum moved that Dick Kain write to the Congressional delegation seeking leniency on non-monetary foreclosures. The motion was seconded by Brad Walterskirchen and carried unanimously.

OTHER BUSINESS

George McCallum, Chairman of the Board's Audit Committee, reported that the Committee had met early in the morning with Terry Albarn of Junkermier, Clark, Campanella, Stevens to review a proposal for on-site servicer audits to be conducted at two financial institutions in the month of December. George moved that the Audit Committee's report be approved. The motion was seconded by Russ Dahl and approved.

George, also reported that Moody's Investor Service, has requested an opportunity to discuss their rating process with the Board, so that they may be considered to provide future bond ratings.

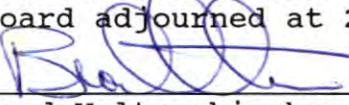
Dick Kain, presented the final form of the FY90 audit as presented to the Legislative Audit Committee on November 15, 1990.

Dick Kain reported on REO property as of September 10, 1990, and asked the Board to approve with the next sales listing to offer a \$500 incentive bonus plus the 7% realty fee on two properties in Billings. Upon motion by Joe Gerbase, which was seconded by Tom Mather, the Board approved the incentive bonus.

SET NEXT MEETING DATE

The next meeting was scheduled for January 11, 1991, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

The Board recessed for lunch at 11:30 a.m. and reconvened at 12:00 p.m. in its worksession. The worksession then being completed the Board adjourned at 2:00 p.m.



Brad Walterskirchen

Dated



MONTANA BOARD OF HOUSING

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AGENDA
MONTANA BOARD OF HOUSING
OCTOBER 26, 1990
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - September 28, 1990 Audit Committee Meeting
September 28, 1990 Business Meeting
Chairman Tom Mather
- III. ACCOUNTING AND REPORTING UPDATE - Kelly Peters
 - A. Quarterly Budget Report
- IV. PRESENTATION OF ASSIGNMENT OF SERVICING AND TRANSFER OF GENERAL PARTNERSHIP REQUESTS - GRANDVIEW PLACE APARTMENTS, MISSOULA - Dick Kain
- V. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Update
 - B. 1990 Series B Update
 - C. 1990 Series C Update
 - D. Presentation and Review of New Lender Applications
 - 1. Culbertson State Bank
 - 2. Norwest Mortgage, Inc.
 - 3. Olympus Bank
- VI. OTHER BUSINESS
- VII. SET NEXT MEETING DATE
- VIII. ADJOURN



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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
OCTOBER 26, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Absent)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Absent)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Mike Jansen, Piper, Jaffray & Hopwood
Brian J. Ranallo, Piper, Jaffray & Hopwood
Mark Semmens, D. A. Davidson & Co.

OTHER: Frank J. Ochoa, Norwest Mortgage Inc., Des Moines
Ed Jasmin, Norwest Bank Helena
Bob Worth, Norwest Bank Billings

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the September 28, 1990 Audit Committee meeting, and the September 28, 1990 Business Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

Kelly Peters, Comptroller, reported on the Board of Housing's budget status as of September 30, 1990. The Board has spent \$271,363 or 13% , of the \$1,883,330 appropriation for fiscal year 1991. George McCallum moved the Board accept the budget report. The motion was seconded by Howard Rosenleaf and carried unanimously.

SINGLE FAMILY PROGRAM UPDATE

MCC PROGRAM UPDATE

David J. Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of October 24, 1990. The Board has issued 626 certificates, for \$6,010,281.80, and has 26 reservations outstanding, for \$253,040.60. The average purchase price is \$48,924.80, and the average borrower income is \$25,007.76. \$8,736.677.60 in credit authority remaining. The program expires on December 31, 1990.

1990 SERIES B UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series B issue, which indicated that of the initial \$23,294,341.87 in lendable proceeds, the Board has purchased 357 loans, for \$12,250,210.19, and has reservations for 136 loans, for \$6,017,241.00. The average loan amount is \$48,336.72, and the average borrower income is \$26,238.30. \$20,890.67 remains, and will be used to fund a small loan that is submitted under 1990 Series C. The Series Allocation Analysis reflected the number of loans reserved or purchased, by lender. The Statewide Housing Profile was also presented for Board review.

1990 SERIES C UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of October 24, 1990, which showed the Board has 84 reservations outstanding, for \$4,121,937.00. The majority of those reservations were for borrowers from the waiting list. Monday, October 22, 1990 was the first day reservations were accepted for 1990 Series C, and the Board received 35 reservations on Monday, 20 on Tuesday, 10 on Wednesday, and 11 on Thursday. A letter to lenders on the potential recapture tax was presented for Board review. Discussion was held about the impact on borrowers, and whether the recapture tax will actually be implemented. The staff consensus was that borrowers need to be notified about the possibility of the tax being implemented beginning January 1, 1991, and the consequences of the tax.

A listing of lenders participating in the 1990 Series C issue was also presented for Board review.

PRESENTATION AND REVIEW OF NEW LENDER APPLICATIONS

CULBERTSON STATE BANK

David Haviland advised the Board that Culbertson State Bank, Culbertson, Montana, had submitted a portion of the application material to participate in the Board's bond programs, but was unable to supply the remainder of the material in time for the meeting. The personnel at Culbertson State Bank intend to submit the material in advance of the November Board meeting.

NORWEST MORTGAGE, INC.

David Haviland introduced Frank Ochoa, Norwest Mortgage, Inc., of Des Moines, Iowa, Ed Jasmin, Norwest Bank Helena, and Bob Worth, Norwest Bank Billings, and reviewed action taken by the Board at the August meeting in Missoula. At that meeting, it was understood that Norwest Mortgage, Inc. was not regulated by a regulatory agency, as defined in the Board's Administrative Rules, and they did not meet the 6% capital to average assets requirement needed for approval as a Board lender/servicer. Since August, Mr. Ochoa has been working with David Haviland to provide information relative to their regulatory agency, and it has been shown that Norwest Mortgage is actually regulated by the Federal Reserve, which is defined as a regulatory agency in the Administrative Rules. Additionally, their current financial reports show an equity to average assets of greater than 6%, at 6.2%. David Haviland advised the Board that Norwest Mortgage, Inc. is in compliance with Board requirements, and recommended approval as a Board lender. Brad Walterskirchen moved Norwest Mortgage be approved as a Board lender. The motion was amended to provide for two conditions under which Norwest Mortgage be approved as a servicer of Board-owned mortgages: 1) a visit from Norwest Mortgage's key servicing personnel with Board staff, to discuss Board requirements for purchases, reporting, delinquency and foreclosure reporting; and 2) a requirement for a contact person at each of the local Norwest Bank offices in Montana, whereby a borrower could contact the local bank for resolution of problems, or payment of monthly payments. The amended motion was seconded by Howard Rosenleaf, and carried unanimously.

OLYMPUS BANK, F.S.B.

David Haviland presented application material from Olympus Bank, F.S.B., Salt Lake City, Utah, which has a branch in Butte, and is requesting approval as a Board lender. Olympus Bank has submitted all required information, and meets Board requirements. Upon motion of Brad Walterskirchen, which was seconded by Joe Gerbase, the Board unanimously approved Olympus Bank as an approved lender in the Board's bond programs.

ASSIGNMENT OF SERVICING - GRANDVIEW PLACE APARTMENTS, MISSOULA

Richard A. Kain, Administrator, presented a request from Fundamental Mortgage, Inc. to transfer the servicing of Grandview Place Apartments, one of the Board's multifamily mortgages, to NCNB Texas Corporation.

Dick reviewed the duties of servicers of Board loans, which are: collection and reconciliation of Principal and Interest payments; property inspections, payment of taxes and insurance, and attending to delinquencies and foreclosures, if required. Board counsel has approved the form of the assignment, and staff recommendation was to approve the transfer of servicing. Upon motion of Joe Gerbase, which was seconded by Howard Rosenleaf, the Board unanimously approved the transfer.

Dick advised the Board that the general partner of the Grandview Place limited partnership has requested a transfer of his general partnership interest, but no response has been received from him regarding the MBOH requirements to be met. Until additional material is received, the matter is unresolved.

OTHER BUSINESS

Dick Kain advised the Board that Randy Hynote was given the month off, and that the market has remained volatile, with gently declining rates.

A Neighborhood Housing Services Newsletter was presented, which described the Board's involvement in their Affordable Housing program. A newsletter on the Economic Policy Group within the Department of Commerce was also presented, which described the agencies involved within the new policy group.

Discussion was held about the sunset of MRB's and MCC's, and Dick advised the Board that housing finance agencies are lobbying for extension in the Budget Reconciliation process.

George McCallum reported on the National Council of State Housing Agencies meeting in Atlanta, and suggested the Board might consider holding a joint meeting with the Wyoming Community Development Authority as a means to gain further information on regional housing programs.

SET NEXT MEETING DATE

The next meeting was scheduled for November 30, 1990, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

November 30, 1990

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING
SEPTEMBER 28, 1990
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - August 22, 1990 Business Meeting
August 31, 1990 Conference Call Meeting
Chairman Tom Mather
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Peters
 - A. Report on October 1, 1990 Bond Calls
 - B. Review of Budget Request for 1993 Biennium
- V. UNDERWRITER'S UPDATE - Randy Hynote
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Neighborhood Housing Services, Inc., Great Falls
Request for Extension of Existing 6-7/8% Setaside
 - B. Review of Borrower's Net Worth and Gross Assets
Requirements as used from 1979 - 1985
 - C. MCC Program Update
 - D. 1990 Series B Update
 - E. 1990 Series C Update
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- VIII. PRESENTATION OF ASSIGNMENT OF SERVICING AND TRANSFER OF
GENERAL PARTNERSHIP REQUEST - GRANDVIEW PLACE APARTMENTS,
MISSOULA - Dick Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
SEPTEMBER 28, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Absent)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan & Murfitt
Jim Arundel, Bond Counsel
Kutak, Rock & Campbell

UNDERWRITERS: Adrien Mally, Goldman, Sachs & Company
Brian J. Ranallo, Piper, Jaffray & Hopwood
Gordon Hoven, Piper, Jaffray & Hopwood

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the August 22, 1990 Business Meeting were changed to correct a motion made by George McCallum, and were approved as corrected. The minutes of the August 31, 1990 Conference Call Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Board's Audit Committee, reported on the Committee's meeting with Terry Alborn, Junkermier, Clark, Campanella, Stevens, P.C., and advised the Board that the auditors gave the Board an unqualified opinion; that they did not have any recommendations for the current year; and that all recommendations from the prior year had been complied with. The committee reviewed the balance sheet, income statement, and all of the footnotes. An allowance was recorded for estimated potential losses on the Board's Real Estate Owned properties, and the Committee suggested expanding the Accounting Estimates footnote to include an explanation of the VA's no-bid policy. A clarification was added to the Fund Balance footnote, to clarify the need for the reserves maintained by the Board. The Committee also discussed the rebate liability which was incurred in the Single Family IV indenture.

After review, George McCallum moved the Board approve the Audit Committee Report. The motion was seconded by Russ Dahl, and carried unanimously.

ACCOUNTING AND REPORTING UPDATE

REPORT ON OCTOBER 1, 1990 BOND CALLS

Kelly Peters, Comptroller, reported the Board will call \$1,260,000 in bonds from the Single Family I indenture in a mandatory call from prepayments. Additionally, there will be \$420,000 in bonds called from the Single Family III indenture, and \$160,000 called from Single Family IV.

REVIEW OF 1993 BIENNIUM BUDGET REQUEST

Kelly Peters presented the Board's budget request for the 1993 Biennium, and advised the Board that the budget is based on actual fiscal year 1990 costs. Kelly reviewed certain objects that will vary from 1990 actual costs, and discussed the reasons for the variation in the numbers. The total budget request for Fiscal Year 1992 is \$2,048,000, and \$1,976,000 for Fiscal Year 1993, compared to Fiscal Year 90's appropriation of \$2,240,000.

After discussion, George McCallum moved the Board accept the budget report. The motion was seconded by Joe Gerbase, and carried unanimously.

UNDERWRITER'S UPDATE

Adrien Mally, Goldman, Sachs & Company, presented a review of the distribution of the bonds issued under the 1990 Series B issue. 40% of the issue was sold to investors in Montana, which will assist the Board in its future offerings. Additionally, the Board has a broad state-by-state distribution and increasing familiarity with Board issues. These factors will all increase the Board's ability to produce a favorable mortgage interest rate.

A series of letters received by Board members from investment representatives of Edward D. Jones & Company were discussed and

reviewed. The company is requesting a position on the Board's underwriting team, as a means to facilitate their ability to obtain and retail Board of Housing bonds. The Board directed staff to prepare a response to the representatives.

A rating affirmation from Standard and Poor's Corporation was presented, which affirmed the Board's (AA) ratings on its bonds, and complimented the Board of Housing's ability to manage its programs.

Adrien also reported that the market conditions remain volatile and that volume has been enormous in the housing bond market, in light of the potential sunset.

SINGLE FAMILY PROGRAM UPDATE

NEIGHBORHOOD HOUSING SERVICES, INC. - REQUEST FOR EXTENSION

David Haviland, Single Family Program Officer, presented a request from Neighborhood Housing Services, Inc., Great Falls, to extend the expiration date of their 6-7/8% setaside to December 1, 1990, to allow time for completion of a new home in the Neighborhood. Upon motion of Mike McKee, which was seconded by Brad Walterskirchen, the Board unanimously approved the extension.

REVIEW OF NET WORTH AND GROSS ASSETS REQUIREMENT

David Haviland presented a review of the Board's requirements for net worth and gross assets which were in place from 1979 through 1985.

MCC PROGRAM UPDATE

David Haviland presented the Mortgage Credit Certificate Program report, as of September 26, 1990, which showed that the Board has issued 582 certificates, for \$5,569,544.40 in credit authority, and has 41 reservations outstanding, for \$420,677.20. The average purchase price is \$48,849.67, and the average borrower income is \$24,960.61. \$9,009,778.40 in credit authority remains available, and will expire on December 31, 1990. Of the 582 certificates issued, 556 have been for conventional single family housing, seven for manufactured housing, 12 for condominiums, seven for townhomes, and 14 for new construction.

A schedule of expenses and fees collected for FY90 was also presented, which indicated the administrative fees charged are covering program expenses.

James Arundel, Bond Counsel, updated the Board on findings relative to the potential for implementing a new MCC program, and advised the Board that because of the timing of the necessary election to convert bond authority to MCC authority, and the ninety day public notice period, it was not feasible at this time to begin the process for implementation of a new MCC program, in light of the potential sunset of Mortgage Revenue Bonds and Mortgage Credit Certificates.

1990 SERIES B UPDATE

David Haviland presented the Series Allocation Summary for 1990 Series B, as of September 26, 1990, which indicated that the Board had \$23,283,040.00 in bond proceeds, plus \$11,301.87 transferred from the Cost of Issuance Account. The Board has purchased 255 loans, for \$12,382,436.42; and has 228 reservations outstanding, for \$10,891,781.00. 7-1/2% of the issue has been for new homes, which is an increase from the last issues.

1990 SERIES C UPDATE

David Haviland reported that the 1990 Series C waiting list has 40 borrowers on the list, for \$1,836,000. These borrowers will receive priority on cancellations from 1990A and 1990B and on 1990C, and the Board will begin accepting reservation requests on October 22, 1990.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Richard A. Kain, Administrator, advised the Board that August 17th was the second round deadline for requests for reservation of 1989 tax credits. Four applications were received, and two were returned for lack of compliance with procedures. The two remaining applications were presented for Board review and action. An application from the Burnt Fork Manor Project in Stevensville, a FmHA 515 project, with a projected placed in service date of January 15, 1991, was presented. The project will consist of 28 elderly units and two handicapped units. The project is requesting \$37,929 in tax credits. The eligible basis is \$1,042,301, and the qualified basis is \$948,235. Upon motion of Mike McKee, seconded by Brad Walterskirchen, the Board unanimously approved the application for reservation, and authorized the Administrator to pursue a reservation agreement.

An application from the Cherry Hill Village North, in Polson, was presented. The project is a FmHA 515 project, with 26 elderly units and two handicapped units. The projected placed in service date is December 1, 1990, and the project is requesting \$44,256 in tax credits, with an eligible basis of \$1,200,937, and a qualified basis of \$1,106,397. Upon motion of Brad Walterskirchen, which was seconded by Joe Gerbase, the Board approved the application for reservation, and authorized the Administrator to pursue a reservation agreement.

A schedule of expenses and fees collected for FY90 was also presented, which indicated the administrative fees charged are covering program expenses.

ASSIGNMENT OF SERVICING AND TRANSFER OF GENERAL PARTNERSHIP INTEREST - GRANDVIEW PLACE APARTMENTS, MISSOULA

Dick Kain advised the Board that the Grandview Place Apartments, Missoula, one of the Board's permanent multifamily mortgage loans, had requested assignment of their servicing, and transfer of the general partnership interest, but the matter must be tabled until

further information is received from Dennis Curran, current general partner.

OTHER BUSINESS

Mike McKee questioned the status of the Reverse Annuity Mortgage Loan Program, and Dick Kain advised the Board that the list of area counselors was not completed yet.

Mike McKee reviewed his recent interview on the television show Face the State, which aired September 16th. His topic was the Reverse Annuity Mortgage Loan program, and since airing of the program, the Board has received numerous inquiries about the program.

A September 10, 1990 listing of the Board's Real Estate Owned properties was presented. Dick Kain advised the Board that the \$500 bonus to realtors in the Miles City area resulted in the sale of one of the Board's homes in the area.

SET NEXT MEETING DATE

The next meeting was set for Friday, . October 26, 1990, in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary



Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on September 27, 1990, at 4:00 p.m., in the Board's office.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, September 27, 1990 at 4:00 p.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Terry Alborn of Junkermier, Clark, Campanella, Stevens; and Kelly Peters, Comptroller. Since only one member of the Audit Committee was able to be present on September 27th, the meeting reconvened on Friday, September 28, 1990, prior to the Board's regularly scheduled business meeting. Attending the meeting on the 28th were: George McCallum, Mike McKee, Terry Alborn, and Kelly Peters.

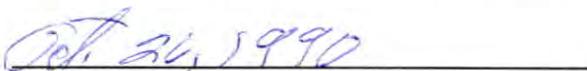
Terry Alborn presented the Board's recently completed audited financial statements for year ending June 30, 1990, and advised the Committee that the auditing firm issued an unqualified opinion. The auditors did not have any recommendations for the current year, and the Board has complied with all of the prior year recommendations.

The committee reviewed the balance sheet, income statement and all of the footnotes. An allowance was recorded for the estimated future losses on the Board's Real Estate Owned properties. A \$215,000 allowance was recorded for losses on future REO's, and another allowance of \$160,000 was recorded for potential losses on the Board's current portfolio of REO's. Mike McKee suggested expanding the Accounting Estimates footnote to include an explanation of the VA's no-bid policy.

Discussion was held about an expansion to the fund balance footnote to clarify the need for the reserves maintained by the Board. Discussion was also held about the rebate liability, which was incurred in the Single Family IV indenture.

There was no further discussion, and the meeting adjourned.


George McCallum, Chairman


Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE BONDS
1990 Series C
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

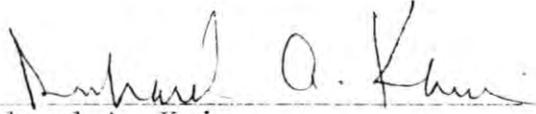
NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Wednesday, September 26, 1990, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATED: September 11, 1990.

MONTANA BOARD OF HOUSING

By: _____


Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624
(406) 442-7450

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Montana Board of Housing held a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing was held on Wednesday, September 26, 1990, in the Board's conference room. Attending the hearing were: Richard A. Kain, Administrator; David J. Haviland, Single Family Program Officer; and Jo Berg, Program Assistant. No comments, either written or oral, were received.

Richard A. Kain, Administrator

September 27, 1990

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, August 31, 1990, at 11:00 a.m., M.D.T., for the purpose of reviewing material relative to the potential issue of the 1990 Series C Single Family Mortgage Bonds.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Montana Board of Housing held a telephone conference call on August 31, 1990, at 11:00 a.m., M.D.T. Board members participating in the meeting were: Mike McKee, Vice Chairman; Brad Walterskirchen, Secretary; and members Russ Dahl, George McCallum, and Howard Rosenleaf. Also participating were staff members Dick Kain, David Haviland, Kelly Peters, Judy Broadwater, Tonja Chernick, and Jo Berg; Barry Gottfried, Goldman, Sachs & Company; Rick Sullivan and Jim Cowgill, First Interstate Bank of Denver; Jim Arundel, Bond Counsel; Mike Mulroney, Board Counsel; and Steve Spitz, Underwriter Counsel.

Barry Gottfried reviewed the pricing information for the proposed 1990 Series C, \$25,000,000 bond issue, and advised the Board that \$8.415 million of the issue will be refunding bonds, \$15.585 million will be new money, and \$1 million will be subordinate bonds. The cost of issuance of the bonds is \$12.46 per \$1,000, which is the lowest cost since before 1989.

Jim Arundel and Mike Mulroney presented Resolution No. 90-08-31-S3 (see attached), which makes findings as to housing needs in Montana; approves a program to finance single family housing; authorizes the issuance of \$25 million in single family mortgage bonds, 1990 Series C; approves the sale of the bonds pursuant to purchase contracts; approves the trust indenture and other documents and disclosure statements; and provides for matters related to the issuance of the bonds.

After discussion, George McCallum moved the Board adopt Resolution No. 90-08-31-S3. The motion was seconded by Brad Walterskirchen and carried unanimously.

Discussion was held about the mortgage interest rate, which underwriters and staff presented at 8.4%. Questions were raised about the highest and lowest possible interest rates, and the effect of the rates on the Board's cash flows, and on the borrower's loan payment. After discussion, Brad Walterskirchen moved the Board set the mortgage interest rate for 1990 Series C at 8.45%. The motion was seconded by Howard Rosenleaf, and carried unanimously.

There was no further business, and the meeting adjourned.

A handwritten signature in blue ink, appearing to read "Brad Walterskirchen".

Brad Walterskirchen, Secretary

Sept. 28, 1990

Dated

RESOLUTION NO. 90-8-31-S3

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1990 SERIES C (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1990 SERIES C-2 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1990 Series C-1 and 1990 Series C-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1990 Series C-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1990 Series C Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1990 Series C Bonds (the "1990 Series C Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of August 15, 1990 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1990 Series C Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated August 28, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series C Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch Capital Markets, Piper, Jaffray & Hopwood Incorporated and Meridian Capital Markets, Inc. (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated August 28, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series C Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated August 31, 1990, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated August 31, 1990, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1990 Series C Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1990 Series C Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1990 Series C 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 1990 Series C Bonds do not involve direct loans.

Section 2. Approval of 1990 Series C Mortgage Purchase Program. The 1990 Series C Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1990 Series C Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds. The issuance of the Board's Single Family Mortgage Senior Bonds, 1990 Series C-1 and 1990 Series C-2 (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1990 Series C-2 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1990 Series C Bonds"), is hereby authorized and approved. The 1990 Series C Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1990 Series C Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1990 Series C Mortgage Purchase Program which do not exceed 8.50% per annum. The 1990 Series C 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 1990 Series C Bonds shall be executed in the name of the Board by the Chairman of the Board, and attested to by either the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing

and attesting the 1990 Series C Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated August 31, 1990, and the Subordinate Bond Purchase Contract, dated August 31, 1990, are hereby approved in the form submitted at this meeting and the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver the Bond Purchase Contracts with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Bond Purchase Contracts.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his designee, each of which is hereby approved as a lender under the 1990 Series C Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1990 Series C Mortgage Purchase Program, the Trust Indenture, the Preliminary Official Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1990 Series C Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1990 Series C Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 31st day of August 1990.

[SEAL]

MONTANA BOARD OF HOUSING

Attest:

By


Vice Chairman

By


Secretary

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING
AUGUST 22, 1990
CITY COUNCIL CHAMBERS
MISSOULA CITY HALL
201 WEST SPRUCE
MISSOULA, MONTANA

- I. CALL MEETING TO ORDER - 8:30 a.m. - Vice Chairman Mike McKee
- II. APPROVAL OF MINUTES - July 25, 1990 Business Meeting
Vice Chairman Mike McKee
- III. ACCOUNTING & REPORTING UPDATE - Kelly Peters
 - A. Report on September 4, 1990 Bond Calls
 - B. Review of June 30, 1990 Consolidated Financial Statements
- IV. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Hank Hudson & Dick Kain
- V. REVIEW OF REAL ESTATE OWNED - Dick Kain
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Update
 - B. Quarterly Delinquency Report - June 30, 1990
 - C. 1990 Series B Update
 - D. Review of Low Income Pool Setaside
 - E. Presentation and Review of New Lender Application - Norwest Mortgage, Inc.
- VIII. UNDERWRITER'S UPDATE - Randy Hynote
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. PUBLIC MEETING - 11:00 a.m. to 12:30 p.m.
- XII. ADJOURN

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
CITY COUNCIL CHAMBERS
MISSOULA CITY HALL
201 WEST SPRUCE
MISSOULA, MONTANA
AUGUST 22, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Absent)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Absent)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF:

Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

COUNSEL:

Terry B. Cosgrove, Board Counsel
Luxan & Murfitt
John Wagner, Bond Counsel
Kutak, Rock & Campbell

UNDERWRITERS:

Randy Hynote, Goldman, Sachs & Co.
Barry Gottfried, Goldman, Sachs & Co.
Adrien Mally, Goldman, Sachs & Co.
Mark Semmens, D. A. Davidson & Co.
Michael Jansen, Piper, Jaffray & Hopwood
Brian Ranallo, Piper, Jaffray & Hopwood

OTHERS:

Marian Larson, for her parents
Hank Hudson, Governor's Office on Aging
Don Baty, The Missoulian
Leigh Robartes, Montana Public Radio
Tony Niccum, Jefferson National Mortgage
Ron Russell, Jefferson National Mortgage
Vi Thomson, Chairman, Governor's Advisory Committee
on Aging
Laura Hamma, First Banks Missoula
Roy Allen, Lambros Realty

Charles Eiseman, Western Federal Savings Bank
Robin Campbell, Lambros Realty
Sheila Adkins, First Security Bank Missoula
Larry DeGarmo, Poverello Center
Sister Anne Kovis, Poverello Center
Mary Marquandt, Lambros Realty
Janice Harkin, Lambros Realty
Karen Petersen, Lambros Realty
Jack Thibodeau, Red Carpet Realty
Rick Robinson, Red Carpet Realty
Merna P. Martelle, 1st State Bank, Stevensville
Tom Butorac, 1st Interstate Bank, Missoula
Lloyd Twite, Twite Construction
Roger W. Linhart, United Western Mortgage, Missoula
Jack E. Lovell, Western Federal Savings, Missoula
Rick Wiedeman, Ronan State Bank
Laverne M. Hellyer, Farmer's Home Administration,
Missoula District Office
Weston Rhodes, Citizens State Bank, Hamilton
Rosemary Griffin, Citizens State Bank, Hamilton
Laura Flynn, First Federal Savings & Loan, Missoula
Collette Maxwell, First Federal Savings & Loan
Dawn Simmons, Montana Bank of South Missoula
Cecil Barnier, Missoula Housing Authority
Merna Barnier, Missoula Housing Authority
Vickie Amundson, Clark Fork Realty
Dan Kemmis, Mayor of Missoula
Susan Kohler-Hurd, Area Agency on Aging
District 11 Human Resources

The meeting was called to order at 8:30 a.m., by Vice Chairman Mike McKee, acting in the absence of Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the July 25, 1990 Business Meeting and Public Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

REPORT ON SEPTEMBER 4, 1990 BOND CALL

Kelly Peters, Comptroller, reported that the Board will be calling approximately \$15,695,000 from mortgage prepayments in the Single Family II indenture. The call was used to refund a portion of the 1990 Series B issue, to obtain the maximum amount of non-AMT bonds, thereby reducing the mortgage rate.

JUNE 30, 1990 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Peters presented the Board's unaudited balance sheet and income statement for the fiscal years ending June 30, 1990 and June 30, 1989.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Richard A. Kain, Administrator, and Hank Hudson, Governor's Office on Aging, advised the Board that the training session for the counseling network was held on August 3, 1990, and that the program informational material, initial allocation of funds, and loan documents are prepared, and the pilot version of the Reverse Annuity Mortgage Loan Program is ready for implementation. After discussion, Terry Cosgrove, Board Counsel, presented Resolution No. 90-08-22-R1 (see attached), which authorizes implementation of the program. Upon motion of Brad Walterskirchen, which was seconded by Howard Rosenleaf, the Board unanimously adopted Resolution No. 90-08-22-R1, effective October 1, 1990.

REAL ESTATE OWNED

Dick Kain updated the Board on his recent trip to the eastern part of the state, where he inspected a number of the Board's properties in inventory. He advised the Board that since the July 2, 1990 listing of properties available for sale, the Board has sold 6 of the properties. The average loss on the sale of the properties continues to climb upward, to an average of \$13,000 loss on principal. After discussion on the means to further enhance the sale of the Board's properties in the Miles City area, George McCallum moved that staff be authorized to negotiate a \$500 bonus for realtors selling and closing the Board's properties in Miles City, within 60 days of the next listing of real estate owned. The motion was seconded by Howard Rosenleaf and carried unanimously.

LOW INCOME HOUSING TAX CREDIT

Dick Kain advised the Board that the first application round for the Low Income Housing Tax Credit ended on July 13, 1990. An overview of the two applications received was presented, one of which was returned because it did not meet the criteria. The second application, for The Alpha Group, which proposes to build a 39-unit FmHA 515 project for the elderly in Kalispell, was presented. After review, Russ Dahl moved the Board approve a reservation of tax credits for the Kalispell Senior Apartments. George McCallum seconded the motion, and it carried unanimously.

SINGLE FAMILY PROGRAM UPDATE

MCC PROGRAM UPDATE

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Report, as of August 20, 1990. The Board has issued 532 certificates, for \$5,075,812.80 in authority; and has 42 reservations outstanding, for \$423,241.80 in authority. The average purchase price is \$48,738.71, and the average borrower income is \$24,927.41. \$9,500,945.40 in credit authority is available for reservation. A listing of MCCs issued and reserved by county or targeted was presented, along with a listing by lenders and the number of MCCs issued by month.

requirements to participate; and the reason for making the VA downpayment the same as the FHA requirements; combination of the FHA 203K program with the Board programs; the listing of personal items on a buy-sell for Board programs;

Dan Kemmis, Mayor of the City of Missoula, discussed multifamily housing in the Missoula area. He expressed the need for cooperative housing, wherein tenants become homeowners via the cooperative, as a means to meet the housing needs of Missoulians, and requested the Board's assistance in contacting qualified outside resources to develop a pilot program in Missoula.

Susan Kohler-Hurd, Area Agency on Aging, discussed needs of elderly in the Missoula area. Her agency offers an information and referral service, and 10% of the calls are housing related. Two particular problems are expressed - alternative housing, such as group homes or shared housing; and subsidized housing.

Laverne M. Hellyer, District Director of FmHa, generalized the housing needs in rural areas surrounding Missoula, where there are housing projects for the elderly in the development stages. There are no waiting lists for elderly housing in the rural areas, and some projects have vacancies; the subsidized units have the tenants paying 30% of their income for rent.

Cecil and Myrna Barnier, Missoula Housing Authority, stated that in Missoula, there are no vacancies for elderly housing. There is a waiting list of 705 families for 205 units and 200 Section 8 vouchers. The need at present is for two-bedroom units, even though Congress has determined the need to be in three to four bedroom units. Missoula Housing Authority has 38 two-bedroom units, with a waiting list of 298. The average tenant paid rent is \$115. The elderly pay higher rent because utilities are included in the rent.

Sister Anne Kovic, Poverello Center, told the Board that a lot of housing units are being lost to the conversion of older buildings to businesses. There is a problem for people in their 50's and 60's who are no longer self-sufficient are too young for Social Security. They have the ability to pay the first month's rent, but not the second.

At 12:45, the public meeting adjourned, and after a short recess, the Board meeting reconvened.

NEW BOND ISSUE

Discussion was held about the feasibility of a new bond issue, in light of developments in the Mid-East, and the volatility in the market. Additional discussion was held about the higher income limits adopted by the Board with the 1990 Series B issue, and the majority of the Board present preferred to leave the income limits where they are. Discussion was also held about the size of an issue, and whether the Board should consider a variable rate issue

to meet demand during the expected sunset of Mortgage Revenue Bonds. After further discussion, George McCallum moved the Board authorize preparation of a \$25 million fixed rate bond issue, with a mortgage interest rate not exceeding 8.5%. Additionally, the low income pool will be set aside for borrowers with incomes at \$23,500, or 80% of the state median income, and the size will be increased from 25% to 30% of the issue. The motion was seconded by Russ Dahl, and carried unanimously.

OTHER BUSINESS

Dick Kain presented the agenda for the National Council of State Housing Agencies annual meeting, to be held in Atlanta, Georgia on October 6th through 9th. After discussion, Brad Walterskirchen moved the Board authorize attendance at the meeting by two Board members and Dick Kain, and request approval of the Department of Commerce Director. The motion was seconded by George McCallum and carried unanimously.

Discussion was held about the Board's ability to implement a new MCC program, since our current program ends December 31, 1990. Bond Counsel will research this matter and report at the next Board meeting.

SET NEXT MEETING DATE

The next meeting was set for Friday, September 28, 1990, and will be held in the Downstairs Conference Room of the Department of Commerce Building. The Audit Committee will hold a meeting on September 27, 1990, at 4:00 p.m., in the Board's offices.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

Sept. 28, 1990
Dated

RESOLUTION NO. 90-08-22-R1

MONTANA BOARD OF HOUSING

WHEREAS, the Legislature of the State of Montana has enacted the Reverse Annuity Mortgage Program codified as § 90-6-504, MCA.

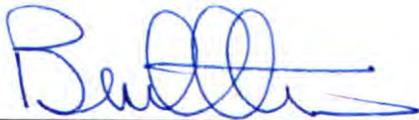
WHEREAS, the Board has been directed to implement the terms of such legislation.

WHEREAS, the Board has directed its staff to prepare the necessary forms and documents to effectuate the implementation of such program.

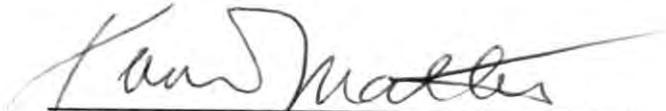
NOW, THEREFORE, be it hereby resolved as follows:

The forms as submitted by the staff for implementation of the Reverse Annuity Mortgage Program are hereby approved and adopted, and that the staff is directed to take any and all action necessary including the preparation of any additional forms it deems appropriate, to fully effectuate the terms and provisions of such legislation.

Dated this 22nd day of August, 1990.



Brad Walterskirchen, Secretary



Tom Mather, Chairman

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING
JULY 25, 1990
GALLERY ROOM
GREAT FALLS CIVIC CENTER
PARK DRIVE AND CENTRAL
GREAT FALLS, MONTANA

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - May 23, 1990 Audit Committee Meeting
June 21, 1990 Investment Committee Meeting
June 22, 1990 Regular Business Meeting
Chairman Tom Mather
- III. ACCOUNTING & REPORTING UPDATE - Kelly Peters
 - A. Quarterly Budget Report
 - B. Recap of FY90 Bond Redemption Activity
- IV. UNDERWRITER'S UPDATE - Randy Hynote
- V. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Report
 - B. 1990 Series A Update
 - C. 1990 Series B Update
- VI. OTHER BUSINESS
- VII. SET NEXT MEETING DATE
- VIII. PUBLIC MEETING - 10:30 a.m. to noon
- IX. ADJOURN

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
GALLERY ROOM
GREAT FALLS CIVIC CENTER
PARK DRIVE AND CENTRAL
GREAT FALLS, MONTANA
JULY 25, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Absent)
George McCallum (Present)
Howard Rosenleaf (Absent)

STAFF:

Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

COUNSEL:

James D. Arundel, Bond Counsel
Kutak, Rock & Campbell
Terry B. Cosgrove, Board Counsel
Luxan & Murfitt

UNDERWRITERS:

Randy Hynote, Goldman, Sachs & Company
Mark Semmens, D. A. Davidson & Co.
Laurel Esterlein, Merrill Lynch Capital Markets

OTHERS:

Brett Asselstrom
Lloyd M. Erickson, AARP
Dean J. Mart, United Savings Bank
Jack Prothero, Western Federal Savings Bank
Lynne Blackwell, First Interstate Bank
Valory Taylor, Heritage Bank
Walline M. Campbell, First Banks Great Falls
Kevin Hager, Great Falls Housing Authority and
City of Great Falls
Marilyn K. Rose, First Banks Great Falls
Alan Keavley, St. Vincent DePaul
Marc Stergionis, Great Falls Tribune
Linda McNeill, Opportunities, Inc.
Anne Thompson, Opportunities, Inc.
Nancy Stephenson, Neighborhood Housing Services

The meeting was called to order at 8:35 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the May 23, 1990 Audit Committee Meeting, the June 21, 1990 Investment Committee Meeting, and the June 22, 1990 Regular Business Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

QUARTERLY BUDGET REPORT

Kelly Peters, Comptroller, presented the Board's budget status, as of June 30, 1990. The Board's year-end expenditures are \$1,539,813, or 69% of the Board's total budget authority of \$2,243,441.00. The major reason for lower expenditures in Fiscal Year 1990 is because of a significant decrease in foreclosure expenses.

FISCAL YEAR 1990 BOND REDEMPTIONS

Kelly Peters presented an overview of bond redemption activity for Fiscal Year 1990. The Single Family I indenture had mandatory calls in the amount of \$1,215,000, due to mortgage prepayments. Single Family II had optional and mandatory bond calls in the amount of \$18,405,000, due to mortgage prepayments. The Single Family III indenture had mandatory calls in the amount of \$50,000, due to excess revenues and unexpended proceeds. A total of \$19,670,000 in bonds was called during the fiscal year.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, reported that as a result of the recent easing of money by the Federal Reserve, an issue similar to the Board's 1990 Series B issue would produce an interest rate of 8.15% to 8.20%. Randy also advised the Board that the Board's ability to issue tax-exempt mortgage revenue bonds will most likely expire as scheduled on September 30, 1990, and an extension, although certain, is not likely before March, 1991. Discussion was held about the need to proceed to a new issue, and the matter was tabled until the August meeting.

SINGLE FAMILY PROGRAM UPDATE

MCC PROGRAM UPDATE

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Report, as of July 24, 1990, and advised the Board that of the initial \$15,000,000 in credit authority, the Board has issued 508 certificates, for \$4,844,338.60, and has reservations for 35 certificates, for \$172,582.40. The average purchase price is \$48,725.29; the average borrower income is \$24,977.88. The majority of the loans are FHA loans, with an average mortgage interest rate of around 10%. \$9,800,074.00 in credit authority is available.

Discussion was held about the Board's ability to change the existing income limits to conform with the recently imposed limits in effect with the Board's 1990 Series B issue. James Arundel, Bond Counsel, advised the Board the limits could be changed, but only after the Treasury-required 90-day public notice period. During the 90-day period, the Board could not reserve or issue certificates. It was pointed out that in certain counties, changing the income limits would lower the income limits for small families, from \$30,000 to \$28,200. Tom Mather relinquished the Chair, and moved the Board adopt income limits to coincide with the Board's 1990 Series B bond issue. The motion died for lack of a second.

1990 SERIES A UPDATE

David Haviland presented the Series Allocation Summary, as of July 24, 1990, for the Board's 1990 Series A issue. Of the initial \$23,287,901.57 in available proceeds, the Board has purchased 412 loans, for \$18,869,808.19; and has 90 reservations outstanding, for \$4,410,478.00. The average purchase price is \$45,795.65; the average borrower income is \$23,902.78. \$9,615.37 remains available, and will be used for purchase adjustments as the remainder of the loans are purchased. The Series Allocation Analysis, a listing of loans purchased or reserved by lender, was also presented, as was the Statewide Housing Profile.

1990 SERIES B UPDATE

David Haviland presented the Series Allocation Summary, as of July 24, 1990, for the Board's 1990 Series B issue. Of the initial \$23,283,040.00 in lendable proceeds, the Board has reserved \$7,004,922.00, for 147 loans. \$16,278,118.00 remains available. A listing of participating lenders was also presented for Board review.

OTHER BUSINESS

Federal Home Loan Bank's Affordable Housing Program has approved the Neighborhood Housing Services request for a \$50,000 grant, for use in conjunction with the Board of Housing's recent \$1,000,000 setaside of 7-3/4% mortgage funds.

Dick Kain advised the Board that the counselor training for the Reverse Annuity Mortgage Program will be held on August 3, 1990, and that loan documents and promotional material will be presented at the August meeting.

The Board requested staff write a letter to Nancy Stephenson, Executive Director, Neighborhood Housing Services, thanking her for the July 24, 1990 tour through the Neighborhood area, and commending her for the outstanding work Neighborhood Housing Services has done in revitalizing the original townsite of Great Falls.

SET NEXT MEETING DATE

The next meeting was set for August 22, 1990, at 8:30 a.m., in the City Council Chambers of the Missoula City Hall.

PUBLIC MEETING

Tom Mather, Chairman, introduced the Board to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an overview of the reasons for the public hearing, and requested input from the participants on housing needs in the Great Falls area, and comments relative to the Board's current programs.

Kevin Hager, Great Falls Housing Authority, a low income housing provider, advised the Board that his agency receives 30 to 40 applications a month, and has a waiting list of 126 families, which includes 43 large families. The average tenant paid rent is \$98.00. He expressed a need for large family housing. Additionally, he expressed the desire to see homeownership programs in Great Falls similar to the new affordable housing program with NHS. In this program, lower income families could receive downpayment and closing cost assistance. A program like this would enable many of the current tenants in the Housing Authority's units to become homeowners, because they have the ability to make a moderate monthly mortgage payment, but have not accumulated the resources to pay downpayment and closing costs. If an Affordable Housing Program concept was expanded, it would allow the housing providers to better address their waiting lists, because some of the available rental units would become available for those families on the waiting lists.

Linda McNeill, Opportunities Inc., another low income housing provider, stated that her list includes 750 families, and they closed the waiting list for three-bedroom units two years ago, as there are no units available for large families. She estimated that of the 750 families on the waiting list, 150 to 200 are large families. Opportunities, Inc., stock of rental units consists of 244 Mod Rehab units, and 300 Section 8 vouchers. The average tenant paid rent is \$74 to \$100.

Alan Keavley of the St. Vincent DePaul Society, told the Board that even though his agency does not provide housing, they are a referral service to other types of housing providers. His agency has seen a large increase in demand, due to changes in the welfare system.

Lloyd Erickson, AARP State Director stated his group's housing concerns deal with failing health and the inability to maintain housing costs on fixed incomes. Additionally, AARP sees a need for home equity conversion programs for senior homeowners.

Nancy Stephenson, Executive Director of Neighborhood Housing Services, updated the Board on the progress her organization has achieved in assisting lower income families to purchase their first home. The recently approved Federal Home Loan Bank Affordable Housing program, in conjunction with the Board's setaside of \$1,000,000 in 7-3/4% mortgage funds will assist some of those homebuyers who have the ability to make

a monthly mortgage payment, but do not have the resources to make a down payment or pay closing costs. Nancy feels that coalitions of non-profit organizations, government agencies, and other housing providers are needed to increase leverage to access programs such as the Affordable Housing Program. She also sees a need for a program that can utilize grant funds to purchase and rehabilitate properties, or provide construction loan financing, and then be converted into permanent mortgage loans for qualified borrowers.

The lenders requested the Board try to expand it's method of relaying updates and new information to the lenders, so that adequate notice is provided to them. Additionally, they thanked the Board for it's current programs.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

Aug. 22, 1990

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING
JUNE 22, 1990
DIRECTOR'S CONFERENCE ROOM*
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - May 23, 1990 Regular Business Meeting
June 8, 1990 Conference Call Meeting
Chairman Tom Mather
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. INVESTMENT COMMITTEE REPORT - Brad Walterskirchen
- V. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Report
 - B. 1990 Series A Update
 - C. Annual Income Limit Review
 - D. Presentation and Review of New Lender Applications
 1. Yellowstone Bank, Billings
- VI. REVIEW OF REAL ESTATE OWNED - Dick Kain
- VII. OTHER BUSINESS
- VIII. SET NEXT MEETING DATE
- IX. ADJOURN

* Note Meeting Location

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

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HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
DIRECTOR'S CONFERENCE ROOM
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA
JUNE 22, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

COUNSEL: Terry B. Cosgrove, Luxan & Murfitt
Board Counsel

The meeting was called to order at 9:05 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the May 23, 1990 Regular Business Meeting and the June 8, 1990 Conference Call Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Board's Audit Committee, reported that the Committee met with Terry Alborn, Junkermier, Clark, Campanella, Stevens, P.C., to review the proposal from the firm to perform the Board's Fiscal Year 1990 audit. Discussion was held about the proposed fee of \$20,000, which had been approved by the Office of the Legislative Auditor. It was agreed that compensation for the audit would be set at a maximum of \$19,000, and that the contract renewal would be presented at the Board's June 22, 1990 meeting.

The Committee also reviewed the results of the Junkermier, Clark, Campanella, Stevens, P.C., recently completed internal audit related to mortgage loan and mortgage credit certificate compliance. George advised the Board that no significant internal control problems were noted.

George McCallum moved the Board accept the Committee's report, and authorize the execution of the contract with Junkermier, Clark, Campanella, Stevens, P.C., for the fiscal year 1990 audit. The motion was seconded by Howard Rosenleaf and carried unanimously.

George suggested that in the future, the Office of the Legislative Auditor build the fees for the internal audit engagement into the Request for Proposals for the Board's auditors, to assist in budgeting for auditing.

INVESTMENT COMMITTEE REPORT

Brad Walterskirchen, Chairman of the Investment Committee, advised the Board the Committee held a semi-annual meeting on June 21, 1990, to review March 31, 1990 investment portfolios; average investment yields for the period 1/1/90 through 3/31/90; and the recent direction of interest rates. Discussion was also held concerning arbitrage restrictions attendant to bond issuance and reinvestment of bond proceeds, and about staff's research into the development of in-house cash flow analysis capability.

The Committee directed staff to continue research into the development of cash flow capability, develop an average investment yield report for current month investments, and to work with bond trustees on the development of investment accrual reports and investment portfolios.

The Committee requested the Board move to amend the Board's Investment Policy, to eliminate the requirement that the Chairman of the Committee receive a set of monthly trustee reports. Upon motion made by Mike McKee, and seconded by Russ Dahl, the Board's investment policy was amended. Upon motion by Mike McKee, and seconded by Joe Gerbase, the Board moved to accept the Investment Committee report.

SINGLE FAMILY PROGRAM UPDATE

MCC PROGRAM UPDATE

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of June 20, 1990. The Board has issued 463 certificates, for \$4,427,450.00 in credit authority, and has 48 outstanding reservations, for \$471,575.80. The average purchase price is \$48,799.78, and the average gross income is \$24,955.99. \$10,100,974.20 remains available for reservation of credit authority. Reports by County/Targeted Area, by Lender, and number of certificates issued by month were also presented.

1990 SERIES A UPDATE

David Haviland presented the Series Allocation Summary for the 1990 Series A program, which showed that the initial \$23,280,510 was increased by \$7,391.57 as a result of a transfer from the Cost of Issuance account to the Acquisition account. As of June 19, 1990, the Board has purchased 253 loans, for \$11,591,582.16, and has 249 reservations outstanding for \$11,688,800.00. The funds were fully reserved as of May 30, 1990. The average purchase price is \$45,816.53, which is up \$200.00 from 1989 Series A; and the average borrower income is \$23,885.99, which is also up slightly over 1989 Series A. The Series Allocation Analysis revealed six lenders have reserved over \$1 million in available funds. Those lenders are: First Interstate Bank Billings, Montana Bank South Missoula, American Federal Savings & Loan of Helena, First Federal Savings Bank of Kalispell, Western Federal Savings Bank of Missoula, and Intermountain Mortgage Company of Billings. The Statewide Housing Profile indicated that of the 253 loans purchased, three loans were for new construction; 15 were for Veterans Administration guaranteed loans (6%), with eight of those fifteen being in Great Falls; and 33 loans were for other than first-time homebuyers.

Since the funds are fully reserved, waiting lists have been established, and there are 45 completed packages for reservation, on Waiting List A, for \$2 million. Five borrowers are on Waiting List B, for \$267,000. These borrowers will receive first consideration when the 1990 Series B issue is completed.

REVIEW OF INCOME LIMITS

As required by the Administrative Rules of the Board, David Haviland presented updated information on the Federally imposed maximum income limits allowed by Treasury regulations. HUD's annual Section 8 income limits for lower income and very low income families, from which the Board's income limits are derived, have gone up significantly, and using calculations for large and small households, range from \$28,200 in the majority of the state for a small household (one to two persons), to \$43,540 for a large household (three or more persons) in Hill County, a targeted area. Discussion was held about the philosophies behind establishing income limits, and the Board reviewed income limits in previous programs. Three main opinions developed from the discussion: 1) the Board should utilize maximum income limits available, to increase homeownership in the state; 2) the Board should establish income limits that treat all areas of the state equally, without special consideration to targeted areas, and the Board should have the targeted designations reviewed; and 3) the Board's primary purpose is to assist lower income first-time homebuyers. After extended discussion, Joe Gerbase moved the Board increase its income limits to the maximum allowable incomes, and have the limits become applicable to 1990 Series B, subject to opinion of bond counsel. The motion was seconded by George McCallum, and subsequently amended to include a review by bond counsel that the correct calculations were used to determine the income table,

attached hereto as Exhibit I. The motion carried, with Mike McKee and Brad Walterskirchen voting nay.

REVIEW OF NEW LENDER APPLICATION

David Haviland presented a request from Yellowstone Bank Billings to participate in the Board's Single Family Bond Programs. The Bank meets the requirements to participate in Board of Housing programs, but still have not obtained the required errors and omissions insurance coverage. George McCallum moved the Board approve Yellowstone Bank Billings, subject to receipt of evidence of errors and omissions coverage. The motion was seconded by Russ Dahl, and carried unanimously.

REVIEW OF REAL ESTATE OWNED

Richard A. Kain, Administrator, presented a new listing of the Board of Housing's Real Estate Owned Properties Available for Sale, and advised the Board that as of June 12, 1990, the Board has nineteen properties in inventory. Four of the properties, which are condominium units, are rented, and the remainder of the properties are offered for sale. From March 31, 1990 to the present, the Board has sold five homes, with an average length of time in inventory of 20 months. Three of the five homes sold were through the Board's 1990 Series A REO Setaside. The average loss on the sales was \$11,800.00.

OTHER BUSINESS

Brad Walterskirchen advised the Board that as a result of changes within Federal Deposit Insurance Corporation, depositors in financial institutions are insured to \$100,000 per depositor, instead of \$100,000 per account, as was the case previously. Furthermore, monthly mortgage payments collected by Board of Housing servicing institutions are now insured up to only \$100,000 per account versus per mortgagor payment.

SET NEXT MEETING DATE

The next meeting was set for Wednesday July 25, 1990, in the Gallery Room of the Great Falls Civic Center, Great Falls, with a public hearing following the meeting.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

July 25, 1990
Dated

Exhibit I

1990 Series B Gross Annual Income Limits by Area: (as adopted June 22, 1990)

Area	Small Household**	Large Households***
Billings/Yellowstone	\$32,200	\$37,030
Blaine*	33,840	39,480
City of Great Falls*	35,760	41,720
Cascade County	29,800	34,270
Custer County	30,100	34,615
Dawson County	32,000	36,800
Deer Lodge County*	33,840	39,480
Fallon County	29,900	34,385
Flathead County*	33,960	39,620
Hill County*	37,320	43,540
Lewis & Clark County	29,800	34,270
Mineral County*	33,840	39,480
Missoula County*	36,480	42,560
Pondera County	30,400	34,960
Powder River County	28,800	33,120
Richland County	32,400	37,260
Rosebud County	32,300	37,145
Sanders County*	33,840	39,480
Silver Bow County*	33,840	39,480
Town of Wyola*	33,840	39,480
All other Counties and Areas	28,200	32,430

**Small household is defined as two persons or less

***Large household is defined as three persons or more

*Targeted Areas

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF COMMITTEE MEETING

The Investment Committee of the Montana Board of Housing will hold a meeting on June 21, 1990 at 6:00 p.m., in the office of the Board, located at 2001 11th Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Investment Committee of the Montana Board of Housing held its semi-annual meeting on June 21, 1990, at 6:00 p.m., in the Board's offices. Participating in the meeting were: Brad Walterskirchen, Chairman of the Committee; Committee members Russ Dahl and Joe Gerbase; and Dick Kain, Administrator.

The Committee reviewed the March 31, 1990 investment portfolios per indenture; average investment yields for the period 1/1/90 through 3/31/90; the bid results for the 1990 Series B investment agreements; and the recent direction of interest rates. Discussion was also held concerning arbitrage restrictions attendant to bond issuance and reinvestment of bond proceeds, and of staff's recent research into the development of in-house cash flow analysis capability.

The Committee directed staff to continue the research into the development of cash flow capability, develop an average investment yield report for current month investments, and to work with bond trustees on the development of investment accrual reports and investment portfolios.

The Committee moved to amend the Montana Board of Housing Investment Policy, Section I (i), to remove the requirement "that one set of the monthly trustee reports for the calendar quarter are sent to the chairman of the committee in advance of the meeting."

There was no further business, and the meeting adjourned at 7:30 p.m.

Brad Walterskirchen, Chairman

July 25, 1990

Dated

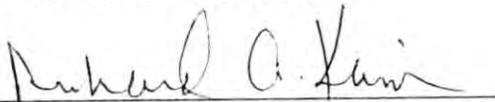
NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE BONDS
1990 Series B
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Thursday, June 21, 1990, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

Dated June 5, 1990.

MONTANA BOARD OF HOUSING

By: 
Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Terry B. Cosgrove
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624
(406) 442-7450

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, a Public Hearing was held on the Board's proposed issuance of \$25,000,000 of mortgage revenue bonds, Series 1990 B, to finance single family homes for qualified families in Montana.

The hearing opened at 9:00 a.m., on Thursday, June 21, 1990, and was attended by Richard A. Kain, Administrator, Mike Mulrone, Board Counsel, and Jo Berg, Program Assistant. No comments were heard or received, and the hearing closed at 9:10 a.m.

Richard A. Kain

Richard A. Kain, Administrator

June 21, 1990

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a telephone conference call meeting on Friday, June 8, 1990, at 10:00 a.m., for the purpose of reviewing the proposed sale of the Board's 1990 Series B bonds.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, June 8, 1990, at 10:00 a.m. Participating in the meeting were: Tom Mather, Chairman; Mike McKee, Vice Chairman; Brad Walterskirchen, Secretary; and Board members Joe Gerbase, George McCallum, and Howard Rosenleaf. Randy Hynote, Goldman, Sachs & Company; Jim Arundel, Kutak, Rock & Campbell, Mike Mulrone, Luxan & Murfitt; Steve Spitz, Orrick, Herrington & Sutcliffe; Rick Sullivan, First Interstate Bank of Denver; and staff members Dick Kain, David Haviland, Kelly Peters, Jeannene Maas, and Jo Berg also participated.

Randy Hynote reviewed the structure and preliminary pricing of the Board's 1990 Series B bonds, which were offered on June 5, 1990. The issue will allow the Board a mortgage interest rate of 8.25%, and is scheduled to close on June 26 and 27, 1990.

Jim Arundel and Mike Mulrone presented Resolution #90-6-8-S2, and the related documents. After review, Joe Gerbase moved the Board adopt Resolution #90-6-8-S2 (attached) which approves a program to finance single family housing; authorizes the issuance of \$25,000,000 aggregate principal amount of single family mortgage senior bonds, 1990 Series B and single family mortgage subordinate bonds, 1990 Series B-1; approves the sale of the bonds pursuant to purchase contracts; approves the Trust Indenture and other documents; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds. The motion was seconded by Mike McKee, and carried unanimously.

There was no further business, and the meeting adjourned at 10:40 a.m.

A handwritten signature in blue ink, appearing to read "Brad Walterskirchen".

Brad Walterskirchen, Secretary

June 22, 1990

Dated

RESOLUTION NO. 90-6-8-52

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1990 SERIES B (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1990 SERIES B-1 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1990 Series B-1 and 1990 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1990 Series B-1 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1990 Series B Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1990 Series B Bonds (the "1990 Series B Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of June 1, 1990 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1990 Series B Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated June 1, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series B Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch Capital Markets, and Piper, Jaffray & Hopwood Incorporated, (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated June 1, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series B Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated June 8, 1990, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated June 8, 1990, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1990 Series B Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1990 Series B Bonds, and the purchase by the Board from proceeds thereof of

mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1990 Series B 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 1990 Series B Bonds do not involve direct loans.

Section 2. Approval of 1990 Series B Mortgage Purchase Program. The 1990 Series B Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1990 Series B Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds. The issuance of the Board's Single Family Mortgage Senior Bonds, 1990 Series B-1 and 1990 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1990 Series B-1 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1990 Series B Bonds"), is hereby authorized and approved. The 1990 Series B Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1990 Series B Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1990 Series B Mortgage Purchase Program which do not exceed 8.50% per annum. The 1990 Series B 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 1990 Series B Bonds shall be executed in the name of the Board by the Chairman of the Board, and attested to by either the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1990 Series B Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be

valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated June 8, 1990, and the Subordinate Bond Purchase Contract, dated June 8, 1990, are hereby approved in the form submitted at this meeting and the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver the Bond Purchase Contracts with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Bond Purchase Contracts.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his designee, each of which is hereby approved as a lender under the 1990 Series B Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1990 Series B Mortgage Purchase Program, the Trust Indenture, the Preliminary Official

Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1990 Series B Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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.

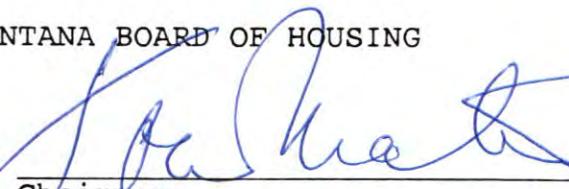
Section 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1990 Series B Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 8th day of June 1990.

MONTANA BOARD OF HOUSING

By 
Chairman

Attest:


Secretary

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Audit Committee of the Montana Board of Housing held a meeting on May 23, 1990, in the Director's Conference Room in the DNRC Building. The meeting was attended by George McCallum, Chairman of the Committee, Committee member Mike McKee, and Terry Albourn, of the firm Junkermier, Clark, Campanella, Stevens, P.C., the Board's auditors.

The Committee met to review the April 16, 1990 proposal from Junkermier, Clark, Campanella, Stevens, P.C., to perform the Fiscal Year 1990 audit of the Board. Discussion was held concerning the scope of the audit, and the proposed fee of \$20,000, which had been agreed to by the Office of the Legislative Auditor. It was agreed that the compensation for the fiscal year audit be set at a maximum of \$19,000, and that Terry Albourn would work with the Office of the Legislative Auditor in preparing a contract renewal for presentation to the Board at its June 22nd meeting.

Terry presented, for the Committee's review, the results of Junkermier, Clark, Campanella, Stevens, May 10th and 11th internal audit procedures related to Montana Board of Housing mortgage loan compliance and Mortgage Credit Certificate compliance for the period July 1, 1989 through April 30, 1990. No significant internal control problems were noted, and the next internal audit engagement will take place in October, 1990.

There was no further business, and the meeting adjourned.


George McCallum, Chairman

July 25, 1990
Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING

MAY 23, 1990

DIRECTOR'S CONFERENCE ROOM*

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION BUILDING

1520 EAST SIXTH AVENUE

HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - April 19, 1990 Audit Committee Meeting
April 20, 1990 Regular Business Meeting
Chairman Tom Mather
- III. NEIGHBORHOOD HOUSING SERVICES, INC., GREAT FALLS
Affordable Housing Proposal - Nancy Stephenson, Executive
Director
- IV. ADMINISTRATIVE RULES - Terry Cosgrove
- V. ACCOUNTING AND REPORTING UPDATE - Kelly Peters
 - A. Report on June 1, 1990 Bond Calls
 - B. Review of March 31, 1990 Consolidated Financial
Statements
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Quarterly Delinquency Report - March 31, 1990
 - B. MCC Program Update
 - C. 1990 Series A Update
- VII. UNDERWRITER'S UPDATE - Randy Hynote
- VIII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Allocation Plan and
Administrative Process - Dick Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. ADJOURN

* Note Meeting Location

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
DIRECTOR'S CONFERENCE ROOM
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA
MAY 23, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Absent)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Absent)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Co.
Adrien Mally, Goldman, Sachs & Co.
Mark Semmens, D.A. Davidson & Co.
Mike Jansen, Piper, Jaffray & Hopwood
Brian Ranallo, Piper, Jaffray & Hopwood
Gordon Hoven, Piper, Jaffray & Hopwood

COUNSEL: Terry B. Cosgrove, Luxan & Murfitt
Board Counsel
John Wagner, Kutak, Rock & Campbell
Bond Counsel

OTHER: Nancy Stephenson, Neighborhood Housing Services,
Great Falls
Dean Mart, United Savings Bank, Great Falls
Jim Cowgill, First Interstate Bank Denver
Terry Albarn, Junkermier, Clark, Campanella, Stevens

The meeting was called to order at 9:10 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the April 19, 1990 Audit Committee Meeting, and the April 20, 1990 Regular Business Meeting were approved as presented.

NEIGHBORHOOD HOUSING SERVICES, INC. GREAT FALLS - REQUEST FOR SETASIDE - AFFORDABLE HOUSING PROPOSAL

Nancy Stephenson, Executive Director, Neighborhood Housing Services, Inc., and Dean Mart, United Savings Bank, presented a request for a \$1,000,000 setaside of the Board's 7-3/4% funds, for use in conjunction with a grant that has been requested from the Federal Home Loan Bank through the Affordable Housing program. The proposal would use the Board funds to provide mortgage funds for first-time, single parent or disabled persons, with limits to income of \$23,850; liquid assets not exceeding \$3,000; and total assets not exceeding \$70,000. The property must be owner-occupied, and located within the Original Townsite of Great Falls. The maximum purchase price will be \$55,000 for existing housing and \$60,000 for new construction. The grant funds, if received, will provide down payment and closing cost assistance up to a maximum of \$2,500. After review and discussion, Mike McKee moved the Board set aside \$1,000,000 for Neighborhood Housing Services, contingent on acceptance of their requested grant from the Federal Home Loan Bank. The motion was seconded by Brad Walterskirchen, and carried unanimously.

ADMINISTRATIVE RULES

Terry Cosgrove, Board Counsel, presented updated drafts to the Board's administrative rules, for Board review and discussion. The rules define a regulatory agency, and clarify the Board's requirement for current financial statements from applicants to originate or service loans in the Board's programs. After review, Joe Gerbase moved the Board adopt the rule changes, and specify that the financial statements, as submitted by regulated lending institutions, meet generally accepted accounting principles. The motion was seconded by George McCallum, and carried unanimously.

REPORT ON JUNE 1, 1990 BOND CALLS

Kelly Peters, Comptroller, advised the Board that a total of \$8,600,000 in bonds will be called on June 1, 1990, from the Single Family II Trust Indenture, as a result of mortgage prepayments. A bond call history was also presented for Board review.

MARCH 31, 1990 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Peters presented the Board's March 31, 1989 and 1990 consolidated financial statements, and reviewed significant changes between 1990 and 1989.

SINGLE FAMILY PROGRAM

QUARTERLY DELINQUENCY REPORTS

David J. Haviland, Single Family Program Officer, presented the Board's delinquency statistics, as of March 20, 1990. Total delinquencies are at 3.29%, and .92% of the Board's loans are in foreclosure. These figures continue to decline, and compare favorably with Montana, Mountain Region, and National statistics. Delinquency rates per servicer were also presented for Board review.

MCC PROGRAM UPDATE

David Haviland presented the Mortgage Credit Certificate Program report, as of May 17, 1990, which indicated that the Board has issued 428 certificates, for \$4,080,940.00, and has reserved \$428,625.20 in authority for 41 borrowers. The average purchase price is \$48,556.96, and the average income is \$24,924.68. The Board has \$10,490,434.80 in credit authority remaining.

1990 SERIES A UPDATE

David Haviland presented the Series Allocation Summary for the 1990 Series A program, which revealed that of the initial \$23,280,510.00 in lendable proceeds, the Board has purchased 99 loans, for \$4,466,130.00, and has 330 outstanding reservations, for \$15,263,010.00. \$3,551,370.00 remains available for reservation, which will, at current rate, last until the end of May. The average purchase price is \$45,112.42, and the average income is \$23,907.21. The Low Income Pool was fully reserved on May 13, 1990. Two lenders are at the 5% cap, and three more are approaching the cap. 26 of the loans purchased were for HUD repos. The Statewide Housing Profile was also presented, and indicated that in certain targeted areas, 90% of the loans are to previous homeowners.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, updated the Board on current market conditions, which have fluctuated over the past month. Current conditions would provide the Board with a mortgage interest rate of approximately 8.45%. Discussion was held about the feasibility of issuing 1990 Series B bonds, since the 1990A Series will be fully reserved within a few days. The recently adopted waiting list concept was discussed. A waiting list will be established when 1990 Series A funds are fully reserved, but, to date, no lenders have requested borrower placement on a waiting list for a possible future bond issue. After discussion, George McCallum moved the Board pursue a \$25,000,000 bond issue, as long as the resultant mortgage interest rate is 8.50% or less. The motion was seconded by Mike McKee, and carried unanimously.

A listing of distribution of sales of the Board's 1990 Series A issue among the investment bankers was presented for review and discussion. A discussion was also held about the components involved in the costs of issuing the 1990 Series A bonds.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Richard A. Kain, Administrator, presented the Draft Allocation Plan, and advised the Board that a public hearing was held on May 18, 1990. No one attended the hearing and no written comments were received. The Board reviewed the allocation plan, and upon motion of Brad Walterskirchen, and seconded by Joe Gerbase, the Board unanimously approved the Allocation Plan and Administrative Process. The Governor will review and approve the plan before it can be offered to the public.

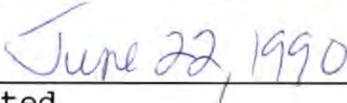
SET NEXT MEETING DATE

The next meeting was scheduled for June 22, 1990, at 9:00 a.m., in the Director's Conference Room of the Department of Natural Resources and Conservation Building, with an Investment Committee meeting scheduled for June 21, 1990 at 6:00 p.m., in the Board's office.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary



Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 a.m. on Friday, May 18, 1990, in the downstairs conference room of the Montana Department of Commerce Building. The Department of Commerce is located at 1424 Ninth Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

A copy of the draft Allocation Plan is available and can be obtained at the Montana Board of Housing offices located at 2001 Eleventh Avenue, Helena, Montana.

Dated April 26, 1990.

MONTANA BOARD OF HOUSING

By: Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 443-3040

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, a Public Hearing was held on the Board's proposed Allocation Plan for Low Income Housing Tax Credit. The hearing was held on Friday, May 18, 1990, in the Downstairs Conference Room of the Department of Commerce Building.

The hearing opened at 9:00 a.m., and was attended by Richard A. Kain, Administrator, Terry B. Cosgrove, Board Counsel, and Jo Berg, Program Assistant. No comments were heard or received, and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

A handwritten date in blue ink that reads "June 1, 1990".

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING

APRIL 20, 1990

ROOM 405, STATE CAPITOL BUILDING*
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m.
Chairman Tom Mather
- II. APPROVAL OF MINUTES - March 23, 1990 Regular Business Meeting
Chairman Tom Mather
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. OVERVIEW OF PROPOSED ENHANCEMENTS AND ADDITIONS TO
ADMINISTRATIVE RULES - Terry Cosgrove
- V. ACCOUNTING AND REPORTING UPDATE - Kelly Peters
 - A. Report on April 1, 1990 Bond Calls
 - B. Quarterly Budget Report - March 31, 1990
- VI. UNDERWRITER'S UPDATE - Randy Hynote
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Update
 - B. 1990 Series A
 - Lender Participation
 - Loan Reservation Activity
 - Proposed Design of Waiting List
 - C. Presentation and Review of New Lender Applications
 1. Valley Bank of Ronan
- VIII. QUARTERLY INVESTMENT REPORTS, DECEMBER 31, 1989 - Dick Kain
- IX. LOW INCOME HOUSING TAX CREDIT PROGRAM - DRAFT ALLOCATION
PLAN - Dick Kain
- X. OTHER BUSINESS
- XI. SET NEXT MEETING DATE
- XII. ADJOURN

* Please note meeting location

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
ROOM 405, STATE CAPITOL BUILDING
HELENA, MONTANA
APRIL 20, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Absent)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Company
Adrian Mally, Goldman, Sachs & Company
Mark Semmens, D. A. Davidson & Company
Gordon Hoven, Piper, Jaffray & Hopwood

COUNSEL: John Wagner, Kutak, Rock & Campbell
Bond Counsel
Terry Cosgrove, Luxan & Murfitt
Board Counsel

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the March 23, 1990 Board meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Board's Audit Committee, advised the Board that the Committee met with Terry Alborn, Junkermier, Clark, Campanella, Stevens, P.C., and discussed engagement of the firm for an internal audit. Junkermier, Clark, Campanella, Stevens, P.C., will perform internal auditing procedures consisting

of testing mortgage loan compliance and Mortgage Credit Certificate compliance.

George also advised the Board that the Legislative Auditor's Office has begun a review of the Board's programs. The review of the Board's program is as a result of Senate Joint Resolution #20, passed in the 1989 Legislative Session, which proposes to study various loan programs of the State.

Mike McKee moved the Board approve the Audit Committee report. The motion was seconded by Russ Dahl, and carried unanimously.

ADMINISTRATIVE RULES REVIEW

Terry Cosgrove, Board Counsel, presented recommendations for enhancements to the Board's Administrative Rules, including suggestions for new rules required to implement the Reverse Annuity Mortgage Program. The Board reviewed the suggested enhancements dealing with: 1) correction of the Board's address; 2) amending Section 8.111.305 (2)(e) to provide language unintentionally omitted when the section was adopted; 3) definitions of regulatory agencies relative to financial statements; and 4) incorporation of an officer's certification that statements contained in an application to participate in Board of Housing programs are accurate, and not intended to be false or misleading. The Board also reviewed the outline of suggested Rules incorporating the Board's previous policy actions relative to the RAM program. George McCallum moved the Board adopt the suggested enhancements and new rules, as modified, except for the portion concerned with whether an applicant can submit financial information intended to be current financial information, which would include a portion, but not all of, a previously audited statement or regulatory agency report. The motion was seconded by Howard Rosenleaf, and carried unanimously.

REPORT ON APRIL 1, 1990 BOND CALL

Kelly Peters, Comptroller, advised the Board that bond calls occurred April 1, 1990. \$50,000 was called from 1988 Series B, because of remaining funds in the acquisition, cost of issuance, and revenue accounts. A mandatory bond call based on prepayments of mortgage loans occurred from 1987 Series A for \$275,000; 1987 Series B for \$490,000; and 1988 Series A for \$195,000.

QUARTERLY BUDGET STATUS REPORT

Kelly Peters presented the Board's budget status, as of March 31, 1990. With the fiscal year at 75%, the Board has spent 43% of its budget. Certain expenses have been incurred, but have not been paid. Once those expenses are accounted for, the Board's expenditures will be in line with the annual budget.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, advised the Board that market conditions are remarkably stable, and a bond issue similar to the Series 1990 A would produce a mortgage interest rate of approximately 8.40%.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Program, as of April 18, 1990. The Board has issued 391 certificates, for \$3,731,436.60 in credit authority; and has reservations for 44 certificates, for \$418,803.40. The average income is \$24,981.49 and the average purchase price is \$48,592.02. The Board has \$10,849,760.00 available for reservation. A listing of certificates issued by county or targeted areas was presented, as was a listing of the number of files processed per month.

1990 SERIES A

David Haviland advised the Board that 73 lenders are approved to participate in the Board's Series 1990A bond issue, and two lenders are pending approval. In comparison to 1987, 1988 and 1989 bond issues, the Board has a similar number of participating lenders, especially in consideration that three lenders have consolidated their real estate loan function, and ten lenders were closed by their regulatory agency, or do not meet requirements to participate in Board bond programs. More rural lenders are participating in the 1990 program than participated in the previous issues.

A listing of loan reservation activity was presented, which indicated the Board has reserved \$8,453,645.00, for 185 mortgage loans, as of April 16, 1990. The Board has \$14,826,865.00 available for reservation. The average reservation amount was \$45,900.00, and the average family income was \$24,000.00.

PROPOSED WAITING LIST

David Haviland presented suggestions for the design of waiting lists to assist the Board in estimating demand for a new bond issue, as the current 1990 Series A issue is fully reserved. The design would incorporate two waiting lists, one of which would be funded from the cancellations of reservations in the existing mortgage funds. The loan applicants would be close to closing their transaction, and loans not funded from the existing bond issue would receive consideration in the event the Board issues a new series of bonds. The second waiting list would be for borrowers that meet the Board's general parameters, but may not have signed a buy-sell agreement. The lenders would pre-qualify the borrowers based on their initial loan application, and would submit information indicating their ability to meet the parameters

of a new bond issue. These borrowers would also receive consideration in the event the Board issues a new series of bonds.

In order for the Board to consider a new bond issue based on the second waiting list concept, the following conditions must be met: 1. a spread of at least 1-1/2% in a new issue to the conventional FHA/VA mortgage rates; 2. a maximum spread of 1/2% above the previous bond issue's mortgage rate; and 3. demonstrated demand of at least \$7,000,000.00 on the waiting lists. After discussion, Mike McKee moved the staff's recommendations be approved. Russ Dahl seconded the motion, and it carried unanimously.

PRESENTATION AND REVIEW OF NEW LENDER APPLICATION

David Haviland presented an application from Valley Bank of Ronan to participate in the Board's bond programs. Valley Bank meets the Board qualifications, and upon motion made by Brad Walterskirchen and seconded by Russ Dahl, Valley Bank of Ronan was unanimously approved to participate in Board of Housing bond programs.

NEIGHBORHOOD HOUSING SERVICES, INC., REQUEST FOR EXTENSION

David Haviland presented a request from Neighborhood Housing Services, Inc., Great Falls, to extend the expiration date of their 6-7/8% setaside, from June 1, 1990 to August 31, 1990. The setaside will fund the construction of a new home for qualified borrowers, and construction has just begun. Upon motion of George McCallum, which was seconded by Brad Walterskirchen, the Board unanimously extended the setaside to August 31, 1990.

QUARTERLY INVESTMENT REPORT

Richard A. Kain, Administrator, presented the December 31, 1989 quarterly investment report, in accordance with the Board's investment policy, and advised the Board that the Single Family I indenture has total long and short term investments of \$22,628,637.02; Single Family II has total investments of \$117,443,782.21; the Multifamily Indenture has total investments of \$4,370,713.68; the Housing Trust Fund has short term investments of \$1,648,089.99; and the Financial Programs Fund has short term investments of \$32,585.00. The investment agreements for the Series 1990A bond issue were presented for Board review.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Dick Kain presented a draft Low Income Housing Tax Credit allocation plan, for Board review and discussion. Changes in the program, as a result of tax reform of 1989, mandate that a project receive no more credit than will make the project viable and feasible. The Board's Bond Counsel has reviewed the draft plan, and found no significant flaws. After discussion, Howard Rosenleaf moved the Board adopt the draft plan. Mike McKee seconded the motion, and it carried unanimously. The Board will hold the required public hearing, and present a final plan for Board

adoption at the May meeting. If approved, the plan will go to the Governor for his review and signature, and will become available.

SET NEXT MEETING DATE

The next meeting was scheduled for Wednesday, May 23, 1990, at 9:00 a.m., in the Director's Conference Room of the DNRC Building. An Audit Committee meeting and work session will follow the meeting.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

 May 23, 1990
Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Audit Committee of the Montana Board of Housing held a meeting on April 19, 1990, at the Board's office. Attending the meeting were George McCallum, Chairman of the Committee, Committee member Howard Rosenleaf, and Terry Alborn, of the accounting firm Junkermier, Clark, Campanella, Stevens, P.C. The Committee discussed engagement of the firm to perform internal auditing procedures consisting of testing mortgage loan compliance and Mortgage Credit Certificate compliance, and reviewed the engagement letter for presentation to the monthly Board meeting on April 20, 1990.

There was no further business, and the meeting adjourned.


George McCallum, Chairman

5-23-90
Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on April 19, 1990, at 4:00 p.m., in the Board's office.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING
MARCH 23, 1990
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m.
Chairman Tom Mather
- II. APPROVAL OF MINUTES - February 22, 1990 Regular Business Meeting
Chairman Tom Mather
- III. REVERSE ANNUITY MORTGAGE PROGRAM -
Hank Hudson - Governor's Office on Aging
Presentation of Proposed Counseling Program
- IV. REVIEW OF REAL ESTATE OWNED - Dick Kain
- V. REVIEW OF 12/31/89 CONSOLIDATED FINANCIAL STATEMENTS
Kelly Peters
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. MCC Program Update
 - B. Status of 1990 Series A
 - C. Presentation and Review of New Lender Applications
 1. Jefferson National Mortgage Company
 - D. Neighborhood Housing Services, Inc.
Great Falls, Montana - Request For Extension
of 7-3/4% Setaside
- VII. OTHER BUSINESS
- VIII. SET NEXT MEETING DATE
- IX. ADJOURN

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA
MARCH 23, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Absent)
Russ Dahl (Absent)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF:

Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

UNDERWRITERS: Gordon Hoven, Piper, Jaffray & Hopwood

COUNSEL: Terry Cosgrove, Luxan & Murfitt
Board Counsel

OTHER: Roger Rife, Jefferson National Mortgage
Hank Hudson, Governor's Office on Aging

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the February 22, 1990 meeting were approved as presented.

REVERSE ANNUITY MORTGAGE PROGRAM

Hank Hudson of the Governor's Office on Aging presented an outline of the training curriculum for the required RAM counseling, a listing of the regional locations for the counseling, and suggested allocation numbers for a temporary setaside of the RAM loans. After discussion, Mike McKee moved the Board endorse the counseling curriculum. Joe Gerbase seconded the motion, and it carried unanimously.

REVIEW OF REAL ESTATE OWNED

Dick Kain presented the March 1, 1990 listing of the Board's Real Estate Owned Properties currently for sale, and advised the Board that since the December 5, 1989 listing, the Board has sold five properties and received one new property. For the five homes sold, the average time in inventory was fifteen months, and the average loss was approximately \$9,300. It is anticipated that the Board will receive two or three more homes in inventory in the next three months.

REVIEW OF 12/31/89 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Peters presented the Board's December 31, 1988 and 1989 Consolidated Financial Statements, and reviewed significant differences from 1988 to 1989.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland presented the report on the Mortgage Credit Certificate Program, as of March 20, 1990, which indicated the Board has issued 351 certificates, for \$3,368,968.00 in credit authority, and has 41 outstanding reservations, for \$387,862.80. The average loan amount is \$47,991.00, and the average borrower income is \$24,955.91. \$11,243,169.20 in credit authority remains available. The Board has issued an average of 50 MCCs per month since August, 1989, and at this rate, the authority will last until the program ends on December 31, 1990.

STATUS OF SERIES 1990A

David Haviland presented to the Board the listing of lenders who have completed the required documentation and have received their Notice of Acceptance, and advised the Board that reservations for the Series 1990A will be accepted on April 2, 1990. New rural lenders have applied to participate, as a result of the Board's 5% lender cap for the first 60 days of the program. The concept of a waiting list will be incorporated in the program as the funds are fully reserved and will be presented to the Board at the April meeting.

PRESENTATION OF NEW LENDER APPLICATION

David Haviland presented an application to participate in the Bond Program, from Jefferson National Mortgage Company, Kalispell. Jefferson National wishes to participate in the Board's Series 1990A program, and submitted the required documents. However, their financial statements do not indicate the required positive return on average assets, as required by

the Board's administrative rules. After discussion with Roger Rife of Jefferson National, Mike McKee moved the Board concur with staff recommendations, and deny Jefferson's application to participate until the company can indicate all lender qualification requirements are met. Howard Rosenleaf seconded the motion, and it carried unanimously.

REQUEST FOR EXTENSION, NEIGHBORHOOD HOUSING SERVICES, GREAT FALLS

David Haviland presented a letter from Nancy Stephenson, Executive Director of Neighborhood Housing Services, Inc., Great Falls, in which she requested an extension of the Board's setaside of the remaining \$368,683.00 in 7-3/4% funds. The setaside expired March 1, 1990, and Neighborhood Housing Services hopes to use the remaining setaside to finance five new townhomes and three FHA repos that are being rehabilitated. After review, Mike McKee moved the Board extend the setaside to December 31, 1990. Joe Gerbase seconded the motion, and it carried unanimously.

OTHER BUSINESS

Dick Kain advised the Board that Ron Marlenee signed on to support permanent extension of Mortgage Revenue Bonds. The bill is now waiting for an appropriate piece of tax legislation to be introduced to incorporate the extension into.

SET NEXT MEETING

The next meeting was set for Friday, April 20, 1990, at 9:00 a.m. in Room 437 of the State Capitol Building in Helena.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

April 20, 1990
Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE BONDS
1990 Series A
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Wednesday, February 28, 1990, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATED: February 13, 1990

MONTANA BOARD OF HOUSING

By: 
Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 443-3040

Michael J. Mulroney
Luxan & Murfitt
P.O. Box 1144
Fourth Floor Montana
Club Building
Helena, MT 59624-1144
(406) 442-7450

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, a Public Hearing was held on the Board's proposed issuance of \$25,000,000 of mortgage revenue bonds, Series 1990 A, to finance single family homes for qualified families in Montana.

The hearing opened at 9:05 a.m. on Wednesday, February 28, 1990, and was attended by Richard A. Kain, Administrator, Mike Mulroney, Board Counsel, and Jo Berg, Program Assistant. No comments were heard or received, and the hearing closed at 9:15 a.m.

Richard A. Kain

Richard A. Kain, Administrator

3/1/90

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING

FEBRUARY 22, 1990

DIRECTOR'S CONFERENCE ROOM*

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION BUILDING

1520 EAST SIXTH AVENUE

HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m.
Chairman Tom Mather
- II. APPROVAL OF MINUTES - January 19, 1990 Regular Business Meeting
January 19, 1990 RFP Committee Meeting
January 22, 1990 Telephone Conference
Call - Special Meeting
February 9, 1990 Telephone Conference
Call - Special Meeting
Chairman Tom Mather
- III. REVERSE ANNUITY MORTGAGE PROGRAM
Hank Hudson - Governor's Office on Aging
Dick Kain
 - A. Review of Target Counties
 - B. Presentation of Proposed Counseling Program
- IV. QUARTERLY BUDGET REPORT - DECEMBER 31, 1989 - Kelly Peters
- V. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Quarterly Delinquency Reports - December 20, 1989
 - B. MCC Program Update
- VI. OTHER BUSINESS
- VII. SET NEXT MEETING DATE
- VIII. ADJOURN

* NOTE MEETING LOCATION

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
DIRECTOR'S CONFERENCE ROOM
DEPARTMENT OF NATURAL RESOURCES & CONSERVATION BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA
FEBRUARY 22, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Absent)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Jo Berg, Program Assistant

UNDERWRITERS: Mark Semmens, D. A. Davidson & Company
Mike Jansen, Piper, Jaffray & Hopwood
Gordon Hoven, Piper, Jaffray & Hopwood

COUNSEL: Terry Cosgrove, Luxan & Murfitt
Board Counsel
John Wagner, Kutak, Rock & Campbell
Bond Counsel

OTHER: Hank Hudson, Office on Aging
Molly L. Munro, AARP

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the January 19, 1990 Regular Business meeting, January 19, 1990 RFP Committee meeting, and the January 22, 1990 and February 9, 1990 Telephone Conference Call meetings were approved as presented.

REVERSE ANNUITY MORTGAGE PROGRAM

Richard A. Kain, Administrator, introduced Hank Hudson of the Governor's Office on Aging, and Molly L. Munro, AARP, and presented a listing of seven counties in Montana for consideration as the target counties for the pilot program of the Reverse Annuity Mortgage Program. These seven counties were selected because of a higher concentration of the elderly; a mix of urban and rural counties; and the ability of the Governor's Office on Aging to develop an effective counseling network. After discussion, the Board requested that regional counseling centers be investigated, so that all 56 counties of the state would be able to participate in the pilot program, and the matter was tabled until the March meeting.

QUARTERLY BUDGET REPORT

Kelly Peters, Comptroller, presented the Quarterly Budget Status Report as of December 31, 1989. Overall, the Board has spent 28% of its budget for the year, and is 50% through the year. Property management expenses are at 92% of their appropriation.

SINGLE FAMILY PROGRAM

QUARTERLY DELINQUENCY REPORT

David J. Haviland, Single Family Program Officer, presented the Delinquency Statistics as of December 20, 1989. The delinquency rates continue to trend downward, and compare very favorably with Montana, regional and national statistics. A listing of delinquencies by servicer was also presented for Board review.

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland presented the Mortgage Credit Certificate Program update, as of December 20, 1989. The Board has issued 298 certificates, for \$2,893,922.80 in credit authority, and has 31 reservations outstanding, for \$279,820.00. The average loan amount is \$48,555.57, and the average income is \$25,061.26. 284 loans were for conventional single family dwellings; one was for a manufactured housing unit; eight were for condominiums; and five were for townhomes. \$11,826,268.20 in credit authority remains available, and should fund the program through the December 31, 1990 expiration date.

OTHER BUSINESS

Dick Kain advised the Board that closing for the Board's 1990 Series A issue is scheduled for March 6 and 7, 1990, and advised them that the Invitation to Participate was mailed to lenders on February 21, 1990, and a press release was sent out as well.

Tom Mather presented a letter from Dave Jackson, former Board Counsel, thanking the Board for the opportunity of working with them, and wishing the Board continued success.

Dick Kain updated the Board on a matter relative to the Burnt Fork Development Project in Stevensville, which had received a carry over allocation of 1989 Low Income Housing Tax Credits, and advised the Board that because the general partnership did not have a basis in the property on December 31, 1989, as stated in the application package, the reservation was voided.

The next meeting was set for March 23, 1990, in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary

April 20, 1990
Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF SPECIAL MEETING

Montana Board of Housing will hold a special meeting via telephone conference call on Friday, February 9, 1990, at 1:30 p.m. The Board will approve a program to finance single family housing; authorize the issuance of \$25,000,000 aggregate principal amount of Single Family Mortgage Senior Bonds, 1990 Series A and Single Family Mortgage Subordinate Bonds, 1990 Series A-1; approve the sale of the bonds pursuant to purchase contracts; approve a Trust Indenture and other documents; authorize the execution of said documents; and provide for matters related to the issue of the bonds.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, February 9, 1990, at 1:30 p.m. Participating in the meeting were: Tom Mather, Chairman; Mike McKee, Vice Chairman; Brad Walterskirchen, Secretary; and Board Members Joe Gerbase, George McCallum, and Howard Rosenleaf. Randy Hynote, Goldman, Sachs & Company; Jim Arundel, Kutak, Rock & Campbell; Mike Mulrone, Luxan & Murfitt; and Steve Spitz, Orrick, Herrington & Sutcliffe; and staff members Dick Kain, David Haviland, Kelly Peters, Meredith McGuire, Jeannene Maas, Nita Routzahn, Sue Mannix and Jo Berg also participated.

Randy Hynote reviewed the structure and preliminary pricing of the Board's 1990 Series A bonds, which was offered on February 7, 1990. The issue will allow the Board a mortgage interest rate of 8.25%, and is scheduled to close on March 6 and 7, 1990.

Jim Arundel and Mike Mulrone presented Resolution No. 90-02-12-S1, and the related documents. After review, George McCallum moved the Board adopt Resolution No. 90-02-12-S1 (attached), which approves a program to finance single family housing; authorizes the issuance of \$25,000,000 aggregate principal amount of Single Family Mortgage Senior Bonds, 1990 Series A and Single Family Mortgage Subordinate Bonds, 1990 Series A-1; approves the sale of the bonds pursuant to purchase contracts; approves a Trust Indenture and other documents; authorizes the execution of said documents; and provides for matters related to the issuance of the bonds. The motion was seconded by Howard Rosenleaf, and carried unanimously.

There was no further business, and the meeting adjourned.

A handwritten signature in blue ink, appearing to read "Brad Walterskirchen".

Brad Walterskirchen, Secretary

Feb. 22, 1990

Dated

RESOLUTION NO. 90-2-9-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1990 SERIES A (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1990 SERIES A-1 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1990 Series A (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1990 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1990 Series A Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1990 Series A Bonds (the "1990 Series A Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of February 1, 1990 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1990 Series A Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated January 31, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series A Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson Co., Incorporated, Merrill Lynch Capital Markets (Merrill Lynch, Pierce, Fenner & Smith, Incorporated), and Piper, Jaffrey & Hopwood Incorporated, (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated January 31, 1990, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1990 Series A Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated February 9, 1990, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated February 9, 1990, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1990 Series A Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1990 Series A Bonds, and the purchase by the Board from proceeds thereof of

mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1990 Series A 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 1990 Series A Bonds do not involve direct loans.

Section 2. Approval of 1990 Series A Mortgage Purchase Program. The 1990 Series A Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1990 Series A Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted to this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds. The issuance of the Board's Single Family Mortgage Senior Bonds, 1990 Series A (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1990 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1990 Series A Bonds"), is hereby authorized and approved. The 1990 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1990 Series A Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1990 Series A Mortgage Purchase Program which do not exceed 8.35% per annum. The 1990 Series A 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 1990 Series A Bonds shall be executed in the name of the Board by the Chairman of the Board, and attested to by either the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1990 Series A Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be

valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted to this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated February 9, 1990, and the Subordinate Bond Purchase Contract, dated February 9, 1990, are hereby approved in the form submitted to this meeting and the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver the Bond Purchase Contracts with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Bond Purchase Contracts.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his designee, each of which is hereby approved as a lender under the 1990 Series A Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1990 Series A Mortgage Purchase Program, the Trust Indenture, the Preliminary Official

Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1990 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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.

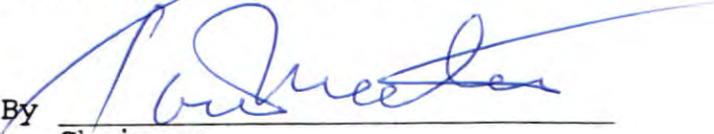
Section 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

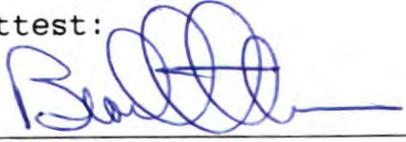
Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1990 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 9th day of February 1990.

MONTANA BOARD OF HOUSING

By 
Chairman

Attest: 
Secretary

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a special meeting via telephone conference call for the purpose of a review of the recent RFP process for the Board's legal counsel. This meeting will begin at 9:00 a.m. on Monday, January 22, 1990.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the Montana Board of Housing held a telephone conference call meeting on January 22, 1990 at 9:00 a.m., so the RFP Committee could update the full Board on the results of the interview process for General Counsel, and to make it's recommendation of the firm to hire. Participating in the call were: Tom Mather, Chairman; Mike McKee, Vice Chairman; Brad Walterskirchen, Secretary; and Board members Russ Dahl, Joe Gerbase, George McCallum and Howard Rosenleaf. Staff members participating were Dick Kain, David Haviland, Kelly Peters, Judy Gillespie and Jo Berg.

Joe Gerbase, Chairman of the RFP Committee, advised the Board that interviews of the firms Harrison, Loendorf & Poston; Jackson, Murdo & Grant; and Luxan & Murfitt were conducted on Friday, January 19, 1990. Based on the Committee member's individual evaluations, the Committee selected the firm of Luxan & Murfitt to function in the position of the Board's general counsel. Upon motion by Joe Gerbase and seconded by George McCallum, the Board adopted the Committee's recommendation by majority vote of 4-3.

The firm of Luxan & Murfitt will be contacted regarding their ability to act as Counsel for the upcoming 1990 Series A bond issue.

There was no further business and the meeting adjourned.

A handwritten signature in blue ink, appearing to read "Brad Walterskirchen".

Brad Walterskirchen, Secretary

A handwritten date in blue ink, "Feb. 22, 1990".

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF COMMITTEE MEETING

The RFP Committee of the Montana Board of Housing will conduct interviews of prospective firms to serve as the Board's General Counsel. The meeting will begin at 1:15 p.m. on January 19, 1990, in the Downstairs Conference Room of the Department of Commerce Building, 1424 Ninth Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

Notice having been given, the RFP Committee of the Montana Board of Housing met on January 19, 1990, at 1:15 p.m., in the Downstairs Conference Room of the Department of Commerce Building in Helena, for the purpose of interviewing attorneys for the position of the Board's general counsel. The meeting was attended by Committee members Annie Bartos, Joe Gerbase and Tom Mather, and Dick Kain as the facilitator.

The firms of Harrison, Loendorf & Poston; Jackson, Murdo & Grant; and Luxan & Murfitt were interviewed for the position of General Counsel. At the conclusion of the interviews, the Committee reviewed their individual evaluations and selected Luxan & Murfitt to be general counsel.

The Committee's selection will be presented to the full Board for consideration at a 9:00 a.m. conference call meeting on January 22, 1990.

The meeting adjourned at 4:45 p.m.



Joe Gerbase, Committee Chairman

3/23/90

Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

AGENDA

MONTANA BOARD OF HOUSING

JANUARY 19, 1990

DOWNSTAIRS CONFERENCE ROOM

DEPARTMENT OF COMMERCE BUILDING

1424 NINTH AVENUE

HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:00 a.m.
Chairman Tom Mather
- II. APPROVAL OF MINUTES - December 15, 1989 Business Meeting
Chairman Tom Mather
- III. REPORT ON AUDIT OF FINANCIAL STATEMENTS - JUNE 30, 1989
George McCallum, Terry Alborn
- IV. REPORT ON DECEMBER 1, 1989 BOND CALL - Dick Kain
- V. UNDERWRITER'S UPDATE - Barry Gottfried, Goldman, Sachs & Co.
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Report on Assignment of Mortgage Servicing for 1989
 - B. MCC Program Update
 - C. Status of 1989 Series A
- VII. OTHER BUSINESS
- VIII. SET NEXT MEETING DATE
- IX. ADJOURN

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA
JANUARY 19, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF:

Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Peters, Comptroller
Judy Gillespie, Accounting Specialist
Jo Berg, Program Assistant

UNDERWRITERS:

Barry Gottfried, Goldman, Sachs & Company
Mark Semmens, D. A. Davidson & Company
Laurel Esterlein, Merrill Lynch
Gordon Hoven, Piper, Jaffray & Hopwood

COUNSEL:

David L. Jackson, Jackson, Murdo & Grant
Board Counsel
James Arundel, Kutak, Rock & Campbell
Bond Counsel
Steve Spitz, Orrick, Herrington & Sutcliffe
Underwriter Counsel

OTHER:

Terry Alborn, Junkermier, Clark, Campanella,
Stevens, P.C., Board Accountant

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the December 15, 1989 Business Meeting were presented, and approved as presented.

REPORT ON AUDITED FINANCIAL STATEMENTS - JUNE 30, 1989

George McCallum, Chairman of the Audit Committee, introduced Terry Alborn of Junkermier, Clark, Campanella, Stevens, P.C., who performed the Board's June 30, 1989 annual audit. The audit was presented to the Legislative Audit Committee on December 18, 1989, and became a public document. Terry reviewed the recommendations of the audit. Discussion was held about the recommendation of employing an internal auditor on a quarterly basis. After discussion, George McCallum moved the 1989 audit be approved. The motion was seconded by Brad Walterskirchen, and carried unanimously.

REPORT ON DECEMBER 1, 1989 BOND CALL

Richard A. Kain, Administrator, reviewed the Board's history of bond calls since the Board adopted a resolution to call bonds from the 1979 Indenture, from prepayments, in December, 1986. Since that time, the Board has called \$80,637,629 in bonds, plus an additional \$9,805,000 on December 1, 1989, for a total of \$90,442,629.

UNDERWRITER'S UPDATE

Barry Gottfried, Goldman, Sachs & Company, reviewed recent market trends. Since December, the rates have increased significantly, and a current bond issue would probably produce a mortgage interest rate of 8.3% to 8.35%. The balance of 1990 should see fairly stable rates, with a slight increase in the second half of the year.

SINGLE FAMILY PROGRAM UPDATE

REPORT ON ASSIGNMENT OF SERVICING - 1989

David J. Haviland, Single Family Program Officer, reviewed assignments of servicing for the calendar year 1989. 777 loans, or \$34,265,600 in principal mortgage loan balances, were transferred in 1989. A listing of the Board's five largest servicers was also presented, which indicated that 6% of the 84 servicers service 56% of the loans, and the remaining 79 servicers service 44% of the loans.

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland presented the Mortgage Credit Certificate Program Report, as of January 16, 1990, which indicated that of the initial \$15,000,000 in available credit authority, the Board has issued 248 certificates, for \$2,432,094.40, and has reserved \$347,966.60 for 40 certificates. The average loan amount is \$49,034.16, and the average borrower income is \$25,428.88. The Board has \$12,192,939.00 in credit authority remaining. An overview of program operating costs and revenues from July 1 through December 31, 1989 was also presented.

1989 SERIES A

David Haviland presented the Series Allocation Analysis for the 1989 Series A issue, as of January 17, 1990, which indicated that of the initial \$23,239,041.00 in lendable proceeds, the Board has purchased \$22,379,721.71 in principal, for 510 loans, and has 18 outstanding reservations, for \$859,081.00. The series is fully reserved, with \$238.29 remaining. The average borrower income was \$23,615.87, and the average loan amount was \$43,881.80. The Series Allocation Analysis and the Statewide Housing Profile were also presented for Board review.

1990 SERIES A

David Haviland presented a summary of a January 17, 1990 telephone demand survey, which indicated that with the exception of the eastern part of the state, the conventional FHA mortgage rates are at 9-1/2 with a point structure comparable to the Board's traditional structure of 3-1/2 points. Discussion was held about lenders' perceived need for a new Board bond issue, and the spread between conventional and Board mortgage rates. Brad Walterskirchen questioned the actual demand for Board funds, in light of the October and November written demand surveys that were significantly down from previous demand surveys. After review and discussion of the mechanics, Mike McKee moved the Board proceed toward a \$25,000,000 bond issue, with a target rate of 8 1/4%, not to exceed 8 3/8%. The issue would be structured similiarly to the Board's 1989 Series A, and would incorporate a 1% setaside for the first 60 days to fund the purchase of the Board's Real Estate Owned. 25% of the proceeds would be set aside in a low income pool for the first 60 days for all borrowers with gross incomes at \$23,000 and under. Additionally, a waiting list will be established when funds are fully reserved, and if the waiting list indicates sufficient demand within a short amount of time, the Board will pursue a new issue to fund the waiting list and additional loans. The motion was seconded by Russ Dahl, and carried, with Brad Walterskirchen voting nay.

OTHER BUSINESS

Discussion was held about staffing concerns relative to implementing new bond issues, as well as new programs. After discussion, Mike McKee moved that the Board express support to the Department of Commerce for filling the Board's new Full Time Equivalent position, an accounting technician position authorized by the 1989 Legislature. The motion was seconded by Howard Rosenleaf, and carried unanimously.

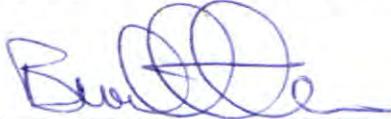
Dick Kain presented the Board's recently completed 1989 Annual Information Statement for Board review and discussion.

Joe Gerbase advised the Board that the RFP Committee will conduct interviews on January 19, 1990, of three firms requesting to serve in the capacity of Board General Counsel, and requested the Board establish a conference call meeting on January 22, 1990, to affirm the committee's selection.

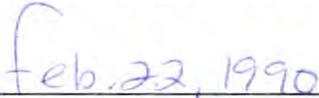
Brad Walterskirchen advised the Board that David Haviland was recently appointed to the Federal Home Loan Bank's new Affordable Housing Program Committee.

The next meeting was scheduled for February 22, 1990, at 9:00 a.m., in the Director's Conference Room of the Department of Natural Resources and Conservation Building.

There was no further business, and the meeting adjourned.



Brad Walterskirchen, Secretary



Dated

MONTANA BOARD OF HOUSING



STAN STEPHENS, GOVERNOR

2001 ELEVENTH AVENUE

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620-0528

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a goal-setting session on January 18, 1990, at 4:00 p.m., in the Board's office at 2001 Eleventh Avenue, Helena, Montana.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528

(406) 444-3040
AGENDA

MONTANA BOARD OF HOUSING
DECEMBER 6, 1991
DIRECTOR'S CONFERENCE ROOM
METCALF (DNRC) BUILDING**
1520 EAST SIXTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - November 6, 1991 Audit Committee Meeting
 - November 6, 1991 Business Meeting
 - November 27, 1991 Special Conference Call Meeting
- III. PROPOSED SUPPLEMENTAL INDENTURES - AMENDING MASTER TRUST INDENTURES DATED MARCH 10, 1977 AND AUGUST 16, 1979 - Mike Mulroney
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Review of September 30, 1991 Consolidated Financial Statements
 - B. Report on December 1, 1991 Bond Calls
 - C. Status of New Computer Equipment
- V. SINGLE FAMILY PROGRAM UPDATE - Dick Kain
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series A and 1991 Series B
 - D. Quarterly Delinquency Report - September, 1991
- VI. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs and Co.
- VII. REVIEW OF REAL ESTATE OWNED - Dick Kain
- VIII. OTHER BUSINESS
 - A. Maximum Mortgage Limits - Cascade and Yellowstone Counties
 - B. General Counsel Services
 - C. Scheduling of Worksession
- IX. SET NEXT MEETING DATE
- X. ADJOURN

** Please note meeting location



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DIRECTOR'S CONFERENCE ROOM
METCALF (DNRC) BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA
DECEMBER 6, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Denise Hanson, Accounting Technician
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs and Company
Mark Semmens, D.A. Davidson and Company

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

Kelly Rusoff, Comptroller introduced the Board to a new staff member, Denise Hanson, who accepted the Accounting Technician position.

APPROVAL OF MINUTES

The minutes of the November 6, 1991 Audit Committee meeting, the November 6, 1991 Business Meeting and the November 27th Special Conference Call Meeting were approved as presented.

PROPOSED SUPPLEMENTAL INDENTURES - AMENDING MASTER TRUST INDENTURES DATED MARCH 10, 1977 AND AUGUST 16, 1979

Mike Mulroney, Luxan and Murfitt, presented for the Board's action a resolution permitting an amendment of the escheat provisions of the 1977 and 1979 Single Family Trust Indentures. Joe Gerbase moved to adopt Resolution 91-11-6-S6 as presented, Russ Dahl seconded the motion which was approved unanimously.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF SEPTEMBER 30, 1991 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff presented the Board's unaudited consolidated financial statements for the period ending September 30, 1991 and September 30, 1990 and reviewed significant changes between 1990 and 1991.

REPORT ON DECEMBER 1, 1991 BOND CALLS

Kelly Rusoff reported to the Board that \$1,814,066 in bonds were called, from accumulated mortgage prepayments, on December 1st from the Single Family II Indenture. This includes \$220,000 from 1982 Series A, \$590,000 from 1983 Series A and \$1,004,066 from 1985 Series B.

STATUS OF NEW COMPUTER EQUIPMENT

Kelly Rusoff reported to the Board that the computer software for the new MicroVAX will be installed on Monday, December 9th, and conversion of the old system to the new system will take place next Wednesday and Thursday. Kelly also explained that the new system will have incorporated into the software, Lotus 1-2-3, enabling staff to work on spreadsheets from their terminals.

Kelly advised the Board that as a result of the two servicer reviews conducted by Anderson and ZurMuehlen, a memorandum was sent to all loan servicers restating that Montana Board of Housing funds must be maintained separately from other accounts and also that the Montana Board of Housing is to be named as loss payee on homeowners insurance policies in accordance with executed loan Servicing Agreements.

Kelly reported back to the Board, regarding the question of having more servicer reviews per biennium, that an analysis of the FY92 Budget would allow for three (3) or four (4) more servicer reviews in this biennium.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Richard A. Kain, Administrator, presented the Mortgage Credit Certificate Program report, as of December 2, 1991, which showed that the Board has 70 reservations outstanding, for \$800,373.00 and issued 207 certificates, for \$2,279,340.00 in credit authority. The average loan amount is \$55,056.52, with an average gross annual income of \$28,579.36. MCC's issued by loan type are FHA (114), VA (59) and conventional (34). The largest users of the program are the City of Great Falls, Flathead, Lewis and Clark, Missoula, and Yellowstone Counties. \$6,920,287.00 in credit authority remains available, and will expire on December 31, 1992. Dick also reported that the Board is processing on average 40 to 50 MCC's per month. The Board asked that Dick send a letter to realtors and lenders updating them on the MCC Program and include the report presented to the Board.

CASH ASSISTANCE PROGRAM

Dick Kain reported on the Cash Assistance Program (CAP) as of December 6, 1991. There are 7 outstanding reservations and 52 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$1,899,501.69 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$50,482.41 in lendable funds available. Billings continues as the major user of the program.

1991 SERIES A AND 1991 SERIES B

Dick Kain presented the Series Allocation Summary for 1991 Series A, as of December 2, 1991, 441 loans have been purchased, and there are 21 reservations outstanding. The average purchase price is \$50,151.20 and the average income is \$27,381.59. There remains \$2,864.17 in lendable proceeds.

The Series Allocation Summary for 1991 Series B, as of December 2, 1991 was presented by Dick Kain. Of the initial \$23,310,500 in available proceeds, the Board has purchased 303 loans, for \$14,191,041.74, and has 84 reservations outstanding, for \$3,841,944.00. The average purchase price is \$46,835.12 and there remains available \$5,279,531.17 in lendable proceeds. Dick advised the Board that 91B funds are moving very slowly averaging one to two reservations a day. Dick reviewed with the Board the major users of the Program and the Housing Profile.

It was noted that the percentage of VA loans purchased in Series 1991 B decreased as more Mortgage Loans were purchased. A comparison of the total VA loans purchased to the total Mortgage Loans purchased for Series 90A through 91B was presented. Dick advised the Board that in discussions with Moody's, he was informed that they no longer use a percentage estimate of VA loans in their rating formula and that they're willing to work with the Board, based on quarterly reports, if VA loans become a concern.

QUARTERLY DELINQUENCY REPORT - SEPTEMBER, 1991

Dick Kain presented the Board's delinquency statistics, as of 9/20/91, which indicates a continued decline in the number of delinquencies and number of loans in foreclosure with total delinquencies of 2.29% the lowest it has been in several years. Additionally, the Board's delinquencies continue to compare favorably with Montana, Regional and National statistics. A listing of delinquencies by issue and by servicer was also presented.

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Company, advised the Board that the market has seen a great deal of activity and that within the last three weeks the market has seen an enormous number of bonds sold, with approximately \$4,000,000,000 scheduled for sale next week. Randy advised the Board that a bond issue similar to the Series 1991 B would produce a mortgage interest rate today of approximately 7.65%, however, recommended waiting on a new issue until January when there would be fewer issuers and less

competition for the bonds. The Board considered initiating the process for a new bond issue but after discussing the issue decided to table discussion of a new bond issue until the January meeting.

REVIEW OF REAL ESTATE OWNED

Dick Kain presented an analysis of REO properties received and sold from 8/7/91 through 12/1/91, which indicated that no properties were received, 2 were sold with an average time in inventory of 30 months and the approximate average loss on sale was \$2,300.

Dick reviewed outstanding REO's noting that three of the four properties are Brandywine condominiums and that those properties have been generating rental income for the Board. Dick further noted that one of the condominiums has been sold and that the Board currently has buy/sell agreements on the remaining two condominiums. A comparison of gains/losses on the sale of REO's for FY91 and FY92 was presented.

Dick reviewed the December 2, 1991 listing of REO properties available for sale and advised the Board that since this report was compiled that the property at 3285 Canyon Dr., #40 has been sold, and buy/sell agreements have been received on #38 and #56. There remains one (1) property in Wolf Point which staff has had difficulty getting any activity generated, even with the Realty Bonus, 7% commission and 30% reduction in price from the appraised value.

Dick also advised the Board that a VA foreclosure property is expected to come into REO inventory next week. This property is a VA no-bid and the Board has the option to forgive a portion of the debt in advance of the trustee sale, VA would then purchase the property less the amount forgiven. In this case the amount forgiven would be \$8,000. After a brief discussion the consensus of the Board was to forgive the \$8,000.

OTHER BUSINESS

MAXIMUM MORTGAGE LIMITS - CASCADE AND YELLOWSTONE COUNTIES

Dick Kain reviewed with the Board with an analysis of HUD changes to maximum mortgage limits for Cascade and Yellowstone Counties. The analysis included average loan and incomes for 1990C, 1991A and 1991B bond issues, Board adopted income limits, maximum federally imposed income limits for Billings/Yellowstone County, City of Great Falls and Cascade County, and presented two scenarios using the mortgage limits. After a review of the analysis and discussion by the Board, the Board requested General Counsel to confer with Bond Counsel regarding the possibility of increasing the maximum purchase price limits on current programs.

GENERAL COUNSEL SERVICES

Dick advised the Board that the personal services contract with Luxan and Murfitt as General Counsel expires February 1, 1992. Dick advised the Board that staff recommended extension of the contract for two (2) years. Proposed terms and fee structures of the General Counsel's contract for personal services would remain

the same. Following a brief discussion Joe Gerbase moved to accept the General Counsel contract extension of two years, George McCallum seconded the motion, which was approved.

SCHEDULING OF WORKSESSION

Dick requested that in conjunction with the next Board meeting that a worksession of the Board also be scheduled. The Board agreed to scheduling a half day worksession following the January Board meeting.

Dick Kain advised the Board that Moody's has completed their rating of the five bond issues 1988B, 1989A, 1990A, 1990B and 1990C. Moody's has awarded a "Aa" rating to all of the Bond issues. Dick further advised the Board that the funds pledged as additional collateral to Standard and Poor's to affirm a "AA" rating on these bond issues can now be released and returned to the Housing Trust Fund.

Dick eased the Board's concerns regarding the Single Family Program Officer vacancy, that with the depth of experience of existing staff and the slow time of year that the position should be adequately covered until the position can be filled.

George McCallum indicated that while attending the NSCHA Conference in Seattle that a group of small bankers and lending institutions had formed a consortium for the purpose of making loans for affordable housing and special housing needs. Dick was asked to write a couple letters to individuals in Montana in regards to forming a lending consortium.

SET NEXT MEETING DATE

The next meeting was scheduled for January 17, 1992, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building. A worksession of the Board will follow the Regular Board meeting.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

1-17-92
Dated

RESOLUTION NO. 91-11-6-S6

A RESOLUTION OF THE MONTANA BOARD OF HOUSING APPROVING SUPPLEMENTAL INDENTURES REGARDING THE ESCHEAT PROVISIONS FOR THE 1977 AND 1979 SINGLE FAMILY GENERAL INDENTURES AND PROVIDING THAT UNCLAIMED MONEYS BE RETURNED TO THE MONTANA BOARD OF HOUSING AFTER A PERIOD OF FIVE YEARS.

WHEREAS, the 1977 and 1979 Single Family General Indentures presently provide in their related escheat sections that unclaimed moneys be returned to the Montana Board of Housing after a period of six years, and Montana escheat laws now provide for a five year period; and

WHEREAS, due to this change in law it is appropriate to correct this error and ambiguity (which was occasioned by a change in law) so as to make the appropriate section of those Indentures conform to present law;

NOW THEREFORE, BE IT RESOLVED by the Montana Board of Housing (the "Board") that:

1. The forms of Supplemental Indentures, which change the escheat period from six years to five years, as hereby presented to the Board, are hereby approved as to form and content.
2. The Chairman and Vice-Chairman and the Secretary of the Montana Board of Housing are hereby authorized to execute and deliver said Supplemental Indentures on behalf of the Montana Board of Housing, with such changes therein as they shall deem appropriate for the purposes stated above, their execution thereof to constitute conclusive evidence of their approval of any such changes, and they are further hereby authorized to request the respective trustees to execute the same and, if the trustees shall so request, the Administrator is hereby authorized to request and direct bond counsel to deliver an opinion to the trustees and the Montana Board of Housing confirming that the Supplemental Indentures may be duly executed and delivered pursuant to the provisions of the General Indentures.

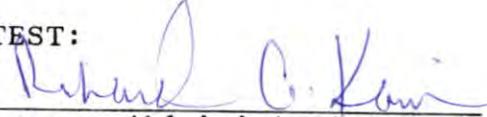
ADOPTED by the Montana Board of Housing this 6th day of December, 1991.

(SEAL)

MONTANA BOARD OF HOUSING

By 
Chairman

ATTEST:


Treasurer/Administrator

THE MONTANA BOARD OF HOUSING

to

NORWEST BANK MINNESOTA, N.A.,

as Trustee

and

NORWEST CAPITAL MANAGEMENT AND TRUST CO., MONTANA,

as Co-Trustee

THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

Dated as of December 1, 1991

THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

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(This Table of Contents is not a part of this Third Amending Supplemental Trust Indenture and is only for convenience of reference.)

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THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

THIS THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE dated as of December 1, 1991 by and between The Montana Board of Housing (the "Board"), a board created by the Montana Housing Act of 1975 whose members are appointed by the Governor of the State of Montana, Norwest Bank Minnesota, N.A., a national banking association incorporated under the laws of the United States of America and authorized by such laws to execute trust powers, as Trustee, and Norwest Capital Management and Trust Co., Montana, a trust company incorporated under the laws of the State of Montana and authorized by such laws to execute trust powers, as Co-Trustee.

W I T N E S S E T H :

WHEREAS, The Montana Housing Act of 1975 (the "Act"), provides that the Board has the authority to purchase, invest in, make commitments to purchase, and take assignments from lending institutions of notes, mortgages and other securities evidencing loans for the construction or purchase of housing developments, as defined in the Act, for persons and families of lower income in the State of Montana, under terms and conditions adopted by the Board; and

WHEREAS, the Board is authorized by the Act to issue and sell bonds and to use the proceeds thereof to finance the Board's program of purchasing mortgage loans (the "Mortgage Loans") to persons and families of lower income for the construction or purchase of residential housing for such persons and families; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, by resolution adopted by the Board and in furtherance of the purposes of the Act, the Board, pursuant to the provisions of a Trust Indenture (the "Original Indenture") dated as of March 10, 1977 between the Board and Northwestern National Bank of Minneapolis, predecessor to Norwest Bank Minnesota, N.A., as Trustee, and Northwestern Union Trust Company, predecessor to Norwest Capital Management and Trust Co., Montana, as Co-Trustee, issued, sold and delivered its Single Family Mortgage Purchase Bonds to finance the cost of the acquisition of the Mortgage Loans as provided in the Original Indenture; and

WHEREAS, pursuant to Section 8.02 of the Original Indenture, the parties hereto desire to amend and supplement the Original Indenture as set forth in this Third Amending Supplemental Trust Indenture, and particularly so as to cure the defect (occasioned by a change in law) which appears in Section 12.01 of the Original Indenture; and

WHEREAS, based on the foregoing, this Third Amending Supplemental Trust Indenture may be entered into pursuant to Section 8.02 of the Original Indenture by the Board and the Trustees without the consent of, or notice to, any of the Bondholders; and

WHEREAS, all things necessary to make this Third Amending Supplemental Trust Indenture have, in all respects, been duly authorized.

NOW, THEREFORE, THIS THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

W I T N E S S E T H :

That, in consideration of the premises and the acceptance by the Trustees of the trust created hereby and by the Original Indenture, it is mutually agreed and covenanted by and between the parties hereto, for the equal and proportionate benefit and security of all the holders of the Bonds issued under the Original Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise provided herein and in the Original Indenture, of any one Bond over any other Bond, as follows:

ARTICLE I

Section 12.01 to the Original Indenture is hereby amended to read as follows:

"(E) Anything in this Indenture to the contrary notwithstanding, any money held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons appurtenant thereto which remains for five years after the date when such Bonds have become due and payable, either at maturity or by call for redemption, if such moneys were held by the Fiduciary at said date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the request of the Board expressed in an Officer's Certificate delivered to the Trustees, be paid by the Fiduciary to the Board as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of such Bonds and coupons shall look only to the Board for the payment thereof."

ARTICLE II

MISCELLANEOUS

Section 2.1. Counterparts. This Third Amending Supplemental Trust Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 2.2. Applicability of the Original Indenture. The provisions of the Original Indenture are hereby ratified, approved and confirmed and, except as otherwise provided in this Third Amending Supplemental Trust Indenture, shall be applicable to the authorization, execution, authentication, issuance, redemption, payment, sale and delivery of the Bonds, the custody and the distribution of the proceeds and the security, payment, redemption and enforcement of payment thereof. This Third Amending Supplemental Trust Indenture shall be construed as having been authorized, executed and delivered under the provisions of Section 8.02 of the Original Indenture.

Section 2.3. Privileges and Immunities of Trustees. In executing and delivering this Third Amending Supplemental Trust Indenture, the Trustee and the Co-Trustee shall be entitled to all of the privileges and immunities afforded to the Trustee and the Co-Trustee under the terms and provisions of the Original Indenture.

IN WITNESS WHEREOF, The Montana Board of Housing has caused these presents to be signed in its name and behalf by the Chairman and its official seal to be hereunto affixed and to be attested by its Secretary, and, to evidence their acceptance of the trusts hereby created, Norwest Bank, Minnesota, N.A. and Norwest Capital Management and Trust Co., Montana have caused these presents to be signed and sealed in their names and behalf by their duly authorized officers, as of the day first above written.

[SEAL]

THE MONTANA BOARD OF HOUSING

Attest:


Secretary

By 
Chairman

MONTANA BOARD OF HOUSING

TO

FIRST INTERSTATE BANK OF DENVER, N.A.,
as Successor Trustee

THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

Dated as of December 1, 1991

THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

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(This Table of Contents is not a part of this Third Amending Supplemental Trust Indenture and is only for convenience of reference.)

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THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

THIS THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE dated as of December 1, 1991 by and between the Montana Board of Housing, a Board created by the Montana Housing Act of 1975, whose members are appointed by the Governor of the State of Montana, and First Interstate Bank of Denver, N.A., a national banking association incorporated under the laws of the United States of America and authorized by such laws to execute trust powers, as Successor Trustee.

WITNESSETH:

WHEREAS, the Montana Housing Act of 1975 provides that the Board has the authority to purchase notes, mortgages and other securities evidencing loans for the construction or purchase of housing developments for persons and families of lower income in the State of Montana; and

WHEREAS, the Board is authorized to issue and provide for the security of bonds to finance the Single Family Program, under which the Board purchases mortgage loans; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, by resolution adopted by the Board, and in furtherance of the purposes of the Act, the Board, pursuant to the provisions of a Trust Indenture (the "Original Indenture"), dated as of August 16, 1979, between the Board and United California Bank, as the Prior Trustee, and the Conrad National Bank of Kalispell (predecessor to First Interstate Bank of Kalispell), as co-trustee, issued its Single Family Mortgage Purchase Bonds to finance the cost of the acquisition of the Mortgage Loans as provided in the Original Indenture; and

WHEREAS, pursuant to Section 9.01 of the Original Indenture, the parties hereto desire to amend and supplement the Original Indenture as set forth in this Third Amending Supplemental Trust Indenture, and particularly so as to cure the defect (occasioned by a change in law) which appears in Section 12.01 of the Original Indenture; and

WHEREAS, based on the foregoing, this Third Amending Supplemental Trust Indenture may be entered into pursuant to Section 9.01 of the Original Indenture by the Board and the Successor Trustee without the consent of, or notice to, any of the Bondholders; and

WHEREAS, all things necessary to make this Third Amending Supplemental Indenture have, in all respects, been duly authorized.

NOW, THEREFORE, THIS THIRD AMENDING SUPPLEMENTAL TRUST INDENTURE

WITNESSETH:

That, in consideration of the premises and the acceptance by the Trustee of the trust created hereby and the Original Indenture, it is mutually agreed and covenanted by and between the parties hereto, for the equal and proportionate benefit and security of all the holders of the Bonds issued under the Original Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise provided herein and in the Original Indenture, of any one Bond over any other Bond, as follows:

ARTICLE I

Section 12.01 to the Original Indenture is hereby amended to read as follows:

"SECTION 12.01. Failure to Present Bonds or Coupons. Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such Bonds became due and payable, shall, at the written request of the Board be repaid by the Fiduciary to the Board, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Board for the payment of such Bonds and coupons; provided, however, that before being required to make any such payment to the Board, the Fiduciary shall, at the expense of the Board, cause to be published at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Board."

ARTICLE II

MISCELLANEOUS

Section 2.1. Counterparts. This Third Amending Supplemental Trust Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 2.2. Applicability of the Original Indenture. The provisions of the Original Indenture are hereby ratified, approved and confirmed and, except as otherwise provided in this Third Amending Supplemental Trust Indenture, shall be applicable to the authorization, execution, authentication, issuance, redemption, payment, sale and delivery of the Bonds, the custody and the distribution of the proceeds and the security, payment, redemption and enforcement of payment thereof. This Third Amending Supplemental Trust Indenture shall be construed as having been authorized, executed and delivered under the provisions of Section 9.01 of the Original Indenture.

Section 2.3. Privileges and Immunities of Trustee. In executing and delivering this Third Amending Supplemental Trust Indenture, the Successor Trustee shall be entitled to all of the privileges and immunities afforded to the Trustee under the terms and provisions of the Original Indenture.

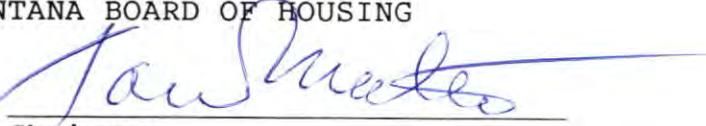
IN WITNESS WHEREOF, the Montana Board of Housing has caused these presents to be signed in its name and behalf by the Chairman and its official seal to be hereunto affixed, and to be attested by its Secretary, and, to evidence its acceptance of the trusts hereby created, First Interstate Bank of Denver, N.A. has caused these presents to be signed and sealed in its name and behalf by its duly authorized officers, as of the day first above written.

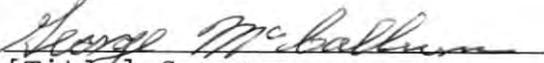
[SEAL]

MONTANA BOARD OF HOUSING

Attest:

By


Chairman


[Title] Secretary

[SEAL]

FIRST INTERSTATE BANK OF
DENVER, N.A.

Attest:

By

F. J. ...
[Title] Vice President and Trust Officer

Sandra Orr
[Title] Trust Officer

STATE OF MONTANA)
) SS
COUNTY OF LEWIS and)
) CLARK

The undersigned, a Notary Public, does hereby certify that Tom Mather and George McCallum, whose names as Chairman of the Montana Board of Housing and the Secretary of said Board, respectively, are signed to the foregoing Third Amending Supplemental Trust Indenture, and who are each known to me and known to be such officers, acknowledged before me on this day that, being informed of the contents of this Third Amending Supplemental Trust Indenture, they, in their respective capacities as such officers of said Board, executed and delivered the same voluntarily as of the day the same bears date.

Given under my hand this day of December, 1991.

Maudie McCallum
Notary Public

My Commission expires:

6-8-92

STATE OF MONTANA)
) SS
COUNTY OF Denver)

The undersigned, a Notary Public, does hereby certify that Richard J. Sullivan and Sandra Orr, whose names as Vice President and Trust Officer, respectively, of First Interstate Bank of Denver, N.A. are signed to the foregoing Third Amending Supplemental Trust Indenture, and who are each known to me and known to be such officers, acknowledged before me on this day that, being informed of the contents of this Third Amending Supplemental Trust Indenture, they, in their corporate capacities, executed and delivered the same voluntarily as of the day the same bears date.

Given under my hand this 10th day of February, 1992, ~~December, 1991~~.

Lynn E. Taylor

Notary Public

My Commission expires:
8/2/93





MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING November 25, 1991

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday, November 27, 1991, at 1:30 p.m., M.D.T., for the purpose of discussing MRB extension and reviewing material relating to the potential issue of a 1991 Series C Family Mortgage Bonds.



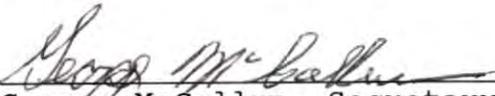
MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Wednesday, November 27, 1991, at 1:40 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. John Wagner, Kutak, Rock and Campbell; Larry Carlisle, Kutak, Rock and Campbell; and staff members Dick Kain, Lynn Rolland, Denise Hanson and Janet Kunz also participated.

Dick Kain advised the Board that both Houses of Congress have passed the extension of Mortgage Revenue Bonds for six months. The Board therefore determined that no action on a \$50,000,000 variable rate bond issue was necessary.

There was no further business, and the meeting adjourned at 1:50 p.m.



George McCallum, Secretary

12/6/91

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040
AGENDA

MONTANA BOARD OF HOUSING
NOVEMBER 6, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - September 26, 1991 Audit Committee Meeting
 - September 27, 1991 Business Meeting
- III. INVESTMENT COMMITTEE REPORT - Russ Dahl and Dean Mart
 - A. Approval of Minutes - September 27, 1991 Investment Committee Meeting
 - B. Review of June 30, 1991 Investment Portfolios and Average Investment Yields
- IV. REVIEW OF HUD SECTION 203(K) REHABILITATION LOANS
Lyle Konkol, Construction Analyst, Helena HUD Office
- V. MONTANA MANUFACTURED HOUSING AND RECREATIONAL VEHICLE ASSOCIATION
Stuart Doggett and Bill Pierce, Representatives
- VI. KUTAK, ROCK AND CAMPBELL - John Wagner
 - A. Escheat Provisions of the Outstanding Trust Indentures
- VII. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Budget Status Report - September 30, 1991
 - B. 1991 Series A Escrow Deposit
- VIII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. HUD Changes to Maximum Mortgage Limits - Cascade and Yellowstone Counties
 - D. 1991 Series A and 1991 Series B
- IX. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs and Co.
- X. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- XI. OTHER BUSINESS
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
NOVEMBER 6, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Absent)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Dean Mart (Present)
Gerry Hudson (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Lynn Rolland, Accounting Specialist
Janet Kunz, Program Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak, Rock and Campbell

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Co.
Mark Semmens, D. A. Davidson
Gordon Hoven, Piper, Jaffray & Hopwood

OTHERS: Chris Kafentzis, Director, HUD/FHA
Lyle Konkol, Construction Analyst, HUD
Kermit Mueller, American Building Company
Don Chance, Montana Building Industry Association
Bill Mandeville, Governor's Budget Office
Don Cape, MMHA and RV Association
Stuart Doggett, MMHA and RV Association
Hank Hudson, Governor's Office on Aging

The meeting was called to order at 9:35 a.m. by Secretary George McCallum.

Kelly Rusoff, Comptroller introduced the Board to a new staff member, Lynn Rolland, who accepted the Accounting Specialist position.

APPROVAL OF MINUTES

The minutes of the September 26, 1991 Audit Committee meeting and the September 27th Business Meeting were approved as presented.

INVESTMENT COMMITTEE REPORT

Russ Dahl and Dean Mart reported that the Investment Committee met on September 27, 1991, after the September Business meeting, to review the Board's June 30, 1991 investment portfolios and average investment yields for the six month period ending June 30, 1991. Dick Kain, Administrator, further advised the Board of total investments held with Norwest Bank-Minneapolis (1977 Single Family I Indenture), those held with First Interstate Bank-Denver (1979 Indenture, 1988B, 1989A, 1990A, 1990B, 1990C, 1991A and 1991B Indentures). Additionally, the Housing Trust Fund, Financial Programs Fund and Multi-Family investments were discussed. A final consolidated yield report was addressed, showing that average investment yields have been trending downward.

Russ Dahl then moved to approve the Investment Committee minutes, Gerry Hudson seconded the motion which carried unanimously.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee, advised the Board that the Audit Committee met with Jim Woy of Anderson ZurMuehlen today, November 6th at 8:15 a.m., to discuss results of the review, of the two Montana Board of Housing loan servicers, conducted by Anderson ZurMuehlen on October 24th and 25th. The Committee also decided to meet again with Anderson ZurMuehlen after an internal audit of the agency is conducted in late January.

REVIEW OF HUD SECTION 203(k) REHABILITATION LOANS

Lyle Konkol, Construction Analyst - HUD, and Chris Kafentzis, Manager of HUD/FHA - Helena, reviewed with the Board, HUD's 203(k) Rehabilitation Program. Lyle explained that the 203(k) Program allows for the purchase and rehabilitation of a home with one loan, an additional construction loan for the rehabilitation is not necessary. He further advised the Board of the procedures to be followed which include: locating a structure and doing a feasibility study; executing a sales contract; working up a detailed cost breakdown; completing exhibits; selecting a lender, who contacts HUD; give plans/specs to a fee reviewer who prepares and inspection report for the lender; first appraisal is completed (two appraisals are completed, one as is and one as repaired); lender prepares commitments; an escrow account is set up for draws as work is completed. Structural design fees, consulting fees, permit costs, inspection fees, mortgage payments (up to six months), plan review fees and a 1½% supplemental origination fee (up to \$350) are all fees that are allowable costs of rehabilitation. Further the appraisal fee would be 1½ times the normal amount or \$412.50.

Lyle advised the Board that recent changes to the program would allow housing groups such as NHS in Great Falls to become mortgagors. They would put the project together, go through the rehabilitation process and after the project is completed the group would have to sell the house. Which could be sold using the normal assumption process.

Lyle advised the Board that a limitation to the program is that the minimum of work that has to be done is \$5,000 but in today's cost industry \$5,000 is negligible.

John Wagner, Kutak, Rock and Campbell, addressed the Board's ability to utilize the program. John advised the Board that the problem for Mortgage Revenue Bond issuers lies in the construction period. Most State agencies only buy loans when all the funds have been loaned out, reasons for this are technical tax concerns and the practical concern that if a loan is bought before all funds have been distributed effectively the Board becomes the lender and the mortgage lender is actually acting as your agent. Currently there are no State agencies participating in 203(k) programs until all of the funds have been fully disbursed.

MONTANA MANUFACTURED HOUSING AND RECREATIONAL VEHICLE ASSOCIATION
Stuart Doggett Executive Director of Montana Manufactured Housing and Recreational Vehicle Association (MMH and RV Association) and Don Cape, owner of Ponderosa Homes in Belgrade and member of MMH and RV Association's Board of Directors made a presentation seeking assistance in making available financing for Montanans who purchase manufactured housing and locate the home on leased property. Rules that prohibit the use of Montana Board of Housing bond proceeds exist in the IRS and Treasury Regulations, assistance was also asked in changing those federal barriers.

Don Cape, advised the Board that the largest problem that is faced in financing manufactured housing is the higher interest rate that they have to use along with having only one lender in the state. MMH and RV would like to be able to provide alternative financing to allow people to get into homes at a lesser cost and still be on a rental property.

Don presented the Board with an analysis of the structure and financing of a typical manufactured home and cited advantages of living in a rental park community. Manufactured homes are now recognized by FHA and VA under Title II program, however a problem exists in how manufactured homes are recognized, as personal property (if the home is located on leased land) or real estate (if located on owned land). MMH and RV believe they have a viable, affordable housing product but because most homes are on leased land, competitive financing is difficult to find. Don advised the Board that many of the people that purchase a manufactured home can afford to buy the home but not the land upon which it sits.

The Board's attention was directed to several letters that staff has received addressing manufactured housing and a need for affordable housing that it may fill. Hank Hudson, Governor's Office on Aging, indicated that more elderly are purchasing manufactured housing as affordable but that their main concern lies in that the value of investment is bound by the term of the site lease (30 days) and the danger of having a lease terminated and then faced with having to relocate their unit.

The Board decided to take the proposal under advisement and look at the issue in a worksession.

KUTAK, ROCK AND CAMPBELL

ESCHEAT PROVISIONS OF THE OUTSTANDING TRUST INDENTURES

John Wagner, Kutak, Rock and Campbell, advised the Board that unclaimed funds from bond coupons that are not redeemed when payable are held for five years by the Trustee. At the end of five years the funds are then paid to Montana Board of Housing. These funds are invested until such time that the coupons are turned in and the monies claimed by the bond owner. The interest from the investment of these funds are paid to Montana Board of Housing.

John also advised the Board that two earliest indentures (1977 and 1979) stipulate a holding period of six years and recommended amending those two indentures with supplemental indentures changing the holding period to five years. Dean Mart moved that supplemental indentures be prepared to change the 1977 and 1979 Trust Indentures to coincide with the five year holding period of the rest of the Board Indentures, with Bob Thomas seconding the motion, the proposal passed.

ACCOUNTING AND REPORTING UPDATE

BUDGET STATUS REPORT - SEPTEMBER 30, 1991

Kelly Rusoff, Comptroller, presented the Board's budget status, as of September 30, 1991. The Board has spent \$221,989 or 11% of the \$2,056,904 appropriation for fiscal year 1992, leaving a balance of \$1,834,915.

1991 SERIES A ESCROW DEPOSIT

Kelly Rusoff reviewed with the Board, current cash flows that were prepared by Goldman Sachs, to determine how much of the escrow deposit would be used in 1991 Series A. The cash flow that was initially used to structured the 1991 Series A issue and to determine the amount of the escrow deposit was reviewed. This cash flow was run based on a worst case scenario assuming that all loans were purchased on the last possible day and a current cash flow was generated using actual loan purchases and reservations through 10/24/91. Utilizing these figures the cash flows indicated that there would be a positive cash flow, that gross revenues would not change significantly and that it would take six months longer to earn parity but that the escrow account should not have to be used. Kelly advised that Board that once the money is no longer needed in the escrow deposit account it would be returned to the Housing Trust Fund.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of October 31, 1991, which showed that the Board has issued 171 certificates, for \$1,907,762.20 in credit authority, and has 61 reservations outstanding, for \$668,817.40. The average purchase price is \$58,331.46, with an average loan amount of \$55,782.52. \$7,423,420.40 in credit authority remains available, and will expire on December 31, 1992.

CASH ASSISTANCE PROGRAM

David Haviland reported on the Cash Assistance Program (CAP) as of October 31, 1991. There are 19 outstanding reservations and 34

loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$2,135,107.06 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$53,013.41 in lendable funds available. Billings continues as the major user of the program.

David also advised the Board that this program began in May, 1991 and is scheduled for expiration on November 15, 1991. Staff recommendation would be to extend the program for another six months to May 31, 1992. Gerry Hudson moved to extend the program to May, 31, 1992, Russ Dahl seconded the motion which passed unanimously.

HUD CHANGES TO MAXIMUM MORTGAGE LIMITS - CASCADE AND YELLOWSTONE COUNTIES

David Haviland provided the Board with an analysis of HUD changes to maximum mortgage limits for Cascade and Yellowstone Counties. The analysis included average loan and incomes for 1990C, 1991A and 1991B bond issues, Board adopted income limits, maximum federally imposed income limits for Billings/Yellowstone County, City of Great Falls and Cascade County, and presented two scenarios using the mortgage limits. After a review of the analysis it was determined that it was not necessary to change the existing Board purchase price limit of \$75,000.

1991 SERIES A AND 1991 SERIES B

David Haviland presented the Series Allocation Summary for 1991 Series A, as of October 31, 1991, 437 loans have been purchased, and there are 18 reservations outstanding. The average purchase price is \$50,085.69 and the average income is \$27,336.53. There remains \$358,487.17 in lendable proceeds.

Regarding the issue of the Board's ability to require lenders to reserve from a previous issue if there remain lendable proceeds, David advised the Board that the Series 1991 B Mortgage Purchase Agreement contained terminology allowing the Board to modify the provision of an issue when given written notice to the lenders. After a short discussion Gerry Hudson moved to notify lenders in writing that Series 1991 A (7.9%) funds must be fully reserved before Series 1991 B (7.85%) funds can be reserved. Dean Mart seconded the motion and the action passed unanimously.

The Board further decided to include terminology in subsequent bond issues stipulating that funds from proceeding issues be fully reserved before funds from a subsequent issue can be reserved.

The Series Allocation Summary for 1991 Series B, as of October 31, 1991 was presented by David Haviland. Of the initial \$23,310,500 in available proceeds, the Board has purchased 222 loans, for \$10,554,428.70, and has 131 reservations outstanding, for \$5,999,050.00. There remains available \$6,759,038.21 in lendable proceeds. David advised the Board at the present time 91B funds are moving very slowly. David also indicated that the percentage of VA loans purchased are increasing and presented a comparison of the total VA loans purchased to the total Mortgage Loans purchased for Series 90A through 91B. It was counseled that the Board continue to monitor the percentage of VA loans as the number of

veterans has increased, VA loans are becoming more attractive and rating agencies normally restrict the number of VA loans.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, reported to the Board that market conditions have slightly declined but that the market is relatively quiet. Randy advised the Board that a bond issue similar to the Series 1991 B would produce a mortgage interest rate today of approximately 7.65 to 7.60%. Randy noted that the market is expected to remain steady.

Randy apprised the Board that general consensus of Goldman's advisors is that the probability of an extension of the MRB is slight. For the Board to be in a position to act on a variable rate bond issue, if the MRB is not extended and to close a bond sale by the end of December, the Board was advised that it must authorize the preparation of bond documents at today's meeting. The Board was also advised that if the MRB was extended or that they didn't wish to proceed with the bond issue that they could at any time withdraw their decision at no cost to the Board. The procedure of a variable rate issue was reviewed as was the size of issue. After further discussion Gerry Hudson moved to authorize the preparation of documents for a \$50,000,000 variable rate bond issue subject to Board's approval at the time it is determined that the MRB will not be extended, Dean Mart seconded the motion which was unanimously carried.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Richard A. Kain, Administrator, advised the Board that September 13th was the third and final round deadline for requests for reservation of 1991 tax credits. Six applications were received, three of which were all from one developer and did not meet the completeness and soundness criteria. The remaining three applications were retained for completeness and soundness and deemed eligible based on the Allocation Plan and its selection criteria. These applications were presented for the Board's review and action.

An application from the Lake Apartments Project in Medicine Lake, was presented. This project was placed in service date on April 1, 1991. It is a FmHA 515 project, consisting of 4 elderly units and is requesting \$3,723 in tax credits. The eligible basis is \$65,160, with the qualified basis also \$65,160 for acquisition and \$12,416 in eligible and qualified basis for rehabilitation. Russ Dahl moved to approve the Lake Apartments application for reservation, Gerry Hudson seconded the motion, which carried unanimously.

The second application from the Cut Bank Villas, in Cut Bank, with a projected placed in service date of May 30, 1992, was presented. This project is also a FmHA 515 project, with 19 elderly units. The project is requesting \$33,680 in tax credits, with an eligible basis of \$842,000 and a qualified basis of \$842,000. Upon motion of Gerry Hudson, seconded by Russ Dahl, the Board approved unanimously the application for reservation.

The last application, from Stonecreek Apartments, in Whitefish has an expected placed in service date of October 1, 1992. This is also a FmHA 515 project with 40 elderly units. The project has an eligible basis of \$1,757,004 and a qualified basis of \$2,284,106,

the difference between the basis' is due to the HUD Hard to Develop Area factor. The project is requesting \$91,364 in tax credits, however, staff recommends a tax credit of \$82,105, base on MBOH equity gap calculation. Dean Mart moved to approve the Stonecreek Apartments application for the staff recommended reservation, Gerry Hudson seconded the motion, which carried unanimously.

OTHER BUSINESS

Dick Kain shared with the Board a NCSHA newsletter regarding the status of the MRB extension. Support for extension continues to grow and NCSHA continues to believe that extension is possible.

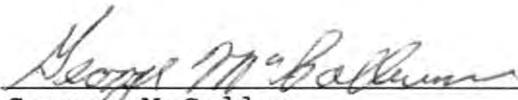
Dick reported to the Board that because of Citibank's recent downgrade that the five bond issues between 1988 and 1990 have been placed on CreditWatch by Standard and Poor's. Dick advised the Board of several alternatives to remove the issues from Creditwatch that while possible were not workable. He also advised the Board that while in Seattle at the NCSHA Annual Conference he met with Moody's and they were very receptive to rating the five issues. Further discussion resulted in Bob Thomas moving to engage Moody's to rate bond issues 1988B, 1989A, 1990A, 1990B and 1990C, the motion was seconded by Russ Dahl and was unanimously passed.

Dick and the members of the Board that attended the NCSHA Annual Conference in Seattle reported to the rest of the Board on the conference. George McCallum reported his attendance at a seminar in which the MRB sunset extension was debated. It was the feeling there that the MRB would not be re-authorized this year. Dick mentioned several items such as in-house servicing, FmHA Rural Guaranty Program, use of tax-exempt bonds for the Multifamily Program, AFL-CIO Housing Trust Fund that were possibly ideas that the Board would look in to further. Bob Thomas and Russ Dahl concurred and added they would like to get more in depth on several of these ideas at a worksession of the Board.

SET NEXT MEETING DATE

The next meeting was scheduled for December 6, 1991, at 9:30 a.m. in the Director's Conference Room of the Metcalf Building (Department of Natural Resources and Conservation Building).

There was no further business, and the meeting adjourned.



George McCallum

12/4/91

Dated

STAN STEPHENS, GOVERNOR



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on November 6, 1991 at 8:15 a.m in the Board office at 2001 11th Avenue, Helena, MT.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Wednesday, November 6, 1991 at 8:15 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Audit Committee members, Gerry Hudson, Bob Thomas; Board members, Russ Dahl and Dean Mart; Jim Woy of Anderson ZurMeuhlen, and Co.; Dick Kain, Administrator and Kelly Rusoff, Comptroller.

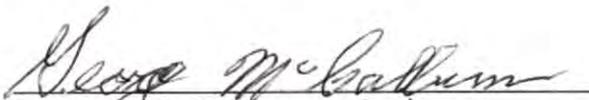
Jim Woy, Anderson Zurmeuhlen, and Co., reviewed with the Committee the findings of the two servicer audits conducted by Anderson ZurMeuhlen on October 24th and 25th.

Staff was directed to send a letter to all servicers reiterating that all collections of principal, interest, taxes and insurance on Board of Housing loans must be maintained in accounts that are separate from all other accounts of the bank. Also, that the Board of Housing must be named as the mortgagee on all insurance policies. The Committee also decided to send a follow up letter to the two servicers reviewed by Anderson Zurmuehlen.

Following a short discussion, it was decided that an internal review would be performed in late January. The scope of the review would be discussed with staff. Once the review is completed an exit conference would held with the Audit Committee.

Discussion was held on the possibility of performing more than four servicer reviews in the biennium. It was agreed that if there was enough spending authority available, that more servicer reviews should be done. The Committee requested staff to determine whether this possibility was feasible.

There was no further business, and the meeting adjourned at 9:15 a.m.


George McCallum, Chairman

12/4/91
Dated

STAN STEPHENS, GOVERNOR



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Investment Committee of the Montana Board of Housing will hold a meeting on September 27, 1991 following the Regular Business Meeting in the Downstairs Conference Room of the Department of Commerce Building.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Investment Committee of the Montana Board of Housing held its semi-annual meeting on September 27, 1991, at 11:45 a.m., in the Downstairs Conference Room of the Department of Commerce Building. Participating in the meeting were Committee members: Russ Dahl and Dean Mart; and Dick Kain, Administrator.

The Committee reviewed progress since the June, 1990 meeting, on the development of cash flow capability, an average yield report for current month investments and trustee generated investment accrual reports and investment portfolios.

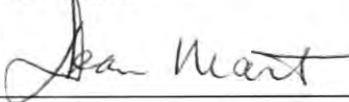
The June 30, 1991 investment portfolios per indenture; average investment yields for the period 1/1/91 through 6/30/91 and new money monthly average investment yields for the period 1/1/91 through 6/30/91 were reviewed by the Committee. Discussion was also held concerning arbitrage restrictions attendant to bond issuance, on the use of investment agreements and the change in servicer remittances under the 1977 Single Family Indenture.

There was no further business, and the meeting adjourned at 1:00 p.m.



Russ Dahl

Dated



Dean Mart

Dated

STAN STEPHENS, GOVERNOR



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on September 26, 1991, at 2:00 p.m., in the Board's office.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, September 26, 1991 at 2:00 p.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Gerry Hudson and Bob Thomas, Board Members; Jim Woy, Anderson ZurMuehlen and Company; and Kelly Rusoff, Comptroller.

Jim Woy presented the Board's recently completed audited financial statements for year ending June 30, 1991, and advised the Committee that the auditing firm issued an unqualified opinion.

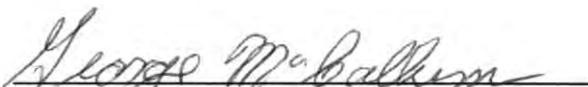
The committee reviewed footnotes to the Financial Statements, and two new footnotes were discussed. The new Footnote that requires us to disclose our policy concerning cash and cash equivalents was discussed. The Board's policy is to consider the following to be cash equivalents: Cash held by the State of Montana's Treasurer, savings accounts and mortgage payments in transit. Footnote 18, entitled Diversity of Credit Risk, was added in accordance with a new disclosure requirement. This note explains the risk for the Board of Housing.

There were no reportable conditions and no material weaknesses in internal control. The prior year's recommendation to record U.S. Treasury check, on foreclosure loans received after June 20, was implemented.

The two findings regarding Qualified Servicers and Transfers to Rebate Account, that were included in the management letter were discussed.

Two servicer reviews were tentatively scheduled for the last two weeks of October. The internal review was scheduled for the last week of January of the first week of February.

There was no further discussion, and the meeting adjourned at 3:20 p.m.


George McCallum, Chairman

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SEPTEMBER 27, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- August 23, 1991 Business Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. NEIGHBORHOOD HOUSING SERVICES, INC. - GREAT FALLS,
Nancy Stephenson, Executive Director
 - A. Affordable Housing Proposal
- V. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Progress Report on Developing in House Cash Flow Capacity
 - B. 1991 Series A Mortgage Rate Adjustment
 - C. Report on October 1, 1991 Bonds Calls
- VI. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs & Co.
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series A and 1991 Series B
- VIII. MULTIFAMILY PROGRAM UPDATE - Dick Kain
- IX. OTHER BUSINESS
 - A. NCSHA's 1991 Annual Conference
 - B. Bond Counsel Services
- X. SET NEXT MEETING DATE
- XI. ADJOURN*

* Investment Committee Meeting to follow.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
SEPTEMBER 27, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Melody Johnston, Accounting Technician
Janet Kunz, Program Assistant

COUNSEL: Mike Mulrone, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs and Company
Mark Semmens, D.A. Davidson
Gordon Hoven, Piper, Jaffray and Hopwood

OTHERS: Nancy Stephenson, Neighborhood Housing Services,
Inc., Great Falls
Marilyn Dusenberry, Anderson ZurMuehlen and Co.,
P.C.

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the August 23, 1991 Business Meeting were approved as presented.

Kelly Rusoff, Comptroller introduced the Board to one staff member, Melody Johnston, an Accounting Technician and Marilyn Dusenberry from Anderson ZurMuehlen and Co.,

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Board's Audit Committee, reported on the Committee's meeting of September 26th with Jim Woy, Anderson ZurMuehlen and Company, and advised the Board that the auditors gave the Board an unqualified opinion for the Fiscal Year 1991; that they did not have any recommendations for the current year; and that all recommendations from the prior year had been complied with. The committee reviewed the footnotes to the Financial Statements and discussed the two new footnotes, including what is to be considered cash equivalents and the diversity of credit risk. The Committee also discussed two findings regarding Qualified Servicers and Transfers to Rebate Account. Two servicer reviews were tentatively scheduled for the last two weeks in of October and an internal review was tentatively scheduled for late January or early February.

After review, George McCallum moved the Board approve the Audit Committee Report. The motion was seconded by Gerry Hudson, and carried unanimously.

NEIGHBORHOOD HOUSING SERVICES, INC. - GREAT FALLS

Nancy Stephenson, Executive Director, updated the Board on the 7-3/4% Affordable Housing Program Setaside. Of the \$1,110,000 setaside, \$990,068 representing 23 loans have been purchased, leaving a balance as of September 25, 1991 of \$119,931. Two additional loans are in process which would bring the total to 25 loans exceeding the original estimate of 20 home loans. The average loan amount is \$43,046, the average borrower income is \$19,619 and the average down payment assistance is approximately \$2,000. This program has been able to reach people that they were previously unable to assist and has worked very well to get them into affordable housing.

Nancy presented a video tape, produced by a Great Falls television station, of a couple who were assisted by the Affordable Housing Program as they proceeded through the loan application and closing process.

Nancy petitioned the Board for a one time income limit exception to the NHS Affordable Housing Setaside requirements for a family of nine (9), which includes five children, a husband and wife and the wife's two disabled brothers. This family, with the disability assistance that the two brothers receive, have a total annual income of \$25,440 exceeding the Board's income limit set at \$23,850. Nancy advised the Board that the Federal Home Loan Bank (FHLB) of Seattle, as a grant provider, has approved a one time income limit exception in this case. Gerry Hudson moved to make a one time exception of the income limit and allow the income of \$25,440 in this case, the motion was seconded by George McCallum, the motion carried unanimously with Dean Mart abstaining as he is an officer of United Savings Bank.

Nancy presented for the Board's action a request to setaside another \$1,000,000 of 7-3/4% Mortgage Funds, contingent upon the FHLB of Seattle approving a \$50,000 grant to be used in conjunction with this program, as a second Affordable Housing Program. The proposed requirements would be the same as the previous program with the following changes: the 1% reservation fee would be waived

by the Board; the liquid asset limitation would increase from \$3,000 to \$3,500, and total assets limitation would decrease from \$70,000 to \$50,000; the Annual Family Income to be based on FY91 figures instead of FY90; and the homes are to be located within the Neighborhood Housing Services Area, this is an expansion of the Original Townsite of Great Falls to 15th Street and from 10th Avenue South to the Missouri River on the north. After a discussion of the program and its requirements George McCallum moved to set aside \$1,000,000 of 7-3/4% Mortgage Funds contingent upon the FHLB of Seattle approving its \$50,000 grant, Gerry Hudson seconded the motion which carried unanimously with Dean Mart abstaining as President of NHS.

ACCOUNTING AND REPORTING UPDATE

PROGRESS REPORT ON DEVELOPING IN HOUSE CASH FLOW CAPACITY

Kelly Rusoff, Comptroller, reviewed with the Board the progress being made on staff's ability to provide in house cash flow reports. Software was purchased July 19th, training of staff will occur the week of October 14th, cash flow disks obtained from Goldman, Sachs will be updated and cash flows for Board review will be prepared the week of November 18th.

Kelly indicated that in house cash flows will be used as a management tool to make projections based on actual figures and to predict the Board's ability to meet future financial obligations, give staff the ability to update cash flows at anytime to keep the Board better informed, as well as to produce the required cash flow certificates for Trustees on Single Family I and II Indentures.

1991 SERIES A MORTGAGE RATE ADJUSTMENTS

Kelly advised the Board that the effect of reducing the mortgage rate on the 1991 Series A bonds from 7.90% to 7.85% would be \$1,545.62. Kelly reviewed with the Board the cash flow originally used to structure 1991 Series A bond issue, noting that a write down of the mortgage rate will have little impact on the Indenture.

REPORT ON OCTOBER 1, 1991 BOND CALLS

Kelly reported the Board will call \$1,480,000 in bonds from the Single Family I Indenture in a mandatory call from prepayments. Additionally, there will be \$709,680.50 in bonds called from the Single Family II Indenture, and \$1,970,000 called from Single Family 88B, 89A, 90A, and 90B. Kelly also provided a bond call history per bond series for the Boards review.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs and Company, advised the Board that market rates have declined slightly and expects them to continue in a downward trend with minor fluctuations. Randy reported that if an issue were completed today with a similar structure to the 1991B, the mortgage interest rate would be approximately 7.75%. Regarding the questions of another bond issue Randy advised the Board that another issue would depend upon the whether the MRB Sunset is extended or not. The present outlook is not optimistic for an extension, however last years extension was passed at the last minute. There has been a great deal of conflicting data regarding the MRB extension and Randy noted that most people are sitting back and waiting to see what happens.

SINGLE FAMILY PROGRAM UPDATE
MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of September 24, 1991, which showed that the Board has issued 111 certificates, for \$1,225,820.60 in credit authority, and has 57 reservations outstanding, for \$659,420.00. The average purchase price is \$57,633.38, and the average borrower income is \$28,587.95. \$8,114,759.40 in credit authority remains available, and will expire on December 31, 1992.

CASH ASSISTANCE PROGRAM

David Haviland reported on the Cash Assistance Program (CAP) as of September 25, 1991. There are 9 outstanding reservations and 26 loans purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$2,761,680.06 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$68,420.41 in lendable funds available.

1991 SERIES A AND 1991 SERIES B

David Haviland presented the Series Allocation Summary for 1991 Series A, as of September 24, 1991, which indicated that there remains \$298,833.32 in lendable proceeds. This amount has increased due to cancellations of 91A reservations, and will most likely be used after the 1991 Series B funds have been fully reserved.

The Series Allocation Summary for 1991 Series B, as of September 24, 1991 was presented by David Haviland. Of the initial \$23,310,500.00 in available proceeds, the Board has purchased 51 loans, for \$2,594,885.00, and has 183 reservations outstanding, for \$8,436,116.00. There remains available \$12,279,499.00 in lendable proceeds. Of the \$4,662,100 setaside for rural lenders \$1,133,458 has been reserved and this amount will revert to the general pool on October 7th. David advised the Board at the present time 91B monies are moving slowly and would expect to be available into December. David also indicated that the percentage of VA loans purchased are increasing and presented a comparison of the total VA loans purchased to the total Mortgage Loans purchased for Series 90A through 91B.

MULTIFAMILY PROGRAM UPDATE

Richard A. Kain, Administrator, reviewed with the Board the alternative financing available for the Multi-Family Program. Dick advised the Board that the most attractive alternative would be as a 501(c)3 issuer and advised the Board that a legal opinion had been requested from Kutak, Rock and Campbell as to the feasibility of issuing bonds and setting up a 501(c)3. A September 19th letter from Kutak was reviewed, its contents indicating the Boards ability to issue 501(c)3 bonds, through an instrumentality. Following a discussion the Board affirmed their support of the Multi-Family Program and asked Dick to proceed with re-establishing the program.

OTHER BUSINESS

Dick advised the Board that the final agenda for the NCSHA's 1991 Annual Conference was enclosed in their meeting packets and that to take advantage of a price reduction, a determination needed to be

made on attendance. The ensuing discussion included comments from members who had previously attended conferences and the benefits of attending. George McCallum moved that travel be approved for Board and staff attendance to the conference, Russ Dahl seconded the motion which carried unanimously.

Dick advised the Board that the personal services contract with Kutak, Rock and Campbell as Bond Counsel expires November 1, 1991. Proposed terms and fee structures of the Bond Counsel's contract for personal services would remain the same. Dick advised the Board that staff recommended extension of the contract for two (2) years. Following a brief discussion George McCallum moved to accept the Bond Counsel contract extension of two years, Dean Mart seconded the motion, which was approved.

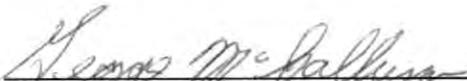
Dick updated the Board on the status of the MRB Sunset, 374 members of Congress have signed on as co-sponsors, which is a co-sponsorship record, the key to passage rests on whether or not there will be a piece of tax reform legislation. If there is no legislation this year the earliest one could expect an extension would be late summer 1992. Dick also noted that the National Association of Home Builders (NAHB) have passed a resolution and forwarded it to Congress urging Congress to extend both the MRB and LIHTC Programs.

Tom Mather raised the issue of a new bond issue in light of the questionable extension of the MRB. It was noted that the 91B issue has \$12,279,499.00 in available funds, the 91A issue has \$298,833.32 in available funds and that there is a normal decline of mortgage loans from October through January. It was asked, in light of the balance in the 91A issue, if it were possible to require, with a new issue, the old issue be used before the new issue could be used. The Board was advised that they can make that requirement. After further discussion it was decided to seriously look at an issue using variable rates at the next meeting in case the MRB is not extended.

SET NEXT MEETING DATE

The next meeting was set for Wednesday, November 6, 1991, in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
AUGUST 23, 1991
BOZEMAN PUBLIC LIBRARY
MEETING ROOM
220 EAST LAMME
BOZEMAN, MONTANA

- I. CALL MEETING TO ORDER - 8:30 a.m. - Vice Chairman Joe Gerbase
- II. APPROVAL OF MINUTES - Vice Chairman Joe Gerbase
 - July 25, 1991 Audit Committee Meeting
 - July 26, 1991 Business Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Review of June 30, 1991 Consolidated Financial Statements
 - B. Recap of FY91 Bond Redemption Activity
- IV. REVIEW OF REAL ESTATE OWNED - Dick Kain
- V. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Dick Kain
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- VII. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs & Co.
- VIII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series A and 1991 Series B
 - D. Quarterly Delinquency Report - June, 1991
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. PUBLIC MEETING - 10:30 a.m. to 12:30 p.m.
- XII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
BOZEMAN PUBLIC LIBRARY
MEETING ROOM
220 EAST LAMME
BOZEMAN, MONTANA
AUGUST 23, 1990

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Absent)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Absent)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Janet Kunz, Program Assistant

COUNSEL: Mike Mulrone, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Co.

OTHERS: Jeff Rupp, Human Resource Development Council (HRDC)
Roxana Hegeman, Bozeman Chronicle
Marcia Youngman, HOME, Inc.
Susan Gallaher, First Security Bank
Tom Wagner, Western Federal Savings
Pam Peters, Career Transitions - H.R.D.C.
Constance Welzel, Research
Representative Beverly Barnhart, Career Transitions
Jane Bhundelher, Career Transitions
Joan Davies, Dept. of SRS - Gallatin County Welfare
Rhonda Anderson, Career Transitions
Joan Redberg, United Way
Caren Couch, H.R.D.C. and HOME, Inc.

The meeting was called to order at 8:30 a.m., by Vice Chairman Joe Gerbase.

APPROVAL OF MINUTES

The minutes of the July 26, 1991 Business Meeting and the July 25, 1991 Audit Committee Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF JUNE 30, 1991 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, Comptroller, presented the Board's unaudited consolidated financial statements for the fiscal years ending June 30, 1991 and June 30, 1990. Significant changes between 1990 and 1991 were reviewed.

RECAP OF FY91 BOND REDEMPTION ACTIVITY

Kelly Rusoff reviewed with the Board the Bond redemptions that have occurred in FY91. Kelly noted each of the series that bond calls were made from and the amounts of the calls also making note of optional bond calls versus mandatory bond calls. The total of all calls for FY91 was \$37,038,909.90.

REVIEW OF REAL ESTATE OWNED

Richard A. Kain, Administrator, presented an analysis of REO properties received and sold from 4/16/91 through 8/7/91, which indicated that no properties were received, 4 were sold with an average time in inventory of 20 months and the approximate average loss on sale was \$11,700. Dick explained to the Board that on a potential REO property in Miles City, newspaper advertisements were run to try and obtain a third party bidder at the trustee sale. Dick further explained that with a VA loan in foreclosure that has been identified as a no-bid, there is the option to forgive a portion of the debt in advance of the trustee sale, VA would then purchase the property less the amount forgiven and in some cases it is in the best interest of the Board to forgive the debt and minimize the loss. In the case of the Miles City property \$6,000 of the outstanding debt was forgiven, resulting in an approximate loss of \$8,100 and avoiding an REO property.

Dick presented a comparison of gains/losses on the sale of REO's for FY90 and FY91, calling attention to the proceeds from sale of property. There are less properties in inventory for FY91 which reduces the Board's losses. Dick advised the Board that the offering of a \$500 Realty bonus has expedited the sale of property held in inventory. A review of outstanding REO's as of 7/20/91 was also reviewed by Dick, making note of both the net receivable still outstanding and rental income.

Dick reviewed the August 7, 1991 listing of REO properties available for sale and advised the Board that there are currently six properties available, four (4) in Billings all condominiums, one (1) in Miles City and one (1) in Wolf Point. Dick pointed out that two Buy/Sell Agreements have been received, one on the condominium listed at \$35,000 for the full price and one on the property in Miles City. The Board's approval to offer the Realty Bonus of \$500, in addition to the 7% real estate commission, on the property in Wolf Point was asked, Dean Mart so moved, seconded by Russ Dahl and was carried unanimously.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Dick Kain, presented to the Board the current status of the RAM program. The RAM program became operational effective October 1, 1990, since that time the Board has received 19 applications. As of August 16th there have been six (6) successful loan closings, three (3) in Missoula, and one (1) each in Polson, Somers and Butte. The average borrower age is 76.6 years, average income is \$7,008, the average loan to value is 70.1% with an average total principal to value 48.1%. Of the four (4) applications in process

one has returned a firm commitment, with a title policy being ordered, an appraisal has been ordered on another, one was returned to the applicant for clarification of income and the last one has been appraised and a letter sent noting needed repairs. There have been two homes that did not meet appraisal criteria and two applicants who withdrew their applications after being offered a firm commitment. Of the \$730,300 allocated there remains \$597,505 in funds available for the program.

LOW INCOME HOUSING TAX CREDIT

Dick Kain advised the Board that July 12th was the second round deadline for requests for reservation of 1991 tax credits. No applications were received. The third round deadline is September 13, 1991.

Dick presented an analysis of 1991 Low Income Housing Tax Credits Reserved or Allocated as of 8/12/91. Two projects have had a total credits reserved of \$39,041 and involve a total of 15 units. The remaining credit allocation is \$1,760,959.

An analysis of LIHTC's allocated since the program was begun in 1987 was presented. A total of 495 units have been assisted with the allocation of \$1,381,780.63 in Tax Credits. Each year was broken out separately, and shows that in each year of the program the 100 unit mark has been attained.

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Co., noted that because of world events the market has been unsettled, but expects to see slight increases in rates when the market begins to settle near the end of the year. Randy advised the Board that if an issue were completed today with a similar structure to the 1991B, the mortgage interest rate would be approximately 7.8%.

Randy presented to the Board an analysis of a variable rate issue as a means of bridging the Mortgage Revenue Bond (MRB) Sunset. Randy explained that with a variable rate issue the Board would need to assess future demand and issue bonds in an amount sufficient to meet that demand. The Board would then have a period of three years to convert those bonds to fixed rate bonds depending on the market and the mortgage rate achievable. Further, the cost of the variable rate issue would include the initial cost of issuance and remarketing fees each time bonds were converted. Randy explained that the process for issuance of a variable rate is the same as for a fixed rate issue. Another option that the Board may consider is to combine a variable and a fixed rate issue. Randy advised the Board to consider the costs and risks involved with the variable rate issue and then to wait as long as possible before issuing.

An analysis of Multifamily financing alternatives was also presented by Randy Hynote. Randy advised the Board that the three possible owners of a multi-family project would be: the Board or a Housing Authority; a non-profit organization or a for-profit developer. In each case the Board would be the issuer of bonds. Randy reviewed with the Board a comparison of requirements that would be associated with each ownership scenario and informed the Board that the most flexibility would occur if the Board owned the project but this also would carry the most risk.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

David J. Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate Report, as of August 20, 1991. The Board has issued 54 certificates, for \$605,768.00 in authority and has 61 reservations outstanding, for \$675,887.20 in authority. The average purchase price is \$58,603.74, the average loan amount is \$56,089.63 and the average borrower income is \$27,986.95. There remains \$8,718,344.80 in credit authority available for reservation. A listing of MCCs issued and reserved by county or targeted area was presented, along with the number of MCCs issued by month.

CASH ASSISTANCE PROGRAM

David Haviland reported on the Cash Assistance Program (CAP) as of August 22, 1991. There have been 11 reservations and 15 loans purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$3,108,626.12 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$77,108.41 in lendable funds available. David advised the Board that the typical family being served by the CAP Program consists of a husband, wife and one to two children.

1991 SERIES A AND 1991 SERIES B

David Haviland presented the Series Allocation Summary for 1991 Series A, as of August 19, 1991, which indicated that there remains \$222,685.03 in lendable proceeds. This amount has increased due to cancellations of 91A reservations, and will most likely be used after the 1991 Series B funds have been fully reserved.

The Series Allocation Summary for 1991 Series B, as of August 19, 1991 was presented by David Haviland. Of the initial \$23,310,500.00 in available proceeds, the Board has purchased 2 loans, for \$111,530.00, and has 99 reservations outstanding, for \$4,743,540.00. There remains available \$18,455,430.00 in lendable proceeds. Of the \$4,662,100 setaside for rural lenders \$800,997 has been reserved. David advised the Board that of the 101 reservations that have been received, 50 were from the 91A waiting list and that at the present time the 91B monies is moving quite slowly. David also indicated that the ratio of VA loans are increasing. The average percentage of VA loans purchased for Series' 90A through 90C was 6-7% and that the 91A issue saw a rise in VA loans to 8%.

QUARTERLY DELINQUENCY REPORT - JUNE, 1991

David Haviland presented the Board's delinquency statistics, as of 6/20/91, which indicates a continued decline in the number of delinquencies and number of loans in foreclosure with total delinquencies of 2.67% the lowest it has been in several years. Additionally, the Board's delinquencies continue to compare favorably with Montana, Regional and National statistics. A listing of delinquencies by issue and by lender was also presented.

OTHER BUSINESS

Dick Kain, presented a breakdown of the Housing Trust Fund, which has setasides for S&P rating affirmation, the RAM program, the CAP program and escrow deposits for 1991 Series A and 1991 Series B, and has a current balance of \$681,346. Dick also reviewed with the Board an analysis of available volume cap as of July 25, 1991, there is currently \$70,170,000 available for Single Family

programs. Dick also advised the Board that the allocations can be carried forward for a period of three years,

A News Release from the Iowa Finance Authority, regarding a \$30,000,000, 7.95% bond issue was shared with the Board, as was a Newsletter from the Massachusetts Housing Finance Agency regarding a \$103,000,000, 7.70% bond issue. Dick advised the Board that he was uncertain whether or not either of these two issues were subsidized.

SET NEXT MEETING DATE

The next meeting was set for Friday, September 27, 1991, at 9:30 a.m., in the Downstairs Conference Room of the Department of Commerce, with a meeting of the Investment Committee immediately following the regular Business Meeting. The Audit Committee will hold a meeting on Thursday, September 26, 1991, at 2:00 p.m., in the Board's offices.

The Board took a ten minute recess and reconvened in a public meeting.

PUBLIC MEETING

Joe Gerbase, Vice Chairman, introduced the Board members present and staff to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an overview of the reasons for the public meeting, and requested input from the participants on housing needs in the Bozeman area, and comments relative to the Board's current programs.

Joan Davies, Department of SRS and Gallatin County Welfare Department, advised the Board that many of the people she works with are at or below the poverty level and that there is a crucial need for more affordable housing. The typical family that is serviced by her department is a family of 3 or 4, usually a single parent, and receives a grant of \$469 per month in addition to food stamps and medicaid. Joan indicated that the HUD fair market rents in the Bozeman area are: 2 bedroom, \$520.00 per month; 3 bedroom, \$603.00 per month and 4 bedroom at \$701.00 per month.

Jeff Rupp, Human Resource Development Council (HRDC), a low income housing provider, advised the Board that for the three counties for which HRDC is responsible (Gallatin, Park and Meagher), the Section 8 waiting list is a minimum wait of two years. Jeff also indicated that as those people come to the top of the waiting list they have 120 days to find housing, or lose their certificate. Currently families have been looking for 90 days and as yet have been unable to find any kind of housing. Jeff stated that they manage 255 existing Section 8 certificates and 155 units. There are approximately 200 families and individuals on the waiting list with 50 on the 1 bedroom list, 4 on the 4 bedrooms list and 150 on the 2 and 3 bedrooms list.

Rhonda Anderson, participant in HRDC programs, explained that without the HRDC program that she would not be able to afford her rent, which is currently at \$425 per month and her portion is \$106. Rhonda also advised the Board that when she was looking for an apartment she found that many landlords would not take the housing certificate and several landlords were unwilling to rent to her because she has a small child.

Representative Beverly Barnhart, Career Transitions, works with displaced homemakers in finding employment and affordable housing. One of the largest barriers to displaced homemakers to attend training to get into the work force is finding affordable housing. Many of their clients living in outlying areas find it difficult to relocate to Bozeman to participate in the programs.

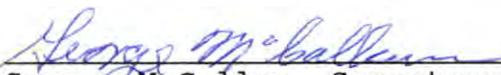
Marcia Youngman, President, HOME, Corp., a low income housing provider, told the Board that she has lived in Bozeman for 12 years and within that time there has not been a time when there was enough affordable housing. The problem of housing has not coincided with cyclical events in the economy and not only are the low income affected but it is also affecting middle income families as well. Marcia noted that in the Bozeman community homes in the \$50,000-\$60,000 price range are in substandard condition and that those in the \$80,000-\$100,000 price range are sold very quickly. Any new construction projects are aimed at the upper income levels, new construction for low income families has not occurred in the last ten years. Marcia also expressed the desire to work together with the Board on housing options.

Caren Couch, HRDC and HOME Corp., low income housing providers, thanked the Board for their assistance in working with the Home Corp., to build two low income homes in Bozeman, and expressed regret that because of unforeseen complications HOME Corp., has had to withdraw their request. Caren asked the Board to consider making available funds to write down the cost of building homes for low income persons and families, to give incentives to builders to build affordable homes, such as a lower interest rate or tax credits. Caren further noted that the Board's current programs are noteworthy and commendable and that HOME, Corp. looks forward to working with the Board on future endeavors.

Susan Gallaher, First Security Bank, advised the Board they have had a lot of interest in the Board's programs, but they have not been able to secure a loan under the last two bond issues. The problem they keep running into is that the housing that is available under \$75,000 will not pass an FHA appraisal and therefore not qualify for Board monies.

Joan Redberg, United Way, relayed to the Board a recent experience of hers in trying to rent her home in Belgrade. With in 24 hours after advertising the house she had received 35 calls. Again in December when the house was again available for renting she received 27 calls within 24 hours of her advertisement. Several of the calls were from people who had called the first time the house was available, they were still looking for a place to rent.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
JULY 26, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - June 26, 1991 Business Meeting
 - July 16, 1991 Special Conference Call Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ANDERSON, ZURMUEHLEN AND CO., P.C. - James Woy, C.P.A.
- V. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs & Co.
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series A and 1991 Series B Updates
 - D. Affordable Home Ownership and Management Enterprises (HOME) - Bozeman
- VII. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. FY91 Budget Status Report
 - B. Review of FY92 Legislative Appropriation
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JULY 26, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl, (Present)
Gerry Hudson, (Present)
Dean Mart, (Present)
Bob Thomas, (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Mary Walker, Secretary
Janet Kunz, Program Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Company
Mark Semmens, D. A. Davidson
Gordon Hoven, Piper, Jaffray and Hopwood

OTHERS: James Woy, C.P.A., Anderson, Zurmuehlen and Co.,
Marilyn Dusenberry, Anderson, Zurmuehlen and Co.,

The meeting was called to order at 8:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the June 26, 1991 Business Meeting and the July 16, 1991 Special Conference Call Meeting were approved as presented.

Janet Kunz introduced the Board to one staff member, Mary Walker, the Board's Office Secretary.

Janet then advised the Board that attached to their travel forms is a memo from Chuck Brooke, Director, Department of Commerce, to

Hotel/Motel owners, regarding the increase in state lodging rates to \$30.00 effective October 1, 1991. Several establishments have raised their rates as of July 1, 1991, the memo requests cooperation in charging the \$24.00 rate until the effective change date of October 1st.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee reported that the Committee met on Thursday, July 25th with James Woy, Marilyn, Dusenberry, and Dave Johnson of Anderson, Zurmuehlen and Company, the Board's new accountants. George reported that after a get acquainted discussion and review of numerous items of concern, several decisions were made including: disclosing commitments of the Housing Trust Fund; retaining the same basic format for audited financial statements as presented in FY90; changing the title of the Rebate Liability in the Balance Sheets to "Contingent Rebate Arbitrage Tax Liability Due to the U.S. Treasury"; changing the FY91 audited financial statements to include the Statements of Cash Flows but not restate FY90's statements to conform to the change; and the Committee emphasizing the continued performance of internal audits of the Board's servicers.

George then introduced Jim Woy, who will function as lead auditor, and Marilyn Dusenberry of Anderson and Zurmuehlen to the Board and turned the floor over to Jim Woy.

ANDERSON, ZURMUEHLEN AND CO., P.C.

Jim Woy, C.P.A., explained to the Board that Anderson and Zurmuehlen (A & Z) is a regional accounting firm in Montana with offices in Billings, Helena and Butte. Jim explained that A & Z had previously been the Board's auditors performing independent audits from 1975 to 1987. Jim stressed that A & Z is looking forward to working with the Audit Committee and the Board, he then introduced Marilyn Dusenberry of the Helena office.

UNDERWRITER'S UPDATE

Randy Hynote, Goldman, Sachs & Company, reported to the Board that the approved bond issue achieved a mortgage rate of 7.85%, the lowest unsubsidized rate since 1979, and that the issue closed on July 25th. Randy presented to the Board an analysis of bond orders/allotments for the 1991 Series B issue and a comparison of Mortgage Revenue Bond sales for the years 1988, 1989 and 1990 for Montana and neighboring states. The comparison shows that on in-state sales of bonds in Montana average 35%, which is the highest in the intermountain region. Randy indicated that Goldman will continue to try and satisfy the Montana market while also trying to achieve the lowest mortgage rate possible.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate (MCC) Program report as of July 24, 1991. The MCC-3 program became available June 1st and since then the Board has issued 27 certificates, for \$309,361.60 in credit

authority, and has 43 outstanding reservations, for \$487,724.00, with \$407,957.20 in targeted areas. The average purchase price is \$61,009.26 with an average loan amount of \$57,289.19 and the average gross annual income is \$28,077.98. \$9,202,914.40 remains available for reservation of credit authority. A list of the lenders participating in the MCC-3 program, including branches, were also presented to the Board.

CASH ASSISTANCE PROGRAM

David Haviland reported on the Cash Assistance Program (CAP) as of July 23, 1991. There have been 15 reservations and 7 loans purchased, of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$3,248,652 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$80,940.41 in lendable funds available. Billings continues as the largest user of the CAP program with 50% of the 22 reservations and loans coming from the Billings area.

1991 SERIES A UPDATE

David Haviland presented the Series Allocation Summary, as of July 23, 1991, for the Board's 1991 Series A issue. As of July 9th the 1991 Series A issue was fully reserved and a waiting list was implemented. Currently there are 43 reservations on the list representing approximately \$2.5 million dollars. Of the initial \$23,295,194.00 in available proceeds, the Board has purchased 238 loans, for \$11,988,793.63; and has 223 reservations outstanding, for \$11,271,189.00. The average purchase price is \$50,373.08; the average borrower income is \$27,288.01. Since July 23rd the total balance available for reservation, \$35,211.37, has been reserved by loans from the waiting list. David further advised the Board that if the 223 reservations can be purchased within the next four to six months it is thought that less than half of the monies in the escrow account will be used. David indicated that of the 238 loans purchased 186 were from four (4) areas, Billings, Great Falls, Missoula and Kalispell.

1991 SERIES B UPDATE

David Haviland informed the Board that the Invitation to Participate in the 1991 Series B Single Family Mortgage Program and the Addendum to Mortgage Purchase Agreement and Servicing Agreement had been mailed out to all qualified lenders. David advised the Board that the language in the Addendum had been changed to reserve the Board's right to revise the provisions of the Procedure Guide. There will be \$23,310,000 in lendable funds available and reservations will be accepted beginning August 5th, and that those reservations on the waiting list will be confirmed prior to August 5th.

David advised the Board that a memo had been mailed informing participating lenders that the REO Pool, Low Income Pool setasides and the 5% Lender Cap have been discontinued. David received in response a letter from Marleen Anderson of First Security Bank, Livingston, addressing her concern that discontinuing the 5% Lender Cap would place Livingston, with a population slightly greater than

5,000, in the situation of having to compete with larger communities. Marleen requested that Board consider increasing the population limit to possibly 7,500. David presented a list of cities and towns with a population below 5,000 and those with populations less than 10,000. The Board decided to keep the matter under advisement and to watch the situation with the new bond issue. The Board also asked David to keep track of the percentage of VA loans to FHA loans.

AFFORDABLE HOME OWNERSHIP AND MANAGEMENT ENTERPRISES (HOME)-BOZEMAN

David Haviland advised the Board that HOME Corporation was unable to attend as scheduled and directed the Board's attention to a letter sent to Caren Couch, Program Manager of HOME Corporation, addressing concerns and requested information of HOME Corporation.

ACCOUNTING AND REPORTING UPDATE

FY91 BUDGET STATUS REPORT

Kelly Rusoff, Comptroller, presented the Board's fiscal year 1991 budget status, as of June 30, 1991. The Board's year-end expenditures are \$1,301,411, or 63% of the \$2,056,693 total budget authority for fiscal year 1991, leaving a balance of \$755,282.

REVIEW OF FY92 LEGISLATIVE APPROPRIATION

Kelly Rusoff presented the Board's budget appropriation for fiscal years 1992 and 1993. Kelly reviewed each category and explained the major expenses for each of the fiscal years. The total appropriation for FY92 is \$2,056,904 and for FY93 is \$2,009,991.

Dick Kain, thanked George McCallum for his assistance in presenting the 1993 Biennium budget request to the Legislature.

OTHER BUSINESS

Richard Kain, Administrator, presented an annual NCSHA Conference schedule to the Board. The conference, in Seattle, WA, has in the past been attended by members of the Board. Both Dick and George McCallum encouraged attending the conference and Dick advised the Board that as soon as he received further details those would be forwarded to them.

Dick noted that an Official Statement for the Series 1991 B bond issue had been included for the Board's review.

Dick shared with the Board a Housing Finance Authority (HFA) News Release Summary through July 12, 1991, to give the Board a feel for what other housing agencies around the country are doing. Recent activity in Colorado, California and Minnesota were specifically pointed out.

Dick advised the Board that he has asked Randy Hynote, at the next Board meeting, to address methods for bridging the Mortgage Revenue Bonds Sunset.

Dick presented a New Release from Fannie Mae regarding a demonstration rural home buyer program. Twenty states have been

chosen for the demonstration program that began June 27, 1991.

The Kentucky Housing Corporation (KHC) newsletter was distributed, which stated that KHC has available mortgage financing at a rate of 8.375% and that they have a new program to assist with the down payment and closing costs associated with buying a home.

New program brochures have been printed and are available for those requesting information regarding the Board's programs. Brochures were available for Board members to take with them.

Dick advised the Board the all of the Congressional delegation have signed on as co-sponsors of the Mortgage Revenue Bond Sunset Extension.

Tom Mather, asked for input regarding the cost difference between a \$25,000,000 bond issue and a \$50,000,000 bond issue. Based on a comparative analysis prepared for him by Dick, Tom estimated that a larger issue would actually constitute a cost savings. Randy Hynote explained that economies of scale do favor a larger issue, however in today's market, particularly concerning the issue of negative carry and a required escrow account, would more than likely eat up any savings received from a larger issue. After discussing several suggestions made regarding gauging the size of issues to the seasonality of markets, qualifying lenders once a year and advertising the issues, the Board tabled discussion to a future meeting.

Gerry Hudson commented that the cooperation that 1991 Series A lenders received from the Board's staff, during the last minute rush to get loans closed by the end of June was outstanding. Reservations were received in the morning and confirmed the same afternoon, Gerry asked that the staff be commended on their efforts.

SET NEXT MEETING DATE

The next meeting was set for August 23, 1991, at 8:30 a.m., in the Bozeman Public Library, Meeting Room, 220 East Lamme Street, Bozeman, MT.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

August 23, 1991
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, July 25, 1991 at 3:00 p.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Gerry Hudson, Bob Thomas members of the Audit Committee, Dave Johnson, Marilyn Dusenberry, Jim Woy of Anderson, Zurmuehlen and Co., and Kelly Rusoff, Comptroller.

Dave Johnson began the meeting with a discussion regarding the function of an Audit Committee and the types of communications that will need to exist between the Committee and Anderson, Zurmuehlen and Co.

In regards to commitments of the Housing Trust Fund during FY91, it was decided to disclose the escrow deposit amounts on the 1991A issue and to disclose the deposit Standard and Poor's required to affirm bond ratings on certain issues. Monies that were committed for the Reverse Annuity Mortgage Program and the Cash Assistance Program will also be disclosed.

Anderson and Zurmuehlen initiated discussion concerning simplification of the audited financial statements, it was agreed that these statements will remain in basically the same format as presented in FY90.

The decision was made to change the title of the Rebate Liability in the Balance Sheets to "Contingent Rebate Arbitrage Tax Liability Due to the U.S. Treasury".

The Audit Committee emphasized the need for the Auditors to perform audits on the Board's servicers and to continue the process of having these internal audits performed.

As to the change in the Statements of Cash Flows that the Board must start presenting in its audited financial statements, it was decided that the Board would not restate last year's statement (FY90) to conform to this change, but would include the statement in its FY91 statements.

There was no further business, and the meeting adjourned at 4:20 p.m.


George McCallum, Chairman

Dated _____

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE BONDS
1991 Series B
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Wednesday, July 24, 1991, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATED: July 16, 1991.

MONTANA BOARD OF HOUSING

By: Richard A. Kain
Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
P.O. Box 1144
Fourth Floor, Montana Club Building
Helena, MT 59624-1144
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MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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Notice having been given, a Public Hearing was held on the Board's proposed issuance of \$25,000,000 in Mortgage Revenue Bonds to finance single family homes for qualified families in Montana. The hearing was held on Wednesday, July 24, 1991, in the Board's Conference Room, at 2001 11th Avenue, Helena, MT.

The hearing opened at 9:00 a.m., and was attended by Richard A. Kain, Administrator, and Janet Kunz, Program Assistant. No comments, either oral or written were received, and the hearing closed at 9:10 a.m.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

A handwritten date in blue ink that reads "7/24/91".

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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NOTICE OF SPECIAL MEETING

July 11, 1991

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, July 16, 1991, at 2:00 p.m., M.D.T., for the purpose of reviewing material relative to the potential issue of the 1991 Series B Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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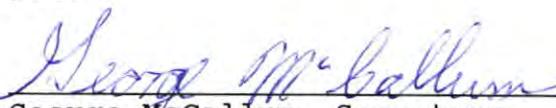
Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday July 16, 1991, at 2:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. Randy Hynote, Goldman, Sachs and Company; Barry Gottfried, Goldman, Sachs and Company; Steve Spitz, Orrick, Herrington and Sutcliffe; Patrick Tam, Orrick, Herrington and Sutcliffe; Jim Arundel, Kutak, Rock and Campbell; Mike Mulrone, Luxan and Murfitt; Jim Cowgill, First Interstate of Denver; and staff members Dick Kain, David Haviland, Kelly Rusoff, Sue Mannix, Meredith McGuire, Mary Walker and Janet Kunz also participated.

Randy Hynote reviewed the structure and pricing of the Board's 1991 Series B bonds, which were offered on July 11, 1991. The issue will allow the Board a maximum mortgage interest rate of 7.88%, and is scheduled to close on July 25, 1991.

Jim Arundel and Mike Mulrone presented Resolution #91-7-16-S5 (attached). The Resolution approves a program to finance single family housing; authorizes the issuance of \$25,000,000 aggregate principal amount of single family mortgage senior bonds, 1991 Series B-1 and Series B-2; and single family mortgage subordinate bonds, 1991 Series B-2; approves the Trust Indenture and other documents; authorizes the creation of a special escrow account, in an amount not to exceed \$125,000 for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1991 Series B bonds; authorizes the bond purchase contracts dated July 12, 1991; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds.

Joe Gerbase moved that the mortgage interest rate be set at 7.85%, Gerry Hudson seconded the motion which passed unanimously. Gerry Hudson then moved that Resolution #91-7-16-S5 be adopted, which Dean Mart seconded, the motion carried unanimously as presented.

There was no further business, and the meeting adjourned at 2:35 p.m.


George McCallum, Secretary

7-26-91
Dated

RESOLUTION NO. 91-7-16-S5

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1991 SERIES B-1 and 1991 Series B-2 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1991 SERIES B-2 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING AND AUTHORIZING THE CREATION OF A SPECIAL ESCROW IN CONNECTION THEREWITH; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1991 Series B-1 and 1991 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1991 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1991 Series B Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1991 Series B Bonds (the "1991 Series B Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of July 1, 1991 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1991 Series B Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated July 5, 1991, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1991 Series B Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch Capital Markets and Piper, Jaffray & Hopwood Incorporated (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated July 5, 1991, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1991 Series B Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated July 12, 1991, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated July 12, 1991, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1991 Series B Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1991 Series B Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1991 Series B 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 1991 Series B Bonds do not involve direct loans.

Section 2. Approval of 1991 Series B Mortgage Purchase Program. The 1991 Series B Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1991 Series B Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds; Authorization of Special Escrow Account. The issuance of the Board's Single Family Mortgage Senior Bonds, 1991 Series B-1 and 1991 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1991 Series B-2 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1991 Series B Bonds"), is hereby authorized and approved. The 1991 Series B Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1991 Series B Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1991 Series B Mortgage Purchase Program the interest rate on which will be equal to or less than 8.00% per annum. The 1991 Series B 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 1991 Series B Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust

Indenture) for purposes of executing and attesting the 1991 Series B Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee. In addition, in connection with the issuance of the 1991 Series B Bonds, the creation of a special escrow account with First Interstate Bank of Denver, N.A., as escrow agent with respect thereto, from moneys in the Board's housing trust fund in an amount not to exceed \$125,000.00, for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1991 Series B Bonds, is hereby approved, and the Chairman, Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver an escrow deposit agreement for the purpose of evidencing the creation of such special escrow account and the application of moneys therein as contemplated hereby.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated July 12, 1991, and the Subordinate Bond Purchase Contract, dated July 12, 1991, are hereby approved in the form submitted at this meeting and the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver the Bond Purchase Contracts with such changes, insertions or omissions therein as may be approved by such officer of the Board, such approval to be evidenced conclusively by such execution of the Bond Purchase Contracts.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his

designee, each of which is hereby approved as a lender under the 1991 Series B Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1991 Series B Mortgage Purchase Program, the Trust Indenture, the Preliminary Official Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1991 Series B Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

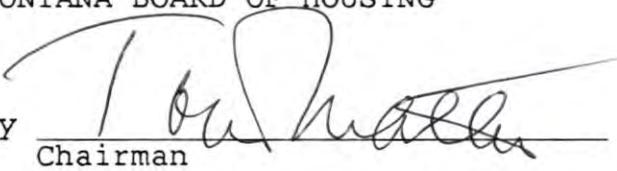
Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1991 Series B Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

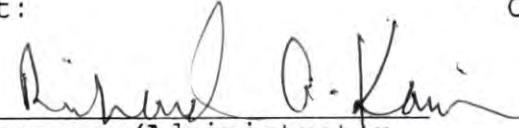
ADOPTED by the Montana Board of Housing this 16th day of July 1991.

[SEAL]

MONTANA BOARD OF HOUSING

By 
Chairman

Attest:

By 
Treasurer/Administrator



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
JUNE 26, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- May 31, 1991 Business Meeting and
Public Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Budget Status Report - May 31, 1991
 - B. Review of March 31, 1991, Consolidated Financial Statements
 - C. Norwest Bank-Minnesota, 1977 Single Family Trust Indenture
- V. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs & Co.
- VI. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Mortgage Credit Certificate Program
 - B. 1990 Series C and 1991 Series A Updates
 - C. Cash Assistance Program
 - D. Review Request to Change Setaside Requirements - Affordable Home Ownership and Management Enterprises (HOME) - Bozeman
 - E. Annual Income Limit Review
 - F. Review of Low Income and Real Estate Owned Setasides
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JUNE 26, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Absent)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Judy Broadwater, Accounting Tech.
Tonja Chernick, Accounting Tech.
Janet Kunz, Program Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt
Board Counsel
Jim Arundel, Kutak, Rock and Campbell
Bond Counsel

OTHER: Gordon Hoven, Piper, Jaffray and Hopwood
Mike Jansen, Piper, Jaffray and Hopwood
Caren Couch, HOME - Bozeman
Jeff Rupp, HOME - Bozeman
Mark Semmens, D. A. Davidson and Co.
Dick Spalding, Merrill Lynch
Randy Hynote, Goldman, Sachs and Company

The meeting was called to order at 9:30 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the May 31, 1991 Business Meeting and Public Meeting were changed to reflect that the first motion under the NHS presentation which read: "...that \$200,000 be moved and requests an additional \$285,000 to be used in conjunction with the \$230,000 in

grants for the Ownership in Partnership Project. Dean Mart so moved...", be changed to: "...Gerry Hudson so moved...". Dean indicated that he did not make the motion. After review of the records the minutes were changed and approved.

AUDIT COMMITTEE REPORT

George McCallum reported that the Audit Committee Meeting scheduled for June 25th at 3:00 p.m. was canceled, as a new accounting firm was awarded the auditing contract. The firm of Anderson and Zurmuehlen has been chosen and advised the Board that the Audit Committee meeting will be rescheduled.

ACCOUNTING AND REPORTING UPDATE

Kelly Rusoff, Comptroller introduced the Board to two staff members, Tonja Chernick and Judy Broadwater, both Accounting Technicians.

BUDGET STATUS REPORT- MAY 31, 1991

Kelly Rusoff, Comptroller, presented the Board's budget status, as of May 31, 1991. Kelly indicated that two transfers of spending authority in the amounts of \$8,000 and \$55,000 had occurred, which reduced the Board's spending authority to \$2,041,043. The Board has spent \$1,027,727 or 49% of the \$2,041,043 appropriation for fiscal year 1991, leaving a balance of \$1,063,966.

REVIEW OF MARCH 31, 1991 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, presented the Board's unaudited consolidated financial statements for the period ending March 31, 1991 and March 31, 1990 and reviewed significant changes between 1990 and 1991. Dean moved that the financial statements be approved as presented, George McCallum seconded the motion which was carried unanimously.

NORWEST BANK-MINNESOTA, 1977 SINGLE FAMILY TRUST INDENTURE

Kelly Rusoff, advised the Board that a change in the wire transfer procedure with Norwest Bank-Minnesota will become effective July 22, 1991. This change will affect six (6) Series in the 1977 Indenture. Prior to July 22nd, mortgage payments were collected and held for a month at Norwest Bank-Billings, and then transferred to Norwest Bank-Minnesota. After July 22nd mortgage payments will be wire transferred directly to Norwest Bank-Minnesota. The payment of principal and interest would not be affected.

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Company, presented an analysis of the current market conditions, indicating to the Board that if an issue were completed today with a similar structure to the 1991A, a 30 year AMT bond at 7.5% with a mortgage interest rate that would translate to right around 8.0%. Randy also advised the Board that the negative spread between short term and long term rates still exists. If another issue were authorized a second escrow account would need to be setup with approximately another \$145,000 contributed by the Board.

Randy presented an analysis of distribution for the 1991A Series A bonds. Randy indicated that of the \$25,000,000 in bonds 20% of the sales were attributed to individual purchases in Montana.

SINGLE FAMILY PROGRAM UPDATE
MORTGAGE CREDIT CERTIFICATE PROGRAM

David Haviland, Single Family Program Officer, presented the Mortgage Credit Certificate (MCC) Program report as of June 24, 1991. The Board has issued 2 certificates, for \$25,469.40 in credit authority, and has 23 outstanding reservations, for \$261,600.40, an additional 20 reservations have been received since Monday, June 24, 1991. Since only 2 certificates have been issued the averages are not reflective of the program. \$9,712,930.20 remains available for reservation of credit authority.

1990 SERIES C AND 1991 SERIES A UPDATES

David Haviland presented the Series Allocation Summary for the 1990 Series C program, and indicated that he had previously reported the funds to be fully reserved in February, 1991. Because of cancellations there is currently \$110,847.68 remaining in available funds.

David Haviland presented to the Board a comparative analysis of mortgage funds reserved for Series 90A, 90B, 90C and 91A. The analysis showed funds that were reserved within the first 15, 30 and 45 days of issue and the number of days taken to fully reserve the issue. David presented the Series Allocation Summary Report for the 1991 Series A issue, as of June 24, 1991. The Board began taking applications on April 30th and of the \$23,295,194.00 in lendable proceeds, 95 loans for \$4,883,373.61 have been purchased and reservations for 240 loans, for \$12,015,461.00 have been taken. The Board was advised that through June 25th there was \$4,777,877.16 in lendable funds available (\$1,083,321.96 in the regular income pool, \$3,461,603.20 in the low income pool, and 232,952.00 in the REO pool) and that after Friday June 28th the 5% cap will be lifted.

David informed the Board that at the rate that funds were being reserved the funds would last through the first or second week of July.

CASH ASSISTANCE PROGRAM

David reported on the Cash Assistance Program (CAP) as of June 20, 1991. There have been 11 reservations and 2 loans purchased, of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$3,553,197 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$89,292.41 in lendable funds available. Billings is currently the largest user of the CAP program. David advised the Board that there are 41 lenders participating in the program.

REVIEW REQUEST TO CHANGE SETASIDE REQUIREMENTS - AFFORDABLE HOME OWNERSHIP AND MANAGEMENT ENTERPRISES (HOME) - BOZEMAN

David presented for the Board's review and action several changes that the HOME Corporation has requested be made to its February, 1991, 6-7/8% setaside. First HOME has asked that the Annual Family Income, for a family of four, be increased from the previously approved \$22,560 to \$23,450, this would correspond to fiscal year 1991 federal income limits. Secondly, HOME requests that the Annual Family Income of assumptors, for a family of four, be at or below Gallatin County's Low Income Limit at the time of assumption. Next that the grant to be used in conjunction with the setaside funds will be from HOME's parent corporation (District IX Human Resources Development Council) instead of FHLB-Seattle and that the

setaside will expire July 1, 1992. Lastly HOME would like to initiate resale restrictions of the homes and change the mechanics of the second loan. David also reviewed a letter from Belinda D. Rinker, Attorney-at-Law. The discussion that followed included concern regarding the size of the house payment, resale to a non-qualified buyer, the \$7,000 difference between the appraised price (\$66,000) and the purchase price (\$59,000), how it would be repaid and if FHA had approved the form of the second loan. Dean Mart moved that after a more indepth review that the requested revisions be made contingent upon Dick Kain and David Haviland's approval, Bob Thomas seconded the motion, after further deliberation Dean withdrew his original motion and George McCallum moved that after the revisions had been examined further the Board hold a telephone conference and take action at that time, the motion was seconded by Bob Thomas and all members present agreed.

ANNUAL INCOME LIMIT REVIEW

As required by the Administrative Rules of the Board, David Haviland presented updated information on the Federally imposed maximum income limits allowed by Treasury regulations. David reported that maximum income limit is based on family size and location of the property in the state. The Federally imposed limits increased in February, 1991 and were adopted for the Single Family programs by the Board at their March 22, 1991 meeting. The Board can establish limits lower than the maximum federal limits but not higher. David reviewed the method of calculating the maximum limits. Following a discussion of the limits the Board decided to retain the current income limits.

REVIEW OF LOW INCOME AND REAL ESTATE OWNED SETASIDES

David reexamined with the Board the reasoning behind the setting up of the Low Income and REO setasides and explained that both the REO and Low Income pools have been very helpful. However, the REO inventory is considerably lower and with the new CAP program aimed at lower income households the staff feels that it may not be in the best interest of the Board to retain these setaside pools. Dean Mart moved that the Low Income and REO setaside pools be removed in future bond issues, George McCallum second the motion. The motion carried unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Richard A. Kain, Administrator, advised the Board that May 10th was the first round deadline for requests for reservation of 1991 tax credits. Four applications were received, two applications were retained for completeness and soundness in compliance with selection criteria, these were presented for the Board's review and action. An application from the Heights Centennial Apartments II Project in Billings, with a projected placed in service date of October 30, 1991, was presented. The project will consist of 9 elderly units and is requesting \$29,169 in tax credits. The eligible basis is \$324,100, with the qualified basis also \$324,100.

The second application from the Winnett Apartments, in Winnett, was presented. The project is a FmHA 515 project, with 6 elderly units and a projected placed in service date of November 15, 1991. The project is requesting \$10,480 in tax credits, with an eligible basis of \$261,980 and a qualified basis of \$261,980. Upon motion of George McCallum, seconded by Russ Dahl, the Board approved the application for reservation, and authorized the Administrator to pursue a reservation agreement.

OTHER BUSINESS

A NCSHA Newsletter was shared with the Board by Dick, pointing out that both Representatives Marlenee and Williams have signed on as co-sponsors of the MRB extension and eighty-six of 100 Senators and 302 Representatives have signed on as co-sponsors of the MRB extension bill.

Dick advised the Board that he has not received a response from any of the Congressional delegation regarding the Board's request for investigation into the principal residence requirement.

Dick directed the Board's attention to the Department of Commerce's publication Inside, particularly page four, containing a story regarding the Board's Low Income Housing Tax Credit Program, and page six regarding an article on the Series 1991 A bond issue and the Cash Assistance Program.

The Montana Builder, the Montana Building Industry Associations' newsletter, was shared with the Board. Dick made note of the Associations report that housing starts have increased and that 1991 looked very promising for the housing industry. Dick also drew the Board's attention to the 1990 vs. 1991 comparison of Montana's housing starts, by county.

Tom Mather, Chairman, began discussion of a new bond issue, in light of the remaining funds available (\$4,777,877.16 through June 25th) and the pending MRB sunset legislation, Tom proposed looking at a \$50,000,000 bond issue. It was noted that if authorization for a new \$25,000,000 issue was given today that the Board would again be required to set up an escrow account, contributing approximately \$145,000. After further discussion, a motion was made by George McCallum to authorize Randy Hynote to structure a \$25,000,000 bond issue with an interest rate of 8.0%, Bob Thomas seconded the motion which carried unanimously.

As a final topic the Board discussed what action should be taken regarding the distribution of bonds to investment firms with an in-state presence. It was decided to table this particular issue and consider a selection process for the investment banking team at the January, 1992 Board meeting. Dick Kain was instructed to prepare a letter to the brokerage community notifying them of the Board's action.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday July 26, 1991 at 9:30 a.m., in the Downstairs Conference Room of the Department of Commerce, with an Audit Committee meeting scheduled for June 25, 1991 at 3:00 p.m., in the Board's office.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

7-26-91
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF CANCELLATION OF COMMITTEE MEETING JUNE 21, 1991

The Audit Committee previously scheduled to meet on June 25, 1991, at 3:00 p.m., in the Board's office has been canceled and will be rescheduled at a future date.

STAN STEPHENS, GOVERNOR



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on June 25, 1991, at 3:00 p.m., in the Board's office.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
MAY 31, 1991
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- April 26, 1991 Business Meeting
- III. NEIGHBORHOOD HOUSING SERVICES, INC., GREAT FALLS - Nancy Stephenson - Executive Director
 - A. Affordable Housing Proposal
- IV. REPORT ON JUNE 1, 1991 BOND CALLS - Dick Kain
- V. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Dick Kain
- VI. UNDERWRITERS UPDATE - Dick Spalding, Merrill Lynch
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Quarterly Delinquency Report - March, 1991
 - B. Mortgage Credit Certificate Program
 - C. 1991 Series A Update
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. PUBLIC MEETING - 11:00 A.M. TO 1:00 P.M.
- XI. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA
MAY 31, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Absent)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Absent)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Janet Kunz, Program Assistant

UNDERWRITERS: Laurel Esterlein, Merrill Lynch & Co.
Dick Spaulding, Merrill Lynch & Co.
Phil Boggio, D.A. Davidson
Jim Orser, Piper Jaffray

COUNSEL: Terry B. Cosgrove, Luxan & Murfitt
Board Counsel

OTHER: Nancy Stephenson, Neighborhood Housing Services,
Inc., Great Falls
LaVonne Peck, District 7, H.R.D.C.
Dean Luptak, Coldwell Banker - The Brokers
Dan Hickey, Housing Development Associates
Bob Meek, Prudential - Floberg Realtors
Nina M. Severin, Security Federal Savings Bank
Eleanore Dickinson, 1st Federal Savings Bank - MT
Esther G. Bengtson, Senate District 49
Wayne Chestnut, Shearson Lehman Bros.
Steve Fenter, First Trust
Robin Morris, Western Bank
A. F. "Al" Littler, Prudential - Floberg Realtors
John Koppelman, Norwest Bank
Lucy Brown, Housing Authority of Billings
Martin Vaage, Norwest Mortgage
Agnes Hoffman, First Interstate Bank - Billings

R. L. Larsen, Mayor, City of Billings
Marla Peterson, MT Rescue Mission
Deb Malvey, Yellowstone Bank
Jay Jensen, Yellowstone Bank
John Tiskus, Dain Bosworth
Gary Buchanan, Dain Bosworth
Basil P. Andrikopoulos, Dain Bosworth
Nick Cladis, Paine Webber
Scott Johnson, Dain Bosworth
John Walsh, City of Billings
Carol House, 1st Federal Savings Bank

The meeting was called to order at 8:30 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the April 26, 1991 Business Meeting were approved as presented.

NEIGHBORHOOD HOUSING SERVICES, INC. - GREAT FALLS

Dean Mart announced to the Board that he would be abstaining from any discussion and voting on the Neighborhood Housing Services (NHS) proposal as he is president of NHS. Nancy Stephenson, Executive Director, Neighborhood Housing Services, Inc., presented for the Board's consideration several projects and proposals. The first, Owners in Partnership Project will consist of building 12 single family houses on the southside of the original Great Falls townsite and assist in securing that neighborhood from industrial encroachment and to finish the neighborhood. Building will be done in two phases beginning approximately August, 1991. The first will be the building of 5 houses and the second phase would be to build the remaining 7 houses. The houses will be energy efficient, low maintenance, each with its own yard, and 1,000 square feet with a full basement, lot sizes are 50' x 150'. Targeted families will include low and very low income families. Currently NHS has received \$180,000 subsidy grants [\$100,000 from the City of Great Falls and \$80,000 from Neighborhood Reinvestment (NHS's National Organization)] and a \$50,000 grant from the Federal Home Loan Bank, Affordable Housing Program is in process, totaling \$230,000 in subsidy.

The second project Nancy reported on involves the major rehabilitation of three house including 2 FHA repossessions. At this time two are almost complete and the third is just beginning work.

Lastly Nancy updated the Board on the 7-3/4% Affordable Housing Program Setaside. Of the \$1,000,000 allocation \$711,269 representing 16 loans have been purchased, leaving a balance as of May 24, 1991 of \$288,731. The average loan amount is \$45,150, the average borrower income is \$19,358 and the average down payment assistance is \$2,051. This program has worked so well that they will be able to do 23 to 25 houses instead of the original 20 homes thought, if an additional \$110,000 of 7-3/4% mortgage funds would be approved by the Board.

Nancy asked the Board's action on the following: first of the \$500,000 7-3/4% setaside, with a May 24th balance of \$368,765.40, that \$200,000 be moved and requests an additional \$285,000 to be used in conjunction with the \$230,000 in grants for the Ownership

in Partnership Project. Gerry Hudson so moved, Joe Gerbase seconded the motion, Gerry Hudson moved that the six month extension request to January 1, 1992 of the residual 7-3/4% setaside in the amount of \$168,765.40 be included in the previous motion, Joe Gerbase seconded the addition to the motion, and the motion was carried unanimously, with Dean Mart abstaining; and lastly Joe Gerbase moved that the Board setaside and additional \$110,000 of 7-3/4% mortgage funds to be used with the \$7,500 remaining of downpayment grant funds for the Affordable Housing Program, Russ Dahl seconded the motion which was carried unanimously, with Dean Mart abstaining.

REPORT ON JUNE 1, 1991 BOND CALLS

Richard A. Kain, Administrator, advised the Board that a total of \$9,542,923 in bonds will be called on June 1, 1991, from the Single Family II Trust Indenture, as a result of mortgage prepayments. A bond call history was also presented for Board review.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Dick Kain, presented to the Board the current status of the RAM program. The RAM program became operational effective October 1, 1990, since that time the Board has received 14 applications. As of May 24th there have been four (4) successful loan closings (2 in Missoula, and 1 each in Polson and Somers), and of the two (2) applications in process one has returned a firm commitment, with a title policy being ordered and the other is finishing needed repairs. There have been two homes that did not meet appraisal criteria and two applicants who withdrew their applications after being offered a firm commitment. Of the \$730,300 allocated there remains \$633,485 in funds available for the program.

UNDERWRITER'S UPDATE

Dick Spaulding, Merrill Lynch & Co., advised the Board that the current recession is expected to continue with recovery coming after Labor Day. Dick advised the Board that interest rates have remained the same with little change.

SINGLE FAMILY PROGRAM

QUARTERLY DELINQUENCY REPORTS

David J. Haviland, Single Family Program Officer, presented the Board's delinquency statistics, as of March 20, 1991. There are currently 11,016 loans outstanding with 3.07% in a delinquent status and 59 in possible foreclosure. David also advised the Board that of the 338 loans in a delinquent status 57 are following a written repayment plan. These figures continue to compare favorably with Montana, Mountain Region, and National statistics. Delinquency rates per servicer were also presented for Board review.

MCC PROGRAM UPDATE

David Haviland informed the Board that the Invitation to Participate and Participation Agreements for the Mortgage Credit Certificate Program will be mailed out next week, reservations will be accepted starting June 10th and that Recapture Tax will apply.

1991 SERIES A UPDATE

David Haviland presented the Series Allocation Summary Report for the 1991 Series a issue, as of May 28, 1991. The Board began taking applications on April 30th and of the \$23,295,194.00 in lendable proceeds, 2 loans for \$102,030.00 have been purchased and

reservations for 168 loans, for \$7,944,056.00 have been taken. There remains \$14,686,756.00 in lendable funds available for reservation. David advised the Board that reservations have been slow, averaging 10 reservations per day, and at the current rate the funds would last until mid-July. A possible reason for this could be lenders are waiting for the MCC program to begin.

David referred the Board to the last page of the Allocation Summary Report, which was a memorandum to Qualified 1991 Mortgage Lenders, regarding the Homebuyers Cash Assistance Program (CAP). David reported that as of May 15th, there have been two (2) confirmed reservations with \$1,600 in cash assistance, and one of those was in Billings. Currently 50 lenders have signed on with the program, with others indicating they will sign up when they have a borrower who needs the program.

OTHER BUSINESS

David presented for the Board's information a letter received May 28th from Caren Couch of the HOME Corporation in Bozeman. The letter indicated that building had begun May 14th, the status of the grant proposal to Seattle Federal Home Loan Bank and requested changes to the original terms and conditions, approved by the Board in February, 1991. David indicated that due to the limited time between receipt of the letter and the Board meeting that a more formal presentation would be given at the next Board meeting.

Dick Kain shared with the Board a Housing Finance Authority (HFA) News Release Summary through May 14, 1991, to give the Board a feel for what other housing agencies around the country are doing and advised the Board that there was only one recent national bond issue that achieved a rate less than the Board's current issue and that was California.

Dick updated the Board on the status of the Mortgage Revenue Bond Sunset Extension, as of yet Ron Marlenee and Pat Williams have not signed on as co-sponsors. Dick asked the Board for their assistance in again contacting Representatives Marlenee and Williams to encourage their sponsorship of the bill.

Dick also advised the Board that the Office of the Legislative Auditor's report, regarding Senate Joint Resolution 20 of the 1989 Legislative Session, was very favorable toward the Montana Board of Housing and recommended that the Multi-Family Program be renewed. Dick explained that Kelly Rusoff, Comptroller was attending a meeting of the Legislative Audit Committee in Helena today to review the report.

Tom Mather shared with the Board two (2) letters regarding the 5% cap on the loan funds for the first 60 days that funds are available for reservation. Several lenders have, within the first 30 days of the current issue, already attained the 5% limit. After a brief discussion reviewing the 5% cap lender limits, giving consideration to the impact on rural lenders, and reviewing the definition of rural lender, Dean Mart moved to change the current policy for any future bond issues to reserve 20% of the bond issue for the first 60 days for rural lenders (cities and towns with populations less than 5,000), Gerry Hudson seconded the motion and it was carried unanimously.

Gerry Hudson commented on his and Dick Kain's inspection of REO properties and informed the Board that one has been sold for the full asking price of \$5,000.

SET NEXT MEETING DATE

The next meeting was scheduled for June 26, 1991, at 9:30 a.m., in the Downstairs Conference Room of the Department of Commerce, with an Audit Committee meeting scheduled for June 25, 1991 at 3:00 p.m., in the Board's office.

PUBLIC MEETING

Tom Mather, Chairman, introduced the Board members present and staff to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an over view of the reasons for the public hearing, and requested input from the participants on housing needs in the Billings area, and comments relative to the Board's current programs.

Dean Luptak, Coldwell Bankers-The Brokers and current Board member for Human Resources Development Council, advised the Board the Billings economy and housing economy is improving, that there is very little construction and what there is in the \$90,000 to \$100,000 range. Dean stated he is seeing pressures on the rental markets, that rents being assessed are causing displacement of low income families and a doubling up of families in housing. Currently the rental market is catching up with Section 8 Housing. HRDC is looking into utilizing MBOH setaside funds in Billings much the same way NHS of Great Falls has in the last few years.

Dan Hickey, Housing Development Associates, develops multi-family low income housing, made a specific request regarding the Low Income Housing Tax Credit Program and the length of time it takes to process an application. Dan stated that he also works in the neighboring states of Wyoming and South Dakota, and the process in those states is as long. Dan asked the Board to consider approving applications without a funding commitment from financial institutions. Dan indicated multi-family projects are very important and that without them a certain number of individuals would be completely left out of the housing market.

Lucy Brown, Housing Authority of Billings, a low income housing provider, advised the Board that her agency is in desperate need of both multi-family and single family housing. Currently the Housing Authority serves 956 families and has a waiting list of 1,600 people (with an average annual income is \$6,600), which includes 200 large families needing 4 to 5 bedroom homes. The average tenant paid rent is \$80.00. Lucy noted the need for a public and private partnership in possibly forming a task force to address the needs that they are currently unable to meet.

LaVonne Peck of District 7-Human Resources Development Council, stressed an interest in working with the Board, financial institutions, and the FHLB to get people into low income housing ownership. LaVonne indicated that in the 5 counties within District 7, there are currently 350 families on their waiting list, most of whom need 3 and 4 bedroom homes, which have been closed around the state for the last several years. LaVonne stated that there are 136 vouchers/certificates available for the 5 counties served and 80% of those are in Big Horn county which has no housing at all.

Marla Peterson, Montana Rescue Mission, advised the Board that more and more families are losing their homes as a result of being under-employed or working only for minimum wages. Marla stated that their facility has room to house 135 people comfortably, an overflow situation has not yet occurred but since opening one year ago the number of people they serve has tripled, that the average stay for families is 2-3 months, and that these are people who aren't ready for ownership but those in need of low income housing rentals.

John Walsh, Community Development Department, City of Billings, indicated that his department provides funds to rehabilitate existing housing and asked the Board how they would work with local government and private lenders. John complimented the Board on their Cash Assistance Program that has recently been implemented.

Dick Larsen, Mayor, City of Billings, explained that since Billings is the largest city in the state and surrounding area that there has been an large influx of people looking for work and the community has not been able to accommodate all of them. The community is trying to work together to address these needs, particularly of the low income, but needs the help of the Board in assisting low income families. With the construction projects of Exxon and Conoco, people that have come in and picked up all of the affordable housing that was available. Mr. Larsen indicated that to address these issues there is first a need to define the problem and then work with all available agencies to find a solution.

Agnes Hoffman, First Interstate, congratulated that Board on the program system now in place as more equitable and works quite well with less confusion.

Nina Severin, First Federal Savings, reiterated Agnes Hoffmans comments and asked if there had been any consideration given to the problem of the inflexibility of the owner occupancy regulation. Nina was informed that the Board has contacted the Montana Congressional delegation to see if they could initiate a solution as it is a Treasury regulation. The Board advised all present to also contact the Congressional delegation with specific instances.

Al Littler, The Prudential-Floberg Realtors, asked the Board to comment on the success of the Board to bring in investment funds for low income housing. Dean Mart indicated that with the assistance of other grants the Board has been able to introduce several programs that have allowed families that otherwise would not have been able to afford homes the assistance to become homeowners, such as the Cash Assistance Program. The grants are available and need to get aggressive about finding those other sources of funding.

Senator Esther Bengtson, Senate District 49, indicated that the legislature didn't address housing needs as a separate issue, more as providing economic development or an infrastructure in the way of providing jobs, tax credits and incentives.

Several brokerage firms represented by Gary Buchanan, Dain Bosworth, Wayne Chestnut, Shearson Lehman Bros., and Nick Cladis, Paine Webber, stated their concern with the allocation of bonds made available to in-state brokers, particularly with the last issue.

There was no further business, Dean Mart moved that the Board meeting and Public Meeting adjourn, Russ Dahl seconded the motion which carried unanimously and the meeting adjourned.


George McCallum, Secretary

Dated

MONTANA BOARD OF HOUSING

Resolution No. 91-4-26-S4

A RESOLUTION OF THE MONTANA BOARD OF HOUSING RESERVING MONIES FROM THE HOUSING TRUST FUND TO ASSIST HOME BUYERS IN MEETING THE REQUIREMENTS OF A CASH DOWN-PAYMENT IN CONNECTION WITH THE PURCHASE OF A HOME; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, The Board of Housing has adopted a program to assist certain home buyers in meeting the requirements of a cash down-payment in connection with the purchase of a home; and

WHEREAS, The sum of \$100,000.00 has been approved for such purpose.

NOW THEREFORE BE IT RESOLVED:

(1) The sum of \$100,000.00 of the Housing Trust Fund is hereby reserved for this exclusive purpose of providing funds for the use of the Board in meeting its obligations in assisting certain home buyers in meeting the requirements of a cash down-payment in connection with the purchase of a home.

(2) The appropriate officers of the Board of Housing are hereby authorized and directed to take all necessary action to cause the intent and effect of this resolution to be timely consummated.

DATE: May 31, 1991

George M. Walker
Secretary

Tom Walker
Chairman



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
APRIL 26, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - March 22, 1991 Business Meeting
 - April 5, 1991 Special Conference Call Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Quarterly Budget Status Report
 - B. Progress Report on Developing In House Cash Flow Capacity
- IV. REVIEW OF REAL ESTATE OWNED - Dick Kain
- V. LEGISLATIVE UPDATE - Dick Kain
- VI. UNDERWRITERS UPDATE - Barry Gottfried, Goldman, Sachs and Co.
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. 1990 Series C Update
 - B. 1991 Series A Update
 - C. Homebuyer Down Payment Assistance Program - Proposed form of Second Loan
 - D. Review of Existing VA Down Payment Requirement on MBOH Loans
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
MONTANA CLUB BUILDING - SIXTH FLOOR
24 WEST SIXTH AVENUE
HELENA, MONTANA
APRIL 26, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Janet Kunz, Program Assistant

UNDERWRITERS: Barry Gottfried, Goldman, Sachs & Company
Gordon Hoven, Piper, Jaffray & Hopwood
Dick Spaulding, Merrill Lynch
Mark Semmens, D. A. Davidson & Company

COUNSEL: James Arundel, Bond Counsel
Kutak, Rock & Campbell
Mike Mulroney, Board Counsel
Luxan & Murfitt

The meeting was called to order at 9:45 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the March 22, 1991 Business Meeting and the April 5, 1991 Special Conference Call Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

QUARTERLY BUDGET STATUS REPORT

Kelly Rusoff, Comptroller, presented the Board's budget status, as of March 31, 1991. The Board has spent \$852,106 or 40% of the \$2,154,693 appropriation for fiscal year 1991, leaving a balance of \$1,032,587.

PROGRESS REPORT ON DEVELOPING IN HOUSE CASH FLOW CAPACITY

Kelly Rusoff advised the Board of the progress being made on staff's ability to provide in house cash flow reports. Kelly indicated that in

UNDERWRITER'S UPDATE

Barry Gottfried, Goldman, Sachs & Company, reported to the Board that the approved bond issue had achieved a better than expected mortgage rate of 7.9%, that the issue had closed on April 25th. Barry also advised the Board that Goldman expected market conditions to be such that if another issue were required in six months that the mortgage rate would be in the 8.0% - 8.10% range.

Barry indicated that both Utah and Colorado Housing Finance Agencies had bond sales last week and their mortgage rates were 8.14% and 8.05% respectively.

SINGLE FAMILY PROGRAM UPDATE

1990 SERIES C UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of April 23, 1991. The Board began taking applications on October 22nd and of the \$23,310,059.97 in lendable proceeds, 453 loans for \$21,835,045.00 have been purchased and reservations for 28 loans, for \$1,437,558.00 have been taken. The Board was advised that of the reservations on the waiting list, all were greater than the \$37,456.96 that remains to be reserved. The Board was advised that of the 453 loans 72 were purchased by families that had previously owned homes (these in targeted areas), 381 were first time homeowners, 32 were VA and 421 were FHA and that 441 were existing homes and 12 new construction.

1991 SERIES A UPDATE

David Haviland informed the Board that the Invitation to Participate in the 1991 Series A Single Family Mortgage Program had been mailed out to all qualified lenders and that a letter had also been sent to the local presidents of the Montana Association of Realtors to advise them of the program.

On April 25th, after the bond closing, a Notice of Acceptance had been mailed to 64 lenders, who had returned their completed applications. The staff will begin accepting reservation requests for the 1991A program on Tuesday, April 30th.

HOMEBUYER DOWN PAYMENT ASSISTANCE PROGRAM - PROPOSED FORM OF SECOND LOAN

David presented for the Board's consideration several alternatives for the proposed "Silent Second" loan and the Terms and Conditions for the "Silent Second". David reviewed the sources of the down payment assistance program and explained the alternative proposals. At this time there have been 33 lenders sign up for the program. Joe Gerbase indicated he would like to include a provision that if upon sale of the home the cash due the borrower, after payment in full of the first mortgage (including normal sales expenses), is less than two (2) times the payoff of the second loan, the second loan will be released upon a payment equal to 50% of the cash due the borrower. After discussion of the three alternatives Gerry Hudson moved that Alternative B - option 1, a second for a term of 30 years, interest would no longer accrue after the tenth year based on original borrowers continued occupancy - based on 7% simple interest and \$1,000 assistance annual interest cost \$70.00, balance owing at the end of ten years \$1,700 and balance at the end of

30 years \$1,000 principal and \$700 interest, be adopted by the Board and that the homeowner retains a minimum of 50% of the cash available from closing be incorporated into the Terms and Conditions. The motion passed with Tom Mather, Russ Dahl, Dean Mart, Gerry Hudson and Bob Thomas voting in favor and Joe Gerbase and George McCallum dissenting.

Joe Gerbase moved to setaside \$4,000,000 in 7-3/4% recycled mortgaged funds and to fund the previous motion with \$100,000 from the Housing Trust Fund, Dean Mart seconded the motion and it was carried unanimously.

The Terms and Conditions for the Homebuyers Down Payment Assistance program were reviewed. The Board dropped the assumability of the silent second and incorporated the provision that, at the time of sale, after payment in full of the first mortgage (including normal sales expenses), the cash due the borrower is less than two (2) times the payoff of the second loan, the second loan will be released upon a payment equal to 50% of the cash due the borrower, into the Terms and Conditions.

REVIEW OF EXISTING VA DOWN PAYMENT REQUIREMENT ON MBOH LOANS

David Haviland reviewed with the Board the VA down payment criteria that was adopted by the Board in September, 1988. The Board discussed the VA loan process, calculation of guaranty amount and the way other agencies are handling VA loans at this time. The Board determined to continue handling VA loans in the same manner as adopted in September 1988.

OTHER BUSINESS

Dick Kain asked the Board's approval to send Kelly Rusoff to the National Council of State Housing Agencies (NCSHA) 1991 Spring Workshop. The cost is estimated to be \$1,000. George McCallum moved to send Kelly to the NCSHA Spring Workshop, Russ Dahl seconded the motion and it was carried unanimously.

Dick advised the Board that Governor Stephens approved and signed the Low Income Housing Tax Credit Allocation plan for 1991 on March 30, 1991. A press release was issued April 19, 1991 and that the program is now available.

Dick directed the Board's attention to a draft letter to the Montana Congressional delegation regarding non-owner occupancy foreclosures. If the Board approved of the draft a finalized letter would be sent to each delegate, with Chairman Tom Mather's signature. The Board authorized Dick to send the letters intact.

A NCSHA Washington Update was reviewed with the Board by Dick, including testimony given to permanently extend both the Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Programs. Eighty-one of 100 Senators and 188 Representatives have signed on as co-sponsors of the MRB extension bill, with 81 Senators and 141 Representatives signing on as co-sponsor of the LIHTC extension bill. Tom Mather read letters from both Representatives Pat Williams and Ron Marlenee in regard to their support for the MRB extension.

house cash flows will be used as a management tool to make projections and to predict the Board's ability to meet future financial obligations, as well as to produce the required cash flow certificates for Trustees.

Two (2) firm were considered, Dubois, Brown and Company was ultimately chosen based on ease of understanding, cost and compatibility with the Senior Underwriter's cash flow software. At the present time the request and justification to purchase the cash flow software has gone through the Department of Commerce and has been sent to the Information Services Division of the Department of Administration, next a Purchase Order (PO) will need to be generated before June 1, 1991, and staff is expecting to have the system installed by July, 1991.

REVIEW OF REAL ESTATE OWNED

Richard A. Kain, Administrator, presented a historical profile of Real Estate Owned (REO) property received and sold since 1985. These are VA no bid foreclosures and the majority are in eastern Montana. Of the 24 properties sold in fiscal year 1990 the average loss was approximately \$13,000.00 and of the 9 properties sold so far in fiscal year 1991 the average loss is nearly \$11,700.00

Dick also presented an analysis of REO properties received and sold from 1/1/91 through 4/16/91, which indicated that 1 property was received, 2 were sold, average time in inventory was 5 months and the approximate average loss on sale was \$6,950. The Board currently has ten properties in inventory, four of the properties, which are condominium units, are rented, and the remainder of the properties are offered for sale.

Dick reviewed the April 30, 1991 listing of REO properties available for sale and advised the Board that there are currently six properties available, three (3) in Billings, two (2) in Miles City and one (1) in Wolf Point. Dick reviewed the Realty Bonus of \$500 and asked the Board's approval to again offer a \$500 bonus, in addition to the 7% real estate commission, with the new property listing. Dean Mart moved to continue offering the \$500 Realty Bonus, Russ Dahl seconded the motion which carried unanimously.

LEGISLATIVE UPDATE

Dick Kain, reported on legislation that may have an impact on the MBOH, including HB90, a portion of which allocates \$1,050,000 in additional annual volume cap to MBOH, which was signed by the Governor. That HB157, requiring return of investment of mortgage reserve fund to be credited to reserve fund, failed on the third reading in the House. And lastly that HB779, offering a mechanism to extend a trustee's sale more than once by reason of a bankruptcy action in a non-judicial foreclosure, was signed by the Governor.

Dick, also advised the Board that the budget request for the 92/93 Biennium remains intact. The budget has passed through the House and was sent to the Senate where Senate Finance Claims action applied a 4% vacancy savings factor to each year of the biennium on the theory that there will be some vacant positions.

Dick shared with the Board a Housing Finance Authority (HFA) News Release Summary through April 10, 1991, to give the Board a feel for what other housing agencies around the country are doing.

Bob Thomas shared with the Board pictures that he had taken on his recent tour through the Burnt Fork Manor project in Stevensville, the construction of which was assisted with Low Income Housing Tax Credits. Bob indicated that the project was very nice, the only problem that he could see was that people in wheelchairs weren't able to get close enough to the windows to completely enjoy the view.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday, May 24, 1991, at 8:30 a.m., to be held in Billings, with a public hearing to follow the meeting.

Noting that May 24th was the Friday of Memorial Day weekend the Board meeting was rescheduled to meet Friday, May 31, 1991, at 8:30 a.m., in Billings.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

Dated

NOTICE

The Board of Housing Board meeting scheduled for 9:30 a.m., April 26, 1991, has been moved to the Sixth Floor, Montana Club Building, 24 West Sixth Avenue, Helena, and will be held at 9:30 a.m., April 26, 1991.



Richard A. Kain
Administrator
Montana Board of Housing



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing was held on Monday, April 22, 1991, in the Board's conference room. Attending the hearing were: Richard A. Kain, Administrator; Mike Mulroney, Luxan and Murfitt (by speaker phone); Janet Kunz, Program Assistant. No comments, either written or oral, were received.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

April 22, 1991
Dated

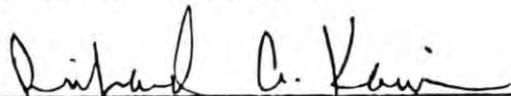
NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE BONDS
1991 Series A
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Monday, April 22, 1991, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

Dated April 8, 1991.

MONTANA BOARD OF HOUSING

By: 

Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624-1144
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MONTANA BOARD OF HOUSING

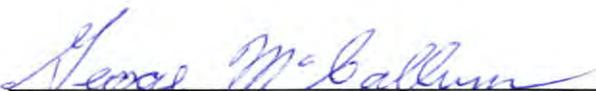
2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting of Friday, April 5, 1991, at 10:30 a.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. Randy Hynote, Goldman, Sachs and Company; Barry Gottfried, Goldman, Sachs and Company; Steve Spitz, Orrick, Herrington and Sutcliffe; Jim Arundel, Kutak, Rock and Campbell; Mike Mulroney, Luxan and Murfitt; Terry Cosgrove, Luxan and Murfitt; Jim Cowgill, First Interstate of Denver; and staff members Dick Kain, David Haviland, Kelly Rusoff, Sue Mannix, Tonja Chernick, Judy Gillespie, Meredith McGuire, Melody Johnston, Jeannene Maas, Nita Routzahn and Janet Kunz also participated.

Barry Gottfried and Randy Hynote reviewed the structure and preliminary pricing of the Board's 1991 Series A bonds, which were offered on April 2, 1991. The issue will allow the Board a mortgage interest rate of 7.90%, and is scheduled to close on April 25, 1991.

Jim Arundel and Mike Mulroney presented Resolution #91-4-5-S3 (attached), and related documents. The Resolution approves a program to finance single family housing; authorizes the issuance of \$25,000,000 aggregate principal amount of single family mortgage senior bonds, 1991 Series A-1 and Series A-2; and single family mortgage subordinate bonds, 1991 Series A-1; approves the Trust Indenture and other documents; authorizes the creation of a special escrow account, in an amount not to exceed \$150,000 for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1991 Series A bonds; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds. Resolution #91-4-5-S3, carried unanimously as presented.

There was no further business, and the meeting adjourned at 11:15 a.m.


George McCallum, Secretary

4-26-91
Dated

RESOLUTION NO. 91-4-5-S3

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1991 Series A (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1991 SERIES A-1 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING AND AUTHORIZING THE CREATION OF A SPECIAL ESCROW IN CONNECTION THEREWITH; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1991 Series A-1 and 1991 Series A-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1991 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1991 Series A Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1991 Series A Bonds (the "1991 Series A Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of March 1, 1991 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1991 Series A Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated March 22, 1991, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1991 Series A Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch Capital Markets and Piper, Jaffray & Hopwood Incorporated (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated March 22, 1991, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture, and the 1991 Series A Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated April 5, 1991, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated April 5, 1991, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1991 Series A Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1991 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1991 Series A 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 1991 Series A Bonds do not involve direct loans.

Section 2. Approval of 1991 Series A Mortgage Purchase Program. The 1991 Series A Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1991 Series A Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds; Authorization of Special Escrow Account. The issuance of the Board's Single Family Mortgage Senior Bonds, 1991 Series A-1 and 1991 Series A-2 (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1991 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1991 Series A Bonds"), is hereby authorized and approved. The 1991 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1991 Series A Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1991 Series A Mortgage Purchase Program the interest rate on which will not exceed 8.10% per annum. The 1991 Series A 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 1991 Series A Bonds shall be executed in the name of the Board by the Chairman of the Board, and attested to by either the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust

Indenture) for purposes of executing and attesting the 1991 Series A Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee. In addition, in connection with the issuance of the 1991 Series A Bonds, the creation of a special escrow account with First Interstate Bank of Denver, N.A., as escrow agent with respect thereto, from moneys in the Board's housing trust fund in an amount not to exceed \$150,000, for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1991 Series A Bonds, is hereby approved, and the Chairman, Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver an escrow deposit agreement for the purpose of evidencing the creation of such special escrow account and the application of moneys therein as contemplated hereby.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated April 5, 1991, and the Subordinate Bond Purchase Contract, dated April 5, 1991, are hereby approved in the form submitted at this meeting and the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver the Bond Purchase Contracts with such changes, insertions or omissions therein as may be approved by such officer of the Board, such approval to be evidenced conclusively by such execution of the Bond Purchase Contracts.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his

designee, each of which is hereby approved as a lender under the 1991 Series A Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1991 Series A Mortgage Purchase Program, the Trust Indenture, the Preliminary Official Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1991 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1991 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

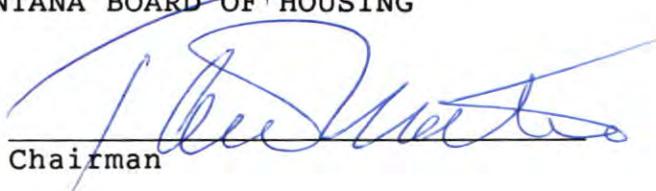
ADOPTED by the Montana Board of Housing this 5th day of April 1991.

[SEAL]

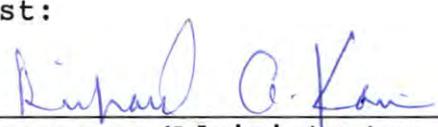
MONTANA BOARD OF HOUSING

Attest:

By


Chairman

By


Treasurer/Administrator

KUTAK ROCK & CAMPBELL

A PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

2400 ARCO TOWER
707 SEVENTEENTH STREET
DENVER, COLORADO 80202-3424

(303) 297-2400
FACSIMILE: (303) 292-7799

ATLANTA
BATON ROUGE
NEW YORK
OKLAHOMA CITY
OMAHA
WASHINGTON

April 3, 1991

Mr. Richard A. Kain
MONTANA BOARD OF HOUSING
2001 Eleventh Avenue
Helena, MT 59620-0528

Dear Dick:

Enclosed is a revised Board Resolution showing the change to Section 11 as we discussed on the telephone today.

Warmest personal regards,


James D. Arundel

sa



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
MARCH 22, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - February 22, 1991 Business Meeting
- March 13, 1991 Special Conference Call Meeting
- Chairman Tom Mather
- III. ELECTION OF OFFICERS AND COMMITTEE APPOINTMENTS - Chairman Tom Mather
- IV. REVIEW OF GOVERNMENT AUDITING STANDARDS - Terry Alborn - Junkermier, Clark, Campanella, Stevens. P.C.
- V. DAIN BOSWORTH, INC., PRESENTATION - Gary Buchanan and Frank Fallon
- VI. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Review of December 31, 1990 Consolidated Financial Statements
 - B. Report on April 1, 1991 Bond Calls
- VII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. Quarterly Delinquency Report - December, 1990
 - B. 1990 Series C Update
 - C. Proposed Down Payment Assistance Program
- VIII. UNDERWRITERS UPDATE
- IX. LEGISLATIVE UPDATE - Dick Kain
- X. LOW INCOME HOUSING TAX CREDIT PROGRAM - Dick Kain
- XI. OTHER BUSINESS
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
MARCH 22, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
Gerry Hudson (Present)
Dean Mart (Present)
George McCallum (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Janet Kunz, Program Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Barry Gottfried, Goldman, Sachs and Company
Laurel Esterlein, Merrill Lynch & Co.
Mike Jansen, Piper, Jaffray & Hopwood
Gordon Hoven, Piper, Jaffray & Hopwood
Mark Semmens, D. A. Davidson

OTHERS: Terry Alborn, Junkermier, Clark, Campanella,
Stevens, P.C.
Stan Dirks, Orrick, Herrington
Gary Buchanan, Dain Bosworth, Inc. - Billings
Frank Fallon, Dain Bosworth, Inc. - Minneapolis, MN
Dan Shull, Dain Bosworth, Inc. - Great Falls
Basil Andrikopoulos, Dain Bosworth, Inc. - Billings
Ken Duncan, Dain Bosworth, Inc. - Great Falls

The meeting was called to order at 9:40 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the February 22, 1991 Business Meeting and March 13, 1991 Special Conference Call Meeting were approved as presented.

ELECTION OF OFFICERS AND COMMITTEE APPOINTMENTS

Tom Mather, Chairman entertained nominations for the positions of Vice Chairman and Secretary. Dean Mart moved that Joe Gerbase be nominated for Vice Chairman, Bob Thomas seconded the motion. There being no additional nominations for Vice Chairman, a vote was taken and Joe Gerbase was unanimously approved as Vice Chairman. Tom then called for nominations for Secretary, Joe Gerbase moved that George McCallum be nominated and Russ Dahl seconded the motion. There being no further nominations for Secretary, a vote was taken and George McCallum was unanimously approved to the position of Secretary.

Tom then made appointments to the Audit Committee and the Investment Committee. George McCallum will continue as Chairman of the Audit Committee with Bob Thomas and Gerry Hudson to serve as members. Joe Gerbase was designated Chairman of the Investment Committee. Russ Dahl was held over as an incumbent and Dean Mart was appointed to serve as the remaining member of the committee.

REVIEW OF GOVERNMENT AUDITING STANDARDS

Terry Alborn, Junkermier, Clark, Campanella, Stevens, P.C., reviewed for the Board both Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards. Terry explained that GAAS deal with the quality and performance of auditing procedures. There are ten (10) approved and adopted standards of the American Institute of Certified Public Accountants (AICPA). These are divided into the three (3) categories of General Standards, Standards of Field Work and Standards of Reporting. These Standards are applied using the detailed guidance of the AICPA's Statements on Auditing Standards (SAS).

When conducting a government audit, government auditing standards issued by the Comptroller General of the United States (the "yellow book") are incorporated with GAAS. Government auditing standards require more detailed work paper documentation, a report on the internal control structure, a report expressing assurance about compliance with laws and regulations based upon tests of compliance and the reports must state that the audit was made in accordance with government auditing standards. Terry indicated that the main difference between a typical audit and a government audit was that a government audit required more detail and compliance with rules, regulations and the IRS codes.

DAIN BOSWORTH, INC., PRESENTATION

Gary Buchanan, Dain Bosworth, Inc., Billings; Frank Fallon, Dain Bosworth, Inc., Minneapolis, MN; Ken Duncan, Dan Shull, Dain Bosworth, Inc., Great Falls; and Basil Andrikopoulos, Dain Bosworth, Inc., Billings presented a summary of Dain Bosworth's past services to the Board. Gary Buchanan presented an overview of Dain Bosworth and asked to be considered for reinstatement to the

team of underwriters. Gary stressed the importance of selling as many quality bonds in Montana as possible, that there was high demand for quality bonds and that they currently are unable to fulfill the demand they have for Montana Board of Housing bonds, that Dain's brokers live in the communities and make contributions to the communities. Gary introduced Basil Andrikopoulos, Ken Duncan, Dan Shull, and Frank Fallon. Frank Fallon explained that if they were reinstated he would be the lead representative at the underwriter level, that he was involved when the Board was initially created and that Dain provided support in the areas of the original legislation and bond documents, that the technical work would be done in Minneapolis and the sales would be done mainly in Montana. Frank again emphasized that they would like to be reinstated as a member of the underwriting team.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF DECEMBER 31, 1990 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, Comptroller, presented the Board's unaudited consolidated financial statements for the period ending December 31, 1990 and December 31, 1989 and reviewed significant changes between 1989 and 1990.

REPORT ON APRIL 1, 1991 BOND CALLS

Kelly Rusoff, reported the Board will call \$2,085,000 in bonds from the Single Family I indenture in a mandatory call from prepayments. Additionally, there will be \$310,000 in bonds called from the Single Family III indenture, and \$340,000 called from Single Family IV.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT

David J. Haviland, Single Family Program Officer, presented the Board's delinquency statistics, as of 12/20/90, which indicate a slight increase in the number of delinquencies and number of loans in foreclosure. With 10,816 loan outstanding, 1.84% were 30 days past due, .63% were 60 days past due and .53% were 90 days past due, with total delinquencies being 3.0%. However, the Board's delinquencies continue to compare favorably with Montana, Regional and National statistics. David indicated that delinquencies have increased as a result of offering a repayment plan, instead of the borrowers going into foreclosure. There are currently 60 borrowers with written repayment plans, paying an average of 1.25% of their payment to get caught up and back into a current status. A listing of delinquencies by servicing institution was also presented.

1990 SERIES C UPDATE

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of March 19, 1991. As of March 6th the 1990 Series C issue was fully reserved and a waiting list has been implemented. Currently there are nine (9) borrowers on the list representing \$322,000. The Board began taking applications on October 22nd and of the \$23,310,059.97 in lendable proceeds, 413 loans for \$19,949,985.52 have been purchased and reservations for 71 loans, for \$3,332,466.00 have been taken. The Board was advised

that of the 413 loans 67 were purchased by families that had previously owned homes (these in targeted areas), 346 were first time homeowners, 30 were VA and 383 were FHA and that 404 were existing homes and 9 new construction.

REVIEW OF MAXIMUM INCOME LIMITS

David Haviland advised the Board of recent changes in federally imposed maximum income limits. After review of a comparison of current federally imposed maximum income limits and proposed changes to those limits, David requested that the Board approve the new income limits to be included with any new bond issue and also with the new MCC program. Gerry Hudson moved that the new income limits be adopted for inclusion with any new bond issue and the MCC program. Dean Mart seconded the motion and was carried unanimously.

PROPOSED DOWN PAYMENT ASSISTANCE PROGRAM

David Haviland presented for the Board's approval the Proposed Homebuyer Down Payment Assistance Program. The program is intended to assist those homebuyers who would be making a house payment comparable to their current rent payments but are unable to accumulate enough cash for a down payment. Homebuyers being targeted include: single parent families, disabled or first time homebuyers; an annual income not to exceed \$20,000; liquid assets not to exceed \$3,500; total assets not to exceed \$50,000; the purchase price of the home not to exceed \$45,000; and assumptions must be pre-approved and assumptors must meet the same targeting requirements as the original buyer. Sources of funding are: \$4,000,000 in setaside funding for mortgage loans would come from 1979 Series A, 7-3/4 recycled mortgage funds (MBOH would waive its normal 1% reservation fee); the down payment assistance would be sourced from the Housing Trust Fund (\$100,000), and pay up to a maximum of 50% of borrowers required cash investment or \$1,000, whichever is less. The form of assistance would be either an outright grant or a second loan, with Board preference being a second loan.

Following a discussion George McCallum moved to adopt the program with possible changes, Joe Gerbase seconded the motion and it was unanimously approved. David was asked to come back to the Board with several alternative forms of the second loan to be used in connection with the Down Payment Assistance Program for the Board to review.

UNDERWRITERS UPDATE

Barry Gottfried, Goldman, Sachs and Company presented an analysis of the current market conditions, indicating to the Board that if an issue were completed today with a similar structure to the 1990C, a 30 year non-AMT bond would be priced at 7.35% and a 30 year AMT bond at 7.7% with a mortgage interest rate that would translate between 8.05% and 8.15%, respectively. Barry also advised the Board that currently there exists a negative spread between interest rates because short term rates (low 6%) are so much lower than long term rates (approximately 7.3%). Because the

funds for the bond issue would have to be temporarily reinvested in the short term the issue may require a contribution into an escrow account to cover a portion of the negative carry. Assuming an escrow account was funded at the maximum possible amount of the negative carry given that loans were purchased on the last possible day of the origination period, for this issue that figure would be between \$100,000 and \$200,000. If loans were bought rapidly, at the end of the origination period the amount put into the negative carry would be the amount actually incurred and therefore could be less than \$100,000. Following questions and discussion George McCallum moved that the Board proceed with a \$25,000,000 bond issue at the rate of 8.0%, the motion failed due the lack of a second. After further discussion Gerry Hudson moved to proceed with a \$25,000,000 bond issue with a mortgage rate not to exceed 8.125%, Dean Mart seconded the motion. Following additional discussion Joe Gerbase made a motion to amend the motion to achieve an interest rate of 8.10% or lower, George McCallum seconded the motion. The amended motion carried unanimously, as did the original motion.

LEGISLATIVE UPDATE

Dick Kain advised the Board that the budget request for the 92/93 Biennium has passed out of the House Appropriations Committee and will next be presented on the floor of the House.

Dick, also reported on current legislation that may have an impact on the MBOH, including HB90, a portion of which allocates \$1,050,000 in additional annual volume cap to MBOH, which was passed in the House and the Senate and is being transmitted to the Governor. That HB157, requiring return of investment of mortgage reserve fund to be credited to reserve fund, failed on the third reading in the House. And lastly that HB779, offering a mechanism to extend a trustee's sale more than once in a non-judicial foreclosure, was passed in the House and Senate and is being transmitted to the Governor.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Dick advised the Board that the required public hearing was held on Monday, March 18, 1991 at 9:00 a.m. There were no oral or written comments and that it was being forwarded to the Governor for signature.

Dick also informed the Board that because of a miscalculation the 1990 carry forward figure of \$817,000 previous given to them in the Proposed Allocation Plan was incorrect and that the correct figure should be \$800,000. Also, based on new census numbers the 1991 allocation was reduced from \$1,005,000 to \$1,000,000, with total available allocation in 1991 of \$1,800,000.

OTHER BUSINESS

Tom Mather, read a letter received by him from Senator Max Baucus, with respect to his co-sponsoring S167, which addresses the permanent extension of the Mortgage Revenue Bonds.

Dick thanked all of the Board members for contacting Montana's congressional delegation with regards to HR1067 and S167, but that we still haven't heard from Representative Pat Williams or Ron Marlenee and any additional contact with them would be appreciated.

Dick called the Board's attention to page five (5) of the Department of Commerce publication Inside, which compares Montana counties population for the period 4/80 to 4/90.

SET NEXT MEETING DATE

The next meeting was scheduled for April 26, 1991, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

4-26-91

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF PUBLIC HEARING MONTANA BOARD OF HOUSING ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 a.m. on Monday, March 18, 1991, in the downstairs conference room of the Montana Department of Commerce Building. The Department of Commerce is located at 1424 Ninth Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 2001 Eleventh Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING

DATED: February 26, 1991

BY: Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, a Public Hearing was held on the Board's proposed Allocation Plan for Low Income Housing Tax Credit. The hearing was held on Monday, March 18, 1991, in the Downstairs Conference Room of the Department of Commerce Building.

The hearing opened at 9:00 a.m., and was attended by Richard A. Kain, Administrator, Kelly Rusoff, Comptroller, Janet Kunz, Program Assistant. No comments were heard or received, and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

3/18/91

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING March 12, 1991

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday, March 13, 1991, at 10:00 a.m., M.D.T., for the purpose of reviewing material relative to the potential issue of the 1991 Series A Single Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on March 13, 1991, at 10:00 a.m., M.D.T. Participating in the meeting were: Tom Mather, Chairman; and Board members Russ Dahl, Joe Gerbase, Dean Mart, Bob Thomas and Gerry Hudson. Also participating were: Mike Mulrone, Luxan and Murfitt; Terry Cosgrove, Luxan and Murfitt; and Larry Carlile, Kutak, Rock and Campbell; and staff members Dick Kain, David Haviland, Kelly Rusoff, Meredith McGuire, Nita Routzahn, Sue Mannix, Mary Walker and Janet Kunz;

Tom Mather, Chairman, presented a summary of current conditions regarding a new bond issue. Currently the 1990 Series C issue has been fully reserved, that the Board would like a new issue with a mortgage interest rate below 8.00%, with a 1.5% spread to conventional rates, that there be the possibility of a buy-down to an acceptable rate. Dean Mart indicated that as of today the interest rates and there associated FHA/VA discount points were as follows: 8.5% - 5.75 points; 9.0% - 3.25 points; 9.5% - .75 points; and 9.75% - par. Discussion was held about the mortgage interest rate and questions were raised about the possibility of a buy-down to an acceptable interest rate. Since the money to buy-down the rate would have to come from the Housing Trust Fund, which has no regular inflow of funds, and that there would be no chance to recoup the monies, it was decided not to use the Housing Trust Fund monies. Gerry Hudson, Dean Mart and Joe Gerbase, all indicated that an interest rate of 8.0% or 8.1% would be acceptable. After discussion, Joe Gerbase moved the Board continue to monitor the market, if it is possible to achieve a mortgage interest rate of 8.0%, to authorize Dick Kain to proceed with a new issue. The motion was seconded by Gerry Hudson, and carried unanimously.

There was no further business, and the meeting adjourned at 10:20 a.m. M.D.T.

A handwritten signature in blue ink, appearing to read "Tom Mather".

Tom Mather, Chairman

3/22/91

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
FEBRUARY 22, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. INTRODUCTION OF NEW BOARD MEMBERS - Chairman Tom Mather
- III. APPROVAL OF MINUTES - January 11, 1991 Business Meeting
- Chairman Tom Mather
- IV. AFFORDABLE HOME OWNERSHIP AND MANAGEMENT ENTERPRISES, Bozeman,
Caren Couch
A. Affordable Housing Proposal
- V. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
A. Quarterly Budget Status Report
- VI. LEGISLATIVE UPDATE - Dick Kain
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM, PROPOSED ALLOCATION
PLAN - Dick Kain
- VIII. REVIEW OF CITIBANK, N.A., INVESTMENT AGREEMENTS - Dick Kain
- IX. SINGLE FAMILY PROGRAM UPDATE - David Haviland
A. 1990 Series C Funds Committed and Available
B. Status of New MCC Program
C. Presentation and Review of New Lender Application -
Western Bank of Billings
D. Review of Mortgagor Recapture Tax Provisions
E. Review of Changes to HUD/FHA Single Family Mortgage
Insurance Program
- X. UNDERWRITERS UPDATE - Mark Semmens, D.A. Davidson and Co.
- XI. OTHER BUSINESS
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
FEBRUARY 22, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Russ Dahl (Present)
Joe Gerbase (Present)
Gerry Hudson (Present)
Dean Mart (Present)
George McCallum (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Janet Kunz, Program Assistant

COUNSEL: Mike Mulrone, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Dick Spaulding, Merrill Lynch & Co.
Brian Ranallo, Piper, Jaffray & Hopwood
Mark Semmens, D. A. Davidson

OTHERS: Caren Couch, Human Resource Development Corp.
Jeff Rupp, Human Resource Development Corp.

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather. Tom introduced the three (3) new Board members, Dean Mart from Great Falls, Gerry Hudson from Billings, and Bob Thomas from Stevensville and welcomed them to the Board.

APPROVAL OF MINUTES

The minutes of the January 11, 1991 Business Meeting were approved as presented.

AFFORDABLE HOME OWNERSHIP AND MANAGEMENT ENTERPRISES (HOME CORP.)
Caren Couch, Human Resource Development Corp. and Jeff Rupp, Human Resource Development Corp., presented a request for a \$118,600 setaside of the Board's 6-7/8% funds, for use in conjunction with a grant that has been requested from the Seattle Federal Home Loan Bank through the Affordable Housing Program. The proposal would use the Board funds to provide mortgage funds for two (2) new homes intended to be purchased by first-time homebuyers, single parent families or disabled persons, with income of \$22,560 or less; liquid assets not exceeding \$3,500; and total assets not exceeding \$50,000. The property must be owner-occupied, and the are to built and located on property owned by HOME in Bozeman's Valley Unit Subdivision. The purchase price will be \$59,000 established by HOME. There will be provided down payment and closing cost assistance up to a maximum of \$1,500. HOME would also have a second lien on the property behind MBOH. After review and discussion, Joe Gerbase moved the Board setaside \$118,600 of 6-7/8% mortgage funds for Human Resource Development Corp., contingent on acceptance of their requested grant from the Seattle Federal Home Loan Bank and FHA signing off on the second lien. The motion was seconded by George McCallum, and carried unanimously.

ACCOUNTING AND REPORTING UPDATE

Kelly Rusoff, Comptroller, reported on the Board's budget status as of December 31, 1990. The Board has spent \$556,278 or 26%, of the \$2,154,693 appropriation for fiscal year 1991, leaving a balance of \$1,598,415.

LEGISLATIVE UPDATE

Richard A. Kain, Administrator advised the Board that with George McCallum's assistance the Board's budget request for the 92/93 Biennium was presented on February 15th to the Natural Resources Appropriations Subcommittee and that the request has been approved.

Dick also reported on current legislation that may have an impact on the MBOH, including HB90, a portion of which allocates \$1,050,000 in additional annual volume cap to MBOH, which was passed in the House and has been transmitted to the Senate. That HB157, requiring return of investment of mortgage reserve fund to be credited to reserve fund, failed on the third reading in the House. And lastly that HB779, offering a mechanism to extend a trustee's sale more than once in a non-judicial foreclosure, was passed out of committee and is scheduled for a second reading.

LOW INCOME HOUSING TAX CREDIT PROGRAM, PROPOSED ALLOCATION PLAN

Dick Kain reported that the Low Income Housing Tax Credit Program has been extended to December 31, 1991. Subsequent steps in continuing the program would include a public hearing, if there are any comments those would be brought before the Board, next would be to obtain the Governor's signature making the program available in late March or early April. The 1990 Budget Reconciliation Bill which extended the LIHTC Program, also made several changes to the program. Specific changes impacting the Allocation Plan include restoration of the full \$1.25 per capita tax credit allocation,

more completely defines eligible non-profits, requires allocation agencies to monitor the project compliance, and the requirement previously given the highest priority in the project selection criteria (the amount of intermediary costs) has been deleted for the allocation plan requirements.

Dick, also presented a profile of current state housing needs, showing an increase in the demand of housing based on a February 4, 1991 survey. The areas included in the survey are Missoula, Kalispell, Great Falls, Billings and Gallatin, Park, and Meagher Counties. Treasury Regulations require that the Allocation Plan be tailored, in order to identify projects serving the identified housing needs.

An analysis of Low Income Housing Tax Credits allocated for 1990, was next addressed by Dick. A total of \$189,091 in tax credits have been allocated to five projects with a total of 118 units. Of the five projects only one (1) had conventional financing (Heights Centennial Apartments-Billings), the remainder obtained financing through FmHA 515. All of the projects are intended for the elderly.

Dick presented for the Board's approval the 1991 MBOH Low Income Housing Tax Credit Program. After review and discussion of the Administrative Process and Allocation Plan, George McCallum moved that the proposal be accepted as presented. Dean Mart seconded the motion and was approved unanimously.

REVIEW OF CITIBANK, N.A., INVESTMENT AGREEMENTS

Dick Kain apprised the Board of the February 22nd letter from Standard and Poor's affirming the "AA, AA/NR" rating of Series 1988B, 1989A, 1990A, 1990B, 1990C bond issues. This rating is conditional upon the sum of \$78,000 from the Housing Trust Fund being pledged as additional collateral to meet the needs of the new cash flow stress tests required as a result of Citibank, N.A.'s downgrade. The Housing Trust Fund is money that is used to fund the RAM Program, and grant programs. As of January 31, 1991 there is a balance of \$1,750,000 in the Trust Fund. Mike Mulrone, Luxan and Murfitt, Board Counsel, presented the form of a Board Resolution to effectuate the pledge. Tom Mather moved that the Resolution be adopted contingent upon improvement in cash flow stress tests allowing for a reduction of the pledge amount. The motion was seconded by Gerry Hudson and was unanimously approved.

SINGLE FAMILY PROGRAM UPDATE

1990 SERIES C

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of February 20, 1991. The Board began taking applications on October 22nd and of the \$23,310,059.97 in lendable proceeds, 361 loans for \$17,486,998.60 have been purchased and reservations for 92 loans, for \$4,490,843.00 have been taken. There remains \$1,332,218.36 in lendable funds available for reservation. The Board was advised that of 361 loans 59 were purchased by families that had previously owned homes (these in

targeted areas), 302 were first time homeowners, 24 were VA and 337 were FHA and that 356 were existing homes and 5 new construction.

David informed the Board that at the rate that funds were being reserved the funds would last approximately 3 weeks.

STATUS OF NEW MCC PROGRAM

David Haviland updated the Board on the new MCC Program (which converted \$40,000,000 in bond authority to \$10,000,000 in MCC authority). The staff has obtained the Governor's signature, filed the IRS election and received notice that the election was received by the IRS. The next step is to publish the 90 day public notice of the MCC Program, this will be done by March 1, 1991 allowing startup of the program in June. David also advised the Board that the recapture tax provisions will apply to the new program.

PRESENTATION AND REVIEW OF NEW LENDER APPLICATION - WESTERN BANK OF BILLINGS

David Haviland presented application material from Western Bank of Billings, and is requesting approval as a Board lender. Western Bank has submitted all required information, and meets Board requirements. Upon motion of Gerry Hudson, which was seconded by Joe Gerbase, the Board unanimously approved Western Bank as an approved lender in the Board's bond programs.

REVIEW OF MORTGAGOR RECAPTURE TAX PROVISIONS

David reviewed with the Board the Recapture Tax provisions that were implemented as of January 1, 1991. Notice of the recapture tax is to be given to the mortgagor at closing. Maximum recapture would occur in year five (5) with minimum recapture occurring in years one (1) and nine (9). David advised the Board that there are five situations in which the recapture tax would not apply. They include disposing of the home later than nine years after closing of the loan, the home is disposed of as a result of death, transfer of the home either to a spouse or former spouse incident to divorce and there is no gain or loss included in your income under section 1041 of the Internal Revenue Code, the home is disposed of at a loss, and finally household income is less than adjusted qualifying income for the tax year in which the home is disposed.

David advised the Board that typically, in Montana, the recapture tax will not apply to the average MBOH borrower because income does not increase at rates necessary to achieve an income greater than the adjusted qualifying income. The major problem foreseen with the recapture tax is that Realtors are afraid of it and they don't understand that for the average borrower the recapture tax won't apply. It was suggested that a letter be circulated to the Real Estate Community giving a brief summary of the provisions and that typically it will not apply to the homebuyer. Gerry Hudson, said he would work with Sharon Cleary, Executive Director, Montana Association of REALTORS to formulate for distribution of the letter to the Real Estate Community.

REVIEW OF CHANGES TO HUD/FHA SINGLE FAMILY MORTGAGE INSURANCE PROGRAM

David advised the Board that effective February 17th, the FHA has changed their downpayment requirements. Two calculations will now be required. As a result of these calculations, the borrower will have to contribute more cash at downpayment.

David also presented the restructuring of Mortgage Insurance Premiums (MIP). Most mortgages will be subject to an upfront MIP, a new annual premium will be calculated on the unpaid principal balance before the upfront MIP. The year that the mortgage is closed will determine the amount of upfront MIP, in years 1991 and 1992 upfront MIP will be 3.80%, years 1993 and 1994 upfront MIP will be 3.00%, years 1995 and over the upfront MIP will be 2.25%. The fiscal year and the loan-to-value ratio determine the amount and term of the annual premium. Annual premiums are non-refundable and final annual prepayment must be prorated to date of prepayment of termination.

UNDERWRITERS UPDATE

Mark Semmens, D. A. Davidson and Co., presented an analysis of the current market conditions, indicating to the Board that if an issue were completed today with a similar structure to the 1990C, a 30 year non-AMT bond would be priced at 7.40% and a 30 year AMT bond at 7.65% with a mortgage interest rate that would translate between 8.15% and 8.20%, respectively. George McCallum moved that mortgage rates and the 1.5% spread to the conventional FHA/VA markets be monitored, and if a mortgage rate could be produced below 8.0% that a Board conference call be arranged to discuss a new bond issue. The motion was seconded by Dean Mart and carried unanimously.

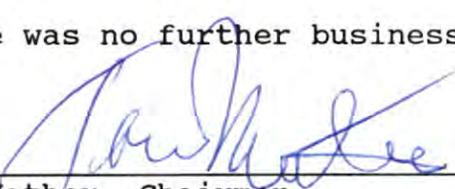
OTHER BUSINESS

Dick Kain advised the Board that there is introduced legislation in the U.S. Senate to permanently extend the Mortgage Revenue Bond Program and that cosponsorship is still being encouraged. The January 25th, NCSHA Washington Update indicates that Senator Baucus is now cosponsoring the bill. Dick suggested that contact be made with Senator Burns' office to ask him to participate in sponsorship of the bill.

SET NEXT MEETING DATE

The next meeting was scheduled for March 22, 1991, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



Tom Mather, Chairman

3/22/91

Dated

RESOLUTION NO. 91-2-22-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING PLEDGING CERTAIN ASSETS OF THE CORPUS OF THE HOUSING TRUST FUND AND PROVIDING OTHER MATTERS PROPERLY RELATED THERETO.

BE IT RESOLVED BY THE CHAIRMAN AND MEMBERS OF THE MONTANA BOARD OF HOUSING, AS FOLLOWS:

WHEREAS, the Board has entered into certain investment agreements with Citibank, N.A., in connection with the Board's issuance of 1988 Series B, 1989 Series A, and 1990 Series A, B, and C Single Family Mortgage Senior Bonds ("Senior Bonds"); and

WHEREAS, Standard & Poor's Corporation ("S & P") has indicated to representatives of the Board in a letter dated February 21, 1991, that the rating of the Senior Bonds will be downgraded by that rating agency solely due to the fact that the long term debt of Citibank, N.A., has been downgraded as to rating by S & P unless additional current collateralization levels are achieved in the investment agreements pertaining to the Senior Bonds entered into between the Board, First Interstate Bank of Denver, N.A., and Citibank, N.A.; and

WHEREAS, S & P has agreed that a pledge of \$78,000.00 of the assets of the corpus of the Housing Trust Fund will be sufficient to prevent a downgrade in the rating of the Senior Bonds; and

WHEREAS, the first paragraph of the Trust Agreement dated June 9, 1989, relating to the Housing Trust Fund provides, in pertinent part, that the Housing Trust Fund is available generally as security for bond holders relying on the Board's pledge of its general obligation.

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED, AS FOLLOWS:

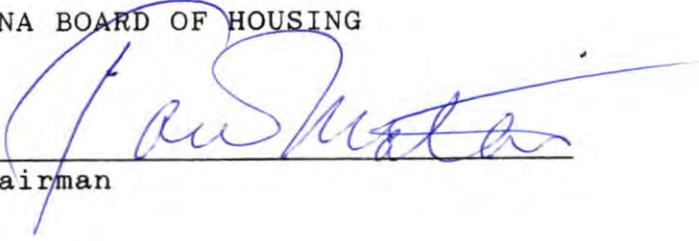
1. A sum equal to \$78,000.00 of certain assets of the corpus of the Housing Trust Fund is hereby pledged as additional collateral for the benefit of the holders of Senior Bonds to prevent a downgrade in the rating of the Senior Bonds due to the present downgrade of the long term debt of Citibank, N.A.

2. Such pledge shall cease and terminate or be reduced in the event of (1) a subsequent upgrading in Citibank, N.A.'s, rating by S & P; (2) a subsequent downgrade of such rating by S & P; (3) one or more of the investment agreements is terminated; or (4) future cash flows as produced warrant reduction.

3. This Resolution shall become effective immediately.

Adopted by the Montana Board of Housing this 22nd day of February, 1991.

MONTANA BOARD OF HOUSING

By: 
Chairman

ATTEST:


General Counsel



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
JANUARY 11, 1991
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
1424 NINTH AVENUE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - November 30, 1990 Audit Committee
- November 30, 1990 Business Meeting
- Chairman Tom Mather
- III. NEIGHBORHOOD HOUSING SERVICES INC., of GREAT FALLS - Nancy Stephenson, Executive Director
 - A. Report of Affordable Housing Program
 - B. 6-7/8% Setaside Extension Request
- IV. MOODY'S INVESTORS SERVICE - Amy Lempert and Peter Tommaney
- V. MONTANA BUILDING INDUSTRY ASSOCIATION - Don Chance, Executive Director
- VI. REVIEW OF SEPTEMBER 30, 1990 CONSOLIDATED FINANCIAL STATEMENTS - Kelly Rusoff
- VII. REVIEW OF REAL ESTATE OWNED - Dick Kain
- VIII. SINGLE FAMILY PROGRAM UPDATE - David Haviland
 - A. 1990 Series B
 - B. 1990 Series C
 - C. MCC Program
 - D. Review of MCC Guidelines To Be Used With New MCC Program
- IX. UNDERWRITERS UPDATE - Randy Hynote
- X. OTHER BUSINESS
- XI. SET NEXT MEETING DATE
- XII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JANUARY 11, 1991

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Mike McKee, Vice Chairman (Present)
Brad Walterskirchen, Secretary (Present)
Russ Dahl (Present)
Joe Gerbase (Absent)
George McCallum (Present)
Howard Rosenleaf (Present)

STAFF:

Richard A. Kain, Administrator
David J. Haviland, Single Family Program Officer
Kelly Rusoff, Comptroller
Judy Gillespie, Accounting Specialist
Meredith McGuire, Program Specialist
Janet Kunz, Program Assistant

COUNSEL:

Mike Mulrone, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak, Rock and Campbell

UNDERWRITERS:

Laurel Esterlein, Merrill Lynch & Co.
Dick Spaulding, Merrill Lynch & Co.
Gordon Hoven, Piper, Jaffray & Hopwood
Brian T. Ranallo, Piper, Jaffray & Hopwood
Barry Gottfried, Goldman, Sachs & Co.
Mark Semmens, D. A. Davidson

OTHERS:

Nancy Stephenson, Executive Director, Neighborhood
Housing Services
Don Chance, Executive Director, Montana Building
Industry Association
Peter Tommaney, Moody's Investors Service
Amy Lempert, Moody's Investors Service

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the November 30, 1990 Business Meeting and the November 30, 1990 Audit Committee were approved as presented.

NEIGHBORHOOD HOUSING SERVICES INC.

Nancy Stephenson, Executive Director, Neighborhood Housing Services, Inc., updated the Board on the 7-3/4% Affordable Housing Program setaside. Of the \$1,000,000 allocation \$452,830 representing 10 loans have been purchased, leaving a balance as of January 4, 1991 of \$545,170. The average loan amount is \$45,283, the average borrower income is \$19,834 and the average down payment assistance is \$2,050.

Nancy presented a video tape, produced by a Great Falls television station, of a couple who were assisted by the Affordable Housing Program as they proceeded through the loan application and closing process.

Nancy, also requested that the Board to extend the expiration date of their existing 6-7/8% setaside to June 1, 1991. Upon motion of Howard Rosenleaf, which was seconded by Russ Dahl, the Board unanimously approved the extension of \$67,398 of 6-7/8% mortgage funds to June 1, 1991.

Neighborhood Housing Services is extremely interested in future Affordable Housing program type partnerships with the Board and asked for their thoughts in this regard. The Board as a whole expressed their desire to be involved with NHS and would welcome proposals.

MOODY'S INVESTORS SERVICE

Amy Lempert and Peter Tommaney, Moody's Investors Service, presented to the Board a summary of Moody's services and the process that they go through to issue a bond rating.

Peter gave an overview of Moody's organizational structure, indicating that the public finance department is setup in two main sections, a regional side and a structured finance side. Each analyst has approximately ten states assigned to them, these are arranged so that a rapport can be established with the clients. Rating process starts with a request from either the issuer or an investment banker. Each analyst would work through the process, it is then taken to a senior analyst, who has sign-off responsibility, and he is given a step-by-step explanation of the transaction to come up with a rating recommendation. This is then presented to a Rating Committee made up of at least two experienced members of the department. It is the Rating Committee that assigns the rating not the analyst. Information that is required prior to rating

includes: a copy of the Master Indenture or Resolution, the Series Resolution, a draft of the official preliminary statement, a draft of legal opinions, audited financial statements, cash flow projections, program documents, the types of investments, and if it is to be a competitive sale the notice of sale. Amy then presented a more indepth look from the assigned analyst's perspective of the specific six factors used in determining a rating recommendation. These includes the legal structure or the security provisions within the Indenture, cash flows, financial performance, portfolio data, administrative factors and finally the area economy.

MONTANA BUILDING INDUSTRY ASSOCIATION

Don Chance, Executive Director, advised the Board that legislation had been drafted for presentation to the Legislature, in which a tax on certain transfers of real property would be imposed and that 39% of the tax proceeds would be distributed to the MBOH, for use in the construction or renovation of low to moderate multifamily rental housing. It, however, won't be introduced to this legislative session. Don did advise the Board of two issues that are of concern to the MT Building Industry Association. The first being a proposed sale tax of 4% to 6% which would apply to new construction as well. The second issue is one of System Development Fees imposed by local governments. Don cited an example of a System Development Fee recently assessed in which a fee of \$70,000 was charged for hooking up a private sewer line to the city line. The Montana Building Industry Association is seeking relief from excessive fees that are being imposed and at the same time attempting to provide a mechanism to challenge the lack of affordable rental housing.

REVIEW OF SEPTEMBER 30, 1990 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, Comptroller, presented the Board's unaudited consolidated financial statements for the period ending September 30, 1990 and September 30, 1989 and reviewed significant changes between 1989 and 1990.

REVIEW OF REAL ESTATE OWNED

Richard A. Kain, Administrator, presented an analysis of REO properties received and sold in 1990, which indicated that 4 properties were received, 18 were sold, average time in inventory was 18 months and the approximate average loss on sale was \$11,600. The Board currently has ten properties in inventory, four of the properties, which are condominium units, are rented, and the remainder of the properties are offered for sale.

Dick reviewed the December 10, 1990 listing or REO properties available for sale and advised the Board that the Realty Bonus of \$500 has helped with the properties listed in Miles City. Dick also updated the Board regarding the properties in Billings, of the seven, four are condominiums. The current rental market in

Billings is strong, rents are increasing and sales are expected to improve.

SINGLE FAMILY PROGRAM UPDATE
1990 SERIES B

David J. Haviland, Single Family Program Officer, presented the Series Allocation Summary Report for the 1990 Series B issue, as of January 9, 1991, which indicated that of the initial \$23,294,341.87 in lendable proceeds, the Board has purchased 466 loans, for \$22,329,396.17, and has reservations outstanding for 20 loans, for \$955,567.00. The average loan amount is \$47,917.15, and the average borrower income is \$26,013.97. David also noted that of the 466 loans, 67 were other than first time buyers in targeted areas, 17 were new construction (which represents 7% of the loans and is approximately double the new construction for the 90A). Finally, that 95% were FHA loans and 5% VA loans.

1990 SERIES C

David Haviland presented the Series Allocation Summary Report for the 1990 Series C issue, as of January 9, 1991. The Board began taking applications on October 22nd and of the \$23,310,059.97 in lendable proceeds, 256 loans for \$12,527,960.09 have been purchased and reservations for 133 loans, for \$6,529,863 have been taken. There remains \$4,252,236.87 in lendable funds available for reservation. The Board was advised that 5% of the loans purchased were VA and 95% were FHA. As with the 1990 Series B, 7.5 % of the loans were for new home construction.

David noted that there has been a slow down in December and January, and that the demand for funds at this time is down.

MCC PROGRAM

David Haviland presented the Mortgage Credit Certificate Program report as of January 9, 1991. David advised the Board that the current MCC program expired as of December 31, 1990. The Board has issued 704 certificates, for \$6,798,177. The average purchase price is \$49,287, and average borrower income is \$24,980. David advised the Board that at the conclusion of the current MCC program there remained \$8,080,507 in credit authority that was not used. The typical interest rate was between 9-3/4% and 10%, and 337 of the loans were to single or married persons with no dependents.

REVIEW OF MCC GUIDELINES TO BE USED WITH NEW MCC PROGRAM

David Haviland presented both Treasury imposed and staff recommended MCC Guidelines to be used with a new MCC Program. After a discussion on the guidelines regarding moving the sellers affidavit to closing and increasing the lenders fee to \$200, Mike McKee moved to convert \$40,000,000 in bond authority to \$10,000,000 in MCC authority, to transfer the seller affidavit to closing and to adopt the remaining guidelines as recommended by staff. Howard

Rosenleaf seconded the motion which was approved with five members voting in favor, and Brad Walterskirchen voting nay citing the inclusion of the maximum federally imposed income limits.

UNDERWRITERS UPDATE

Barry Gottfried, Goldman, Sachs and Co., presented an analysis of distribution for the 1990 Series C bonds. Of the \$25,000,000 in bonds, \$17,650,000 were accounted for as direct sales, \$6,000,000 as tender option bonds, \$1,000,000 were subordinate bonds and \$350,000 were awaiting response from a selling group member. Barry indicated that the number of individual purchases grew by approximately 50%. And that there was a larger number of sales made within the state, which is a result of the good selling job done by D.A. Davidson, Piper, Jaffray & Hopwood, and Merrill Lynch.

Barry, advised the Board that market conditions are expected to be mild with the Treasury bond range to be between 8% and 9%. He, also, advised the Board that if an issue were completed today with a similar structure to the 1990C, the mortgage interest rate would translate to approximately 8.35%.

OTHER BUSINESS

Dick Kain reviewed with the Board of a letter from the National Council of State Housing Agencies requesting support of proposed federal legislation to permanently extend both the Mortgage Revenue Bond and the Low Income Housing Tax Credit.

Dick also brought the Board's attention to an article published in the current issue of Standard and Poor's CreditWatch regarding the Mt Board of Housing's affirmation of rating.

Tom Mather, expressed his thanks to the Board members whose terms are expiring for their service to the Board and wished them the best in the future.

SET NEXT MEETING DATE

The next meeting was scheduled for February 22, 1991, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



Tom Mather

Dated

2/22/91

RESOLUTION NO. 91-1-11- S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING ESTABLISHING THE TERMS OF ITS 1991 MORTGAGE CREDIT CERTIFICATE PROGRAM TO BE USED IN CONJUNCTION WITH A QUALIFIED SINGLE FAMILY PROGRAM; DIRECTING THE ADMINISTRATOR TO OBTAIN THE CERTIFICATION OF THE GOVERNOR OF THE STATE OF MONTANA, TO FILE AN APPROPRIATE ELECTION WITH THE INTERNAL REVENUE SERVICE, TO GIVE NOTICE OF THE PROGRAM AS REQUIRED BY FEDERAL TAX LAWS, AND TO OTHERWISE IMPLEMENT THE PROGRAM; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO

MONTANA BOARD OF HOUSING

MORTGAGE CREDIT CERTIFICATE PROGRAM

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

WHEREAS, Section 25 of the Internal Revenue Code of 1986, as amended (the "Code"), authorizes the Montana Board of Housing (the "Board") to elect not to issue a portion of the qualified mortgage bonds it is otherwise authorized to issue and to develop in lieu thereof a mortgage credit certificate program, whereby a borrower may receive a credit against his income tax, under rules and regulations established by the Board pursuant to the requirements of Section 25 of the Code; and

WHEREAS, the Board desires to provide the widest range of financing alternatives to lower income persons and families to enable them to finance the acquisition of a principal residence at the lowest effective cost to such borrowers; and

WHEREAS, the Board now intends to establish and implement its 1991 mortgage credit certificate program (the "Program"), and in connection therewith to elect not to issue forty (\$40) million of qualified mortgage bonds which it could otherwise issue in calendar year 1991;

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED AS FOLLOWS:

Section 1: The issuance of mortgage credit certificates under the Program as approved by this Resolution will further the purpose of Montana Laws, Montana Code Annotated, § § 90-6-101 through 90-6-127, and § 2-15-1814, by assisting in the alleviation of the existing serious shortage of decent, safe, and sanitary residential housing available in the State of Montana at prices affordable to persons and families of low income.

Section 2: The terms of the Program shall be those required by the federal tax laws, as well as those established by the Board, as set forth in the attachment hereto (and in connection therewith, the Board guidelines shall incorporate the changes recommended by the staff, as set forth in the attachment); provided that by subsequent action the Board may make such changes in the terms of the Program as the Board deems appropriate.

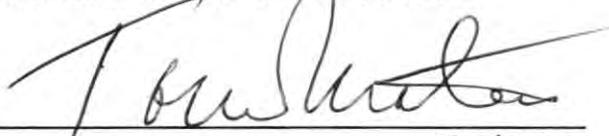
Section 3: The Board hereby elects, pursuant to Section 25(c)(2) of the Code, not to issue \$ 40 million of qualified mortgage bonds or other private activity bonds during the calendar year 1991, and instead to use such portion of its bond "volume cap" authority to implement the Program. The Administrator is hereby authorized and directed to obtain the applicable "volume cap" certification of the Governor of the State of Montana and to file the Board's election not to issue bonds with the Internal Revenue Service of the United States of America.

Section 4: The Administrator is hereby authorized and directed to give notice to the public of the Program as required by the federal tax laws prior to issuance of any mortgage credit certificates under such Program.

Section 5: The Administrator is hereby authorized and directed to implement the Program as so approved, and in conjunction therewith to refine the Program to maximize the availability of effective lower cost financing to lower income persons and families under the Program.

Adopted by the Montana Board of Housing this 11th day of January, 1991.

MONTANA BOARD OF HOUSING



, Chairman

ATTEST:



PRESENT BOARD-ESTABLISHED
GUIDELINES FOR MCC PROGRAM

1. MCC lender is staff approved and signs Lender Participation Agreement
2. MCC documents for reservation and issuance to include original Mortgagor, Seller and Lender Affidavit and Certification with a copy of the MCC Lender Worksheet and Notice of Potential Benefits
3. MCC used with purchase of Single Family Residence (have the ability to issue MCC with purchase or rehabilitation)
4. Acquisition Cost - maximum \$75,000 for new or existing
5. Income limit - \$30,000, with addition of \$1,000 per dependent to maximum addition of \$2,000
6. Methods of issuing MCC
 - a. Issue MCC after loan closing, with reservation of MCC authority prior to loan closing
7. Reservation refunds not allowed
8. Reservation period 180 days
9. MCC issued on a first-come, first-served basis
10. MCC fee from borrower - \$200
Portion to lender - \$100
Portion to Board - \$100
11. Credit rate for tax credit 20%
12. MCC shall not be used to replace a bond program reservation or existing BOH loan
13. No assumption
14. Certificate holder and lender responsible for notification to BOH if borrower or property no longer eligible for the MCC
15. MCC be available to new borrowers on purchase of Board-owned Single Family Residence

STAFF RECOMMENDED CHANGES
FOR NEW MCC PROGRAM

1. Recommend no change
2. Recommend dropping MCC Lender Worksheet, adding Recapture Notice to Mortgagor and Seller Affidavit to be moved to closing
3. Recommend no change
4. Recommend no change
5. Recommend adopting income limits to parallel bond program
6. Recommend this be only method of MCC issuance
7. Recommend no change
8. Recommend no change
9. Recommend no change
10. Recommend no change
11. Recommend no change
12. Recommend no change
13. Recommend no change
14. Recommend no change
15. Recommend no change

1990 Series C Gross Annual Income Limits by Area:
(as adopted June 22, 1990)

Area	Small Household**	Large Household***
Billings/Yellowstone	\$32,200	\$37,030
Blaine*	33,840	39,480
City of Great Falls*	35,760	41,720
Cascade County	29,800	34,270
Custer County	30,100	34,615
Dawson County	32,000	36,800
Deer Lodge County*	33,840	39,480
Fallon County	29,900	34,385
Flathead County*	33,960	39,620
Hill County*	37,320	43,540
Lewis & Clark County	29,800	34,270
Mineral County*	33,840	39,480
Missoula County*	36,480	42,560
Pondera County	30,400	34,960
Powder River County	28,800	33,120
Richland County	32,400	37,260
Rosebud County	32,300	37,145
Sanders County*	33,840	39,480
Silver Bow County*	33,840	39,480
Town of Wyola*	33,840	39,480
All other Counties and Areas	28,200	32,430

*Targeted Areas

**Small household is defined as two persons or less

***Large household is defined as three persons or more



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on November 30, 1990, at 7:45 a.m., in the Board's office.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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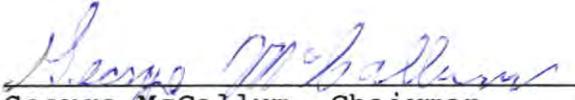
Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, November 30, 1990 at 7:45 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Mike McKee, Howard Rosenleaf, Terry Albourn of Junkermier, Clark Campanella, Stevens; and Dick Kain.

Terry Albourn presented a proposal for services to the MBOH, in regard to the performance of on-site servicer audits. Terry reviewed with the Committee the proposed engagement letter, the procedures to be performed on the financial institutions to be visited, the proposed fee schedule and a staff prepared listing of potential financial institutions to be visited.

After considerable discussion the Committee moved to accept the proposal for on-site service audits to be conducted at two financial institutions during the month of December. The maximum fee for each servicer audit was set at \$1,000, with travel costs to be billed at allowed State rates.

The Committee, requested that Dick Kain write to the Office of the Legislative Auditor and emphasize that on-site servicer audits are indeed part of the internal audit work to be completed by the contracted accountants and to be included in future requests for service and resultant contracts.

There was no further business, and the meeting adjourned at 9:10 a.m.


George McCallum, Chairman

Dated

NOTICE OF PUBLIC HEARING

The Montana Board of Housing (the "Board") will conduct a public hearing on December 21, 1992, at 9:00 a.m. in the conference room of the Board's office which is located at 2001 Eleventh Avenue, Helena, Montana.

The purpose of this hearing will be with respect to the following:

1. A proposed issue of Single Family Program Refunding Bonds (Federally Insured or Guaranteed Mortgage Loans) to be issued to refund certain outstanding bonds and provide additional moneys to finance single family homes for qualified families in the State of Montana. The Board proposes to issue an amount currently estimated not to exceed \$31,210,000. The Bonds will be issued on or about December 30, 1992.

2. A proposed issue of Multi-Family Mortgage Refunding Bonds, 1992 Series A (the "1992 A Multifamily Bonds") to be issued to refund all or a portion of the Board's multifamily mortgage bonds which were issued to provide financing for the following multifamily projects:

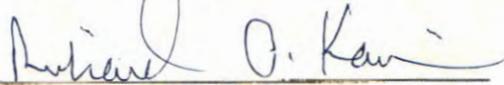
Broadview Manor - 710-714 4th NW and 720-724 42nd St. N.,
Great Falls, Montana
Clark Fork Manor - 301 West Front Street, Missoula, Montana
Cut Bank Hotel - 27 West Main, Cut Bank, Montana
Crestwood Inn - 202 4th St. SW, Sidney, Montana
The Elmwoods - 609-613 4th Avenue South, Great Falls,
Montana
Grandview Place - 150 Grandview Drive, Missoula, Montana
Oakwood Village - 1915 1st St. N., Havre, Montana
Silver Bow Village - 910 Evans, Butte, Montana

The Board proposes to issue the 1992 A Multifamily Bonds in an amount that is estimated not to exceed in the aggregate \$14,145,000. The 1992 A Multifamily Bonds will be issued on or about December 30, 1992.

All interested persons are invited to present comments either orally or in writing at the public hearing regarding the issuance of the above Bonds and the purposes for which the Bonds are to be issued. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

Michael J. Mulrone
Luxan & Murfitt
Fourth Floor, Montana
Club Building
P.O. Box 1144
Helena, MT 59624-1144
(406) 442-7450

MONTANA BOARD OF HOUSING


Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

12/1/92

NOTICE OF PUBLIC HEARING

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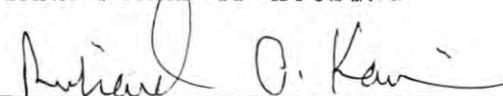
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Michael J. Mulroney
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12/1/92



MONTANA BOARD OF HOUSING

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Notice having been given, the Montana Board of Housing held a public hearing on the Board's proposed issuance of Single Family Program Refunding Bonds to finance single family homes for qualified families in Montana and the issuance Multi-Family Mortgage Refunding Bonds to provide financing for multifamily projects.

The public hearing was held on Monday, December 21, 1992, in the Board's office. Attending the hearing were: Richard A. Kain, Administrator; Maureen J. Rude, Multifamily Program Officer; Robert D. Morgan, Single Family Program Officer; Mike Mulroney, Luxan and Murfitt; Janet Kunz, Administrative Assistant. No comments, either written or oral, were received.

A handwritten signature in blue ink, appearing to read "Richard A. Kain".

Richard A. Kain, Administrator

December 21, 1992
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA
DECEMBER 18, 1992

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - November 20, 1992 Business Meeting
 - December 17, 1992 Conference Call Meeting
- III. GENERAL COUNSEL REPORT - Mike Mulroney
- IV. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. Proposed 1993 Interim Allocation Plan
 - B. Status of 1992 Projects
- V. UNDERWRITERS UPDATE - Dick Spalding, Merrill Lynch
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setaside
 - D. 1992 Series A Status and Extension
 - E. Quarterly Delinquency Report - September 20, 1992
 - F. Review of Condominium and Planned Unit Developments
- VII. OTHER BUSINESS
- VIII. SET NEXT MEETING DATE
- IX. MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS (10:30 A.M. TO 1:00 P.M.)
- X. ADJOURN

12/14/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
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MONTANA BOARD OF HOUSING
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA
DECEMBER 18, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Absent)

STAFF:

Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS:

Dick Spalding, Merrill Lynch

OTHERS:

Fred Walker III, Billings American Indian Council
Zoe Johnson, Area II Agency on Aging
Eleanor Dickinson, Glacier Bank, Billings Branch
Gorehn Morning, Crow Tribal Housing Authority
A. F. "Al" Littler, Prudential Floberg Realtors
Casey Joyce, Yellowstone County/Montana Tradeport
Gloria Neuhardt, MT Assoc. of Realtors-President
Agnes Hoffman, First Interstate-Billings
Barb Perzinski, District VII - H.R.D.C
Marion Dozier, H.R.D.C./Homeless Coordinator
John Evans, First Interstate Bank
Lynn Perey, President Billings Assoc. of Realtors
Ed Pluhar, Private Individual
Rosemary Lincoln, Crow Tribal Social Services
Sandra Wong, Security Federal Savings Bank
John Koppelman, Norwest Bank
Dwight MacKay, Senator Conrad Burns' Office
John Walsh, City of Billings
Karen Erdie, Area II Agency on Aging-Roundup
Tom Howard, Billings Gazette
"AN EQUAL OPPORTUNITY EMPLOYER"

Benedict Jefferson
Jack Lambrecht, Property Manager
Lucy Brown, Billings Housing Authority
John Van Norman, Landlord/taxpayer

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the November 20, 1992 Business Meeting and the December 17, 1992 Conference Call Meeting were approved as presented.

GENERAL COUNSEL REPORT

Mike Mulrone, Luxan and Murfitt, advised the Board that he had, at the Board's request, researched the issue of constitutionality regarding House Bill 41 (HB41) and while he feels there is a constitutional issue, it would be his recommendation at this time not to pursue legal action. It was noted the Board Resolution approved at the August 21st Board meeting pledged as additional security to the bondholders the funds within the Housing Trust Fund, this Resolution would safeguard those funds against any further attempts to transfer them from the Housing Trust Fund. After a brief discussion George McCallum moved that the Board, based on counsel's recommendation, not pursue the issue of constitutionality regarding HB41 at this time. Joe Gerbase seconded the motion which was passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM PROPOSED 1993 INTERIM ALLOCATION PLAN

Maureen J. Rude, Multifamily Program Officer presented for the Board's review and action the proposed 1993 Interim Allocation Plan. Maureen explained to the Board that it is believed the Internal Revenue Service (IRS) will publish a ruling allowing for the allocation of the remainder of the unused 1992 tax credits in 1993. Maureen reviewed with the Board the proposed changes from 1992 to the 1993 Interim Allocation Plan and advised the Board that there remained \$270,000 in 1992 tax credits that could be allocated. During the discussion of the proposed Plan several items were addressed including: selection criteria points allowed for a firm financing commitment and adding language regarding conditional financing commitment; clarifying the retention of the Reservation Fee to 1/3 of the Fee for withdrawal after conditional approval of the application and returning 2/3 of the Reservation Fee to the applicant. After further discussion Gerry Hudson moved that the proposed 1993 Interim Allocation Plan, including the noted changes, be approved, Dean Mart seconded the motion which was unanimously passed.

STATUS OF 1992 PROJECTS

Maureen Rude reviewed with the Board the status of 1992 Low Income Housing Tax Credit Projects. The analysis presented showed the stage of completion for each project and when the project would be open. Maureen advised the Board that the Olympic Manor project in Billings has withdrawn their application due to complications, but that all other projects are progressing according to schedule.

Maureen updated the Board on a study being conducted by the General Accounting Office, in which tax credit projects were receiving more tax credits than needed for completion of the project and noted how important the feasibility analysis was to determining the credits each project would receive.

UNDERWRITERS UPDATE

Dick Spalding, Merrill Lynch advised the Board that the market is currently in a transition period, which includes both a recovery/recession transition and a presidential transition. However, it is expected that rates will continue as they have been if during the transitions nothing disappoints the market to cause a change. Dick noted that short term rates will stay where they are until there is evidence that the recovery is strong. Dick also noted that there has been little market reaction to the recent President-elect's Economic Summit.

Dick advised the Board that the sale of the Board's Single Family and Multi-Family Refunding Bond Issues was well received and went very well. It was also noted that Goldman Sachs attributed the success of the sale to the in-state investment banking team.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Robert D. Morgan, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of December 11, 1992, which showed that the Board has 42 reservations outstanding, for \$496,705.20 and issued 842 certificates, for \$9,482,734.80 in credit authority. The average purchase price is \$58,347.20, with an average borrower gross annual income of \$28,749.82. There remained \$20,560.00, but Bob noted that as of December 17th the Program had been fully allocated. A listing of MCCs issued and reserved by county or targeted area was presented as was the lender participation report, the largest users of the program and the number of MCCs issued by month.

CASH ASSISTANCE PROGRAM

Bob Morgan reported on the Cash Assistance Program (CAP) as of December 11, 1992. There are 2 outstanding reservations, currently no loans have been purchased; of the \$2,000,000 6% setaside for first mortgages there remains \$1,925,514 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$48,000 in lendable funds available. The average borrower income is \$18,528 and household size is 3.5 persons. The two reservations are in Billings and Havre.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented to the Board a summary of recycled mortgage program setasides. Bob noted that there has been little change since the November report. Neighborhood Housing Services' four setaside programs total \$1,435,628, the 203(k), a FHA program, setaside is \$4,862,100, the Board's Cash Assistance Program II setaside is \$1,925,514 and the Manufactured Housing setaside is \$4,500,000. The total setaside for all programs is \$12,723,242. Bob explained that there have been several inquiries about the Manufactured Housing Program, but that the Manufactured Housing Industry is still in a self-education process.

1992 SERIES A STATUS AND EXTENSION

Bob Morgan presented the Series Allocation Summary Report for 1992 Series A, dated December 11, 1992. Of the \$22,844,550 in available proceeds the Board has 92 reservations outstanding for \$4,661,449.00 and has purchased 254 loans for \$12,271,632.33. The average purchase amount is \$48,313.51 and the average annual borrower income is \$27,628.31. There remained \$5,911,468.67 in lendable proceeds, however, as of December 17th there remained slightly over \$5 million. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 254 loans purchased 240 have been FHA, 13 have been

VA and 1 was FmHA.

The Board requested that when the issue has been fully purchased, an analysis of the issue be conducted to determine the costs, comparability to other bond issues and recommendations to the Board on how to keep funding available without accumulating excessive costs.

Bob presented to the Board an analysis for extending the acquisition period of the 1992 Series A bond issue to June 30, 1993. Based on \$6,000,000 in either available funds or outstanding reservations remaining to be purchased on February 1st and that all loans are purchased before June 30th, cash flows estimate the Board would need to pledge an additional \$50,000 from the Housing Trust Fund to the escrow account, for a total of \$200,000. If the funds are purchased faster than assumed the cost to the Board would be less. After a brief discussion, Dean Mart moved to extend the 1992 Series A acquisition period to June 30, 1993, and to commit an additional amount up to \$50,000 from the Housing Trust Fund. The motion was approved after being seconded by Joe Gerbase.

QUARTERLY DELINQUENCY REPORT - SEPTEMBER 20, 1992

Bob Morgan presented the Board's delinquency statistics, as of 9/20/92, which shows a slight increase in the number of delinquencies and a decrease in the number of loans in foreclosure with total delinquencies of 2.38%. The Board's delinquencies compare favorably with Montana, Regional and National statistics. Listings of delinquencies by servicer and by series were presented. Bob noted that Series 82A, 83C, and 84A, which have higher interest rates, have the higher delinquency rates.

REVIEW OF CONDOMINIUM AND PLANNED UNIT DEVELOPMENTS

Bob Morgan, explained that in May, 1988 the Board made a decision to limit it's exposure in the bond program to 10% of the number of living units in a condominium project or planned unit development. This decision was made as a response to a high degree of foreclosures and abundance of VA condominium repossessions. It was noted that market conditions have changed, the Board's exposure is not as great and its possible that this requirement is now obsolete. After a brief discussion Gerry Hudson moved to remove all restrictions currently imposed by the Board on condominium and planned unit developments, which was seconded by Dean Mart. The motion failed for lack of majority, with three members for the motion and three against. Following further discussions, Joe Gerbase moved to raise the existing percentage of 10% to a 25% limit on the number of living units in a condominium project or planned unit development. George McCallum seconded the motion, which passed with four members voting in favor of the motion and two members voting against the motion. A motion was then made by Gerry Hudson to eliminate the downpayment requirement for VA loans, Dean Mart seconded the motion which was defeated by a vote of four to two.

OTHER BUSINESS

Gerry Hudson moved that the Board appoint a committee and institute a Request for Proposal (RFP) for investment bankers, the motion was seconded by Dean Mart. A discussion of the motion noted that the Board would like a reevaluation of the current investment team and invite proposals for consideration. Gerry also noted that the Board, at its meeting in May of 1991, decided to table the RFP issue for a year and it should be reviewed. The motion was unanimously approved. Gerry Hudson was appointed to chair a committee to oversee the RFP process. Other members to serve on the committee are Dean Mart and Bob Thomas.

George McCallum, Chairman of the Audit Committee, asked that the Audit Committee schedule a meeting prior to the next Board meeting to discuss the servicers reviews that are currently being conducted by Jim Woy of Anderson ZurMuehlen and Co.

Richard A. Kain, Administrator, advised the Board of some problems with the printing of the 1992 Annual Report, which he had hoped to have available today. Dick did share with the Board the Chairman and Administrators Message, from the report, which highlights the Boards accomplishments for the fiscal year 1992.

Dick presented for the Board's information an outline for a new Board program for the new construction of energy efficient homes and briefly explained to the Board how the program would work, which would depend on the Board's ability to issue Mortgage Revenue Bonds. Dick noted that two mortgages would be involved. The first, insured by FHA, to the maximum mortgage limit of \$75,500. The second, not to exceed an amount over \$19,500, would be insured by a cash pool established by the Department of Natural Resources and Conservation (DNRC), utility companies and the homebuyer.

Dick also presented for the Board's information a letter to President-Elect Clinton from NCSHA regarding housing issues.

Dick concluded by drawing the Board's attention to an analysis of the Board's program activity in the Billings area over the last three years.

SET NEXT MEETING DATE

The next meeting was scheduled for January 29, 1993, at 9:30 a.m. in Helena. An Audit Committee meeting was scheduled for January 29, 1993 at 7:30 a.m. in the Board's office.

The Board took a fifteen minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS

Tom Mather, Chairman, introduced the Board members and staff to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Billings area and comments relative to the Board's current programs.

Agnes Hoffman, First Interstate Bank, expressed a concern to the Board regarding the receiving of program information and Board decisions in a timely manner. It was suggested that perhaps lenders could obtain a copy of the Board's meeting agenda or make a special request to receive a copy of the agenda. Agnes complimented the Board on the efforts they have made to provide housing and on their programs.

Karen Erdie, Administrator, Area II Agency on Aging, Roundup, expressed her thanks to Janet Kunz who made a presentation in Roundup, to the Information Technicians for the Area II Agency regarding the Reverse Annuity Mortgage (RAM) Program. Karen advised the Board that the presentation was very informative and well presented. Karen then introduced Zoe Johnson who works with the RAM Program in Yellowstone County for any comments regarding the Program. Zoe Johnson explained that she has not had much experience with the RAM Program since she attended the presentation in Roundup. Zoe did advise the Board that many of the elderly that she works with do live in low income housing and the housing is not adequate for the particular needs of the elderly.

Ed Pluhar, advised the Board that he is a counselor for the RAM Program in Billings. Ed expressed his concern regarding the age limit of 68 to qualify for the Program and suggested that the Board consider lowering the age limit to 62, which corresponds with other RAM Programs available to seniors. Dick Kain advised Ed that the Governor's Office on Aging was going to do some inquiries regarding changing both the age and income limits and make a recommendation to the Board. Ed was advised to contact Bob Bartholomew with the Governor's Office on Aging, for his input regarding changes. Dick thanked Ed for his input, explaining that we rely on the input received from the people who do the outreach and work with the seniors for recommendations to the Program.

Jack Lambrecht, a property manager, explained to the Board that he is in the beginning phases of developing low income housing for the elderly and asked if the Board had any kind of funding available. Maureen Rude advised Jack that the Board is currently working with non-profits on a program to provide funding for the construction of low income housing. Maureen explained that the Board is also working on getting for-profit organizations involved in this program. Jack advised the Board that in the Billings community developers are currently having to pay a commercial interest rate of approximately 11% and that it would very helpful for a builder to get a lower interest rate construction loan which could convert into permanent financing. Maureen advised Jack of the Board's Low Income Housing Tax Credit Program and told him that she would be willing to talk with him regarding requirements and how to apply.

Sandy Wong, Security Federal Savings Bank, asked the Board if they would be extending the Mortgage Credit Certificate (MCC) Program which expires at the end of the month. It was explained that the MCC Program is a federal program administered by the Board and until Mortgage Revenue Bond legislation is enacted by Congress the Board is unable to extend the MCC Program. The Board is hopeful that extensions will be in place by April or May and it was noted that President-Elect Clinton is in favor of permanent extension.

Eleanor Dickinson, Glacier Bank, asked the Board to consider lifting the Board restrictions for VA loan downpayments. Eleanor suggested that it is up to the lending community to provide good underwriting for VA loans.

Gloria Neuhardt, President, Montana Association of Realtors, voiced a concern regarding the turn around time for Board processing of the MCC and bond reservations. Gloria indicated she has been told that it is currently taking five to seven days, where in the past the turn around time was 48 hours. Bob Morgan explained to Gloria that once the loan reservation is received in the Board office, staff has a three business day turn around deadline. Gloria asked if it would be possible to get a verbal approval, Bob indicated that typically an approval letter is sent, however, if they are looking at a tight timetable they could call the Board office to receive a verbal approval.

A. L. "Al" Littler, Prudential/Floberg Realtors, expressed his frustration and concern regarding the amount of paper being produced and the proliferation of bureaucracy involved within the State's housing agencies and particularly in regards to the CHAS and HOME Programs. Al produced a stack of documents sent to him regarding both the CHAS and HOME Programs and explained that as an entrepreneur he neither has the time nor inclination to wade through the documentation to even see if he would be interested in the Programs. He asked if there was any way the

Board could assist in giving the entrepreneurial/for-profit community some incentive to produce low income housing, noting that the Federal government has taken all incentives away and that producing a profit was the first order of business. Dick Kain explained that the Board was also frustrated with limited cooperation that exists between the agencies that are responsible for housing and that the Board of Housing was not offered the opportunity to be involved in either the CHAS or HOME Programs. Dick also noted that housing is fractured within State government.

John Walsh, City of Billings, asked for an explanation of the relationship between the Board and the HOME Program. It was explained that the Board would be used as a source of matching funds and that the Board would like to be a major player working with the non-profits and Public Housing Authorities in the HOME Program. John also asked how someone could learn more about the Board's Programs in general, he noted that for his office the information would be used to refer individuals to the appropriate contact person. Dick explained that the Board has been conducting statewide workshops and that the Board does need to be more pro-active and provide a greater outreach. Joe Gerbase noted the importance of educating the public regarding available programs and how the programs are funded. Joe further explained that the programs are funded from the issuance of tax-exempt bonds and as mortgages prepay a small margin becomes available for the Board's use to develop new programs to assist special groups. Currently the Board's bonds enjoy the lowest mortgage interest rates in the nation and receive the best investment rating. Joe noted that there is also proposed legislation to move that bonding function away from the Board.

Lucy Brown, Billings Housing Authority, commended the Board's staff for keeping in contact with the local housing authority and local community officials regarding issues and activities in the Billings area related to housing and keeping her office informed on Board programs. Lucy stated, that as a user of the services provided, she would support a consolidation of the state housing agencies. Currently they are fragmented into three different departments. Lucy also noted that she would like to see a closer working relationship between the Board and the HOME Program. Lucy explained to the Board that all of the major cities in Montana face a housing crisis and it is effecting those from all walks of life. Currently Billings has a 0% vacancy rate in the housing market. The Section 8 waiting list is over 1,200 and the Housing Authority waiting list is 1,100, which is up from approximately 500 in the late 1980's. Lucy concluded by saying that the people that her office serves have an annual income of \$6,400 and that rental housing is needed for these individuals and families.

Casey Joyce, Yellowstone County/Montana Tradeport, advised the Board the situation for low and moderate income families has become more desperate. Casey indicated that he works with the local housing coalitions and they all have concerns with the 0% vacancy problem. Casey also noted that all of the groups he works with are interested in working with all housing groups to provide housing to those in need.

Marion Dozier, HRDC-Homeless Coordinator, advised the Board that she is new with the program and attended today's meeting mainly to learn, however, she reiterated the demand for rental units in Billings. Marion advised the Board that her first priority is to help people from becoming homeless, that many of the people she sees are in low paying jobs and because there is not housing available are living in motels. Because they are in low paying jobs, they also face not being able to

save enough to pay a deposit or to pay the high price for rent. In Billings there is no rental housing available for under \$200 per month, most is over \$300. An individual receiving welfare earns \$310 per month, with rents over \$300, this leaves no place to live.

Barb Perzinski, HRDC-Section 8, advised the Board that her office services Big Horn, Stillwater, Carbon and rural Yellowstone Counties and there are currently 300 on their waiting list. Barb said that rents are not as high as in the City of Billings, but they are faced with the same problem of no available housing.

John Koppelman, Norwest Bank, voiced his support to the idea of the Board being involved in the production of low income rental housing.

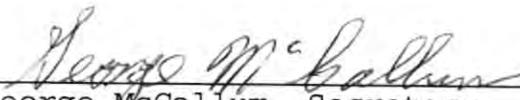
John Van Norman, taxpayer/landlord, received a copy of the CHAS Program and is concerned that as far as he is aware no one has contacted the Landlord Association for input and that more tax dollars are being used when the issue should be on the lending side of the issue. To build a multifamily unit, 30% to 35% down is required to obtain a loan. There would be more units being constructed if it were not for that requirement. John urged the Board to address both sides of the issue.

Joe Gerbase asked for input as to the kind of education that is being requested of the Board, whether it be seminars, literature, or question and answer sessions. The Board was advised seminars, presentations at conventions, anything to give a general idea of the Board's programs. It was noted that this Board has been very helpful and communicated very effectively the rules, regulations and that they have requested input from the communities.

Dick noted that the main issues brought forward today include the need for greater outreach to explain the Board's Programs and to be quicker in developing a commercial multifamily program. Dick also explained that the community input the Board receives is important for new program development.

Dwight Mackay, Senator Conrad Burns Office, explained that it was important for this Board to become involved in the discussions of in-home care services and health care issues to keep the elderly in their homes. Dwight recommended as a pro-active measure the Board should remain active in the Governor's Annual Conference on Aging.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

1-29-93
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

December 17, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Thursday, December 17, 1992, at 10:00 a.m., M.D.T., to review the proposed \$23,360,000 Single Family Refunding Bond Issue, 1992 Series RA and the proposed \$9,725,000 Multi-Family Mortgage Refunding Bond Issue, 1992 Series A.

12/14/192



MONTANA BOARD OF HOUSING

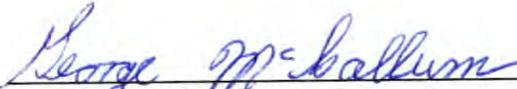
2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Thursday, December 17, 1992, at 10:00 a.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. Randy Hynote, Goldman, Sachs and Company; Barry Gottfried, Goldman, Sachs and Company; John Wagner, Kutak Rock; Mike Mulrone, Luxan and Murfitt; and staff members Dick Kain, Maureen Rude, Bob Morgan, Kelly Rusoff Lynn Rolland, Jeannene Maas and Janet Kunz also participated.

Barry Gottfried and Randy Hynote reviewed the structure and pricing of the \$23,360,000 Single Family Refunding Bond Issue, 1992 Series RA and the \$9,725,000 Multi-family Mortgage Refunding Bond Issue, which were offered on December 16, 1992. The issue is scheduled to close on December 29, 1992.

John Wagner and Mike Mulrone presented Resolutions #92-1217-M1 and #92-1217-S2 and the purchase contracts with the Board. John noted the Single Family issue has been downsized to \$22,520,000 to comply with tax regulations. The Resolutions approve the bond refunding for both the Single Family and Multi-Family Issues and authorizes the execution of appropriate documents. Joe Gerbase moved that the Board approve both Resolution #92-1217-M1 and Resolution #92-1217-S2 and authorize Dick Kain, Administrator, to execute the necessary documents, the motion was seconded by George McCallum. Resolutions #92-1217-M1 and #92-1217-S2 were carried unanimously as presented.

There was no further business, and the meeting adjourned at 10:40 a.m.


George McCallum, Secretary

December 18, 1992
Dated

RESOLUTION NO. 92-1217-M1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR MULTI-FAMILY HOUSING BONDS; AUTHORIZING THE ISSUANCE OF \$9,725,000 AGGREGATE PRINCIPAL AMOUNT OF MULTI-FAMILY MORTGAGE BONDS, 1992 SERIES A TO CARRY OUT SAID REFUNDING; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING AN AMENDED AND RESTATED TRUST INDENTURE, A 1992 A SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans in order to 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 a mortgage purchase program in order to finance multifamily housing in the State for families and persons of low and moderate income by making mortgage loans that are insured by the Federal Housing Administration; and

WHEREAS, on March 21, 1978, the Board issued \$4,865,000 of its Multi-Family Mortgage Bonds, Series 1978 A (FHA-Insured Mortgage Loan) (the "1978 Bonds"), on July 18, 1979, the Board issued \$8,660,000 of its Multi-Family Mortgage Bonds, 1979 Series A (FHA-Insured Mortgage Loans) (the "1979 Bonds") and, on May 27, 1982, the Board issued \$1,945,000 of its Multi-Family Mortgage Bonds, 1982 Series A (FHA-Insured Mortgage Loans) (the "1982 Bonds") to implement such mortgage purchase program; and

WHEREAS, the Board desires to refund all of the Board's 1979 Bonds and 1982 Bonds (collectively, the "Prior Issues") through the issuance of the 1992 Series A Bonds.

WHEREAS, a 1992 Series A Supplemental Trust Indenture, dated as of December 1, 1992 (the "Supplemental Indenture"), between the Board and First Trust Company of Montana, National Association, Billings, Montana, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1992 Series A Bonds, subject to the terms, conditions and limitations established in the Supplemental Indenture and the Trust Indenture dated as of February 23, 1978 (the "Trust Indenture"); and

WHEREAS, a Preliminary Official Statement for the 1992 Series A Bonds (the "Preliminary Official Statement"), dated December 9, 1992, has been presented to the Board,

containing certain information relating to the Board, the Trust Indenture and the 1992 Series A Bonds, and which will be distributed to the purchasers of the 1992 Series A Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch & Co. and Piper Jaffray Inc. (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1992 Series A Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, an Amended and Restated Trust Indenture, dated as of the date of the closing of the issuance of the Bonds (the "Restated Indenture"), between the Board and the Trustee has been presented to the Board, whereby the Trust Indenture would be amended, upon receipt of the consent of two-thirds of outstanding bondholders, to provide additional security for the bondholders, to provide the Board with flexibility in its multifamily program so it can respond to the present and future needs of lower-income persons and families in Montana and to eliminate unnecessary provisions and provisions obviated by changes in law.

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 projects financed through the issuance of the Prior Issues constituted and 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 such projects as aforesaid consists of the urban areas in which such projects are located and the surrounding rural areas.

(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 areas to be served by the aforesaid projects;

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

(iii) that the conditions, restrictions and limitations contained in the Trust Indenture are sufficient to ensure that the projects are 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 projects to be financed which are referred to in paragraph (a) above are and 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 projects financed with the proceeds of the 1992 Series A 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 projects financed by the Prior Issues do not involve direct loans.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance of the Board's Multi-Family Mortgage Bonds, 1992 Series A, in the aggregate principal amount of \$9,725,000 (the "1992 Series A Bonds"), is hereby authorized and approved. The 1992 Series A Bonds shall mature, bear interest (not to exceed 7 1/2% per annum), be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Supplemental Indenture. The 1992 Series A Bonds shall be executed and delivered substantially in the form set forth in the Supplemental Indenture, with such additions, omissions and changes as are required or permitted by the Supplemental Indenture. The 1992 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Supplemental Indenture) for purposes of executing and attesting the 1992 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 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 Disclosure Documents.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman

of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting, and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized, directed and ratified.

Section 6. *Ratification of Prior Actions.* All actions previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1992 Series A Bonds are hereby approved, confirmed and ratified.

Section 7. *Approval of Restated Indenture.* The Restated Indenture is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Restated Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Restated Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto. The Restated Indenture shall become effective only upon receiving the consent of two-thirds of the outstanding Bondholders, as defined in and pursuant to the provision of the Trust Indenture, and the staff of the Board are hereby authorized and directed to coordinate with the Trustee to obtain said consent, including the consent of the initial holders of the 1992 Series A Bonds.

Section 8. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 9. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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, the Supplemental Indenture, the Restated Indenture and the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 10. *Execution of Non-Arbitrage Certificate.* The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1992 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Effective Date.* This Resolution shall become effective immediately.

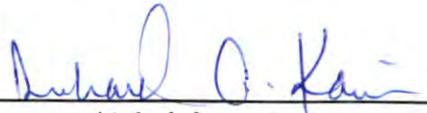
ADOPTED by the Montana Board of Housing this 17th day of December 1992.

[SEAL]

MONTANA BOARD OF HOUSING

Attest:

By 
Chairman

By 
Treasurer/Administrator

RESOLUTION NO. 92-1217-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$22,520,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM REFUNDING BONDS, 1992 SERIES RA (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID REFUNDING; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING A SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

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

WHEREAS, in 1980 the Board issued \$50,000,000 of its Single Family Program Bonds, 1980 Series A (the "Prior Issue") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Program Refunding Bonds, 1992 Series RA (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$22,520,000 (the "1992 Series RA Bonds") to refund the Prior Issue; and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a Supplemental Trust Indenture dated as of December 1, 1992 (the "Supplemental Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1992 Series RA Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated December 11, 1992, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1992 Series RA Bonds, and which will be distributed to the purchasers of the Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch & Co. and Piper Jaffray Inc. (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1992 Series RA Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Fourth Amending Supplemental Indenture, to be dated as specified therein (the "Amending Indenture"), between the Board and the Trustee, has been presented to the Board, whereby the Trust Indenture would be amended, upon receipt of the consent of two-thirds of outstanding bondholders, to provide the Board with flexibility in its homeownership program so it can better respond to the present and future needs of lower-income persons and families in Montana.

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 financed through the issuance of the Prior Issues and to be financed through the issuance of the 1992 Series RA Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1992 Series RA 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 Prior Issue and the 1992 Series RA Bonds do not involve direct loans.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance of the Board's Single Family Program Refunding Bonds, 1992 Series RA (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$22,520,000 (the "1992 Series RA Bonds"), is hereby authorized and approved. The 1992 Series RA Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1992 Series RA Bonds shall be at rates which will be equal to or less than 7 1/2% per annum. The 1992 Series RA 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 1992 Series RA Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1992 Series RA Bonds. Such signatures

may be in facsimile, provided, however, that such 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 Disclosure Documents.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized, directed and ratified.

Section 6. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1992 Series RA Bonds is hereby approved, confirmed and ratified.

Section 7. *Approval of Amending Indenture.* The Amending Indenture is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Amending Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Amending Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest hereto. The Amending Indenture shall become effective only upon receiving the consent of two-thirds of the outstanding Bondholders, as defined in and pursuant to the provision of the Trust Indenture, and the staff of the Board are hereby authorized and directed to coordinate with the Trustee to obtain said consent, including the consent of the initial holders of the 1992 Series RA Bonds.

Section 8. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 9. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

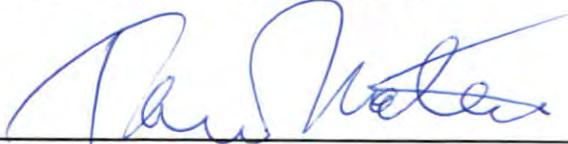
Section 10. *Execution of Non-Arbitrage Certificate.* The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1992 Series RA Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Effective Date.* This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 17th day of December 1992.

[SEAL]

MONTANA BOARD OF HOUSING

By 
Chairman

Attest:

By 
Treasurer/Administrator



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
NOVEMBER 20, 1992

- I. CALL MEETING TO ORDER - 10:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- October 30, 1992 Business Meeting
- III. GENERAL COUNSEL REPORT - Mike Mulroney
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Report on December 1, 1992 Bond Calls
 - B. Quarterly Budget Status Report - September 30, 1992
 - C. Report on Indirect Assessment
 - D. Review of September 30, 1992 Consolidated Financial Statements
- V. REVERSE ANNUITY MORTGAGE PROGRAM UPDATE - Janet Kunz
- VI. LOW INCOME HOUSING TAX CREDIT - COMPLIANCE MONITORING PLAN -
Maureen Rude
- VII. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
 - A. Mortgage Credit Certificate Program
 - B. 1992 Series A
 - C. Cash Assistance Program
 - D. Status of Recycled Mortgage Program Setaside
 - E. MRB Bridge Recycling Program
- VIII. STATUS OF PROPOSALS FROM MISSOULA HOUSING TASK FORCE - Richard Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. ADJOURN

11/9/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
NOVEMBER 20, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Absent)
Russ Dahl (Present)
Dean Mart (Present)
Gerry Hudson (Present)
Bob Thomas (Absent)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Maureen J. Rude, Multifamily Program Officer
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Mark Semmens, D. A. Davidson
Gordon Hoven, Piper Jaffray Inc.

OTHERS: John Grant, Jackson, Murdo Grant and McFarland, P.C.
Bob Anez, Associated Press

The meeting was called to order at 10:50 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the October 30, 1992 Business Meeting and Public Meeting were changed to reflect that in Barbara Bert's presentation during the Public Meeting, the section which reads "... Montana has a population of 8,000 citizens over the age of 65...", should actually read "... Missoula County has a population of 8,000 over the age of 65...". The minutes were approved as amended.

GENERAL COUNSEL REPORT

Mike Mulroney, Luxan and Murfitt, advised the Board that the final Attorney General's opinion has just been received this morning and that in briefly reviewing it, the final opinion is in much the same substance and form as the draft opinion reviewed with the Board on October 30th in Missoula and recommended to the Board that, based on the final Attorney General's opinion, they proceed with the transfer of \$500,000 from the Housing Trust

Fund to the Housing Authority Enterprise Fund. Gerry Hudson moved, based on action taken at the October 30th Board meeting and based on counsel's recommendation, to proceed with the transfer of \$500,000 from the Housing Trust Fund to the Housing Authority Enterprise Fund, seconded by Russ Dahl the motion carried unanimously.

The Board briefly discussed the constitutionality issue related to House Bill 41 and decided to table the issue until counsel further researched the issue and reported back to them with a recommendation. A discussion then followed regarding the composition of the Board and adding two additional members to the Board from the Legislature. After a brief exchange, Dean Mart moved to authorized Gerry Hudson to personally talk with the Governor-elect on the Board's behalf regarding the make up of the Board and adding two Legislative members to the Board. Gerry Hudson seconded the motion which was passed unanimously.

Richard A. Kain, Administrator, briefly updated the Board regarding Legislative Committee meetings held this morning. The first meeting held was with the Revenue Oversight Committee regarding House Joint Resolution 2 (HJR2) which directed the Director of the Department of Commerce to review all programs for available funds. During the presentation of the report by the Department of Commerce a question was raised about the Board Resolution of August 21st regarding the \$1.5 million balance in the Housing Trust Fund, it was explained to the Committee the Board's intent is to use those funds to provide housing for low income Montanans.

The second meeting was a Joint Committee meeting of the Legislative Audit and Legislative Finance Committees. Dick noted that it was a good meeting and that members of both Committees commented that they did not want to hurt the Board's programs, that they are good programs and they would like to work with the Board to improve housing programs. Dick further advised the Board that based on the report submitted by the Legislative Auditors Office the Committee is seriously looking at option #3 which would involve reorganizing the Board of Housing and the Board of Investments bonding functions into one authority (State Revenue Bond Authority) and have instructed the Legislative Auditors Office to draft legislation for introduction at the next Legislation Session. It was noted that the report did not address the efficiencies of the Board of Housing or whether there were any efficiencies to be gained from the reorganization.

ACCOUNTING AND REPORTING UPDATE

REPORT ON DECEMBER 1, 1992 BOND CALL

Kelly Rusoff, Comptroller, reported that the Board will call \$35,093,249.95 in bonds from the Single Family II Indenture. The bond call, on December 1, 1992, will be made from mortgage prepayments, including \$7,160,000 from 1982A, \$1,890,000 from 1983A, \$2,955,000 from 1983B, \$7,560,000 from 1983C, \$10,430,000 from 1984A, \$2,550,000 from 1985A and \$2,538,249.95 from 1985B. Kelly noted that more bonds are being called because of increased loan prepayments.

QUARTERLY BUDGET STATUS REPORT - SEPTEMBER 30, 1992

Kelly Rusoff, presented the Board's budget status, as of September 30, 1992. The Board has spent \$242,913 or 12% of the \$2,070,421 appropriation for fiscal year 1993, leaving a balance of \$1,827,508.

REPORT ON INDIRECT ASSESSMENT

Kelly Rusoff, reported to the Board, findings regarding the indirect assessment charged to the Board by the Department of Commerce. She reviewed several letters and calculations, in regard to the assessment, obtained from the Department of Commerce. Kelly advised the Board that

because of the large number of programs administered by the Department of Commerce it apparently is difficult to obtain an allocation of time spent on services provided by the Department of Commerce for the Board. Kelly did review with the Board how charges are broken down and assessed to each agency within the Department and advised the Board that the Board of Housing currently pays 8.71% of its personal services budget which translates into approximately \$30,000 per year. After a brief discussion the Board determined the charge assessed to be reasonable and no further action would be pursued at this time.

REVIEW OF SEPTEMBER 30, 1992 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff presented the Board's unaudited consolidated financial statements for the period ending September 30, 1992 and September 30, 1991 and reviewed significant changes between 1991 and 1992.

REVERSE ANNUITY MORTGAGE PROGRAM UPDATE

Janet Kunz, Administrative Assistant, presented to the Board the status of the RAM program as of November 17, 1992. Twelve RAM loans have been successfully closed and there is currently one application in process. The average borrower age is 77.1 years, the average household income is \$7,925, average loan to value ratio is 71.0% and the average total principal to value ratio is 47.8%. Of the \$730,300 set aside there remains \$430,248 in funds available for new loans.

Janet updated the Board regarding activities to promote the RAM Program which include: a workshop held in June and co-sponsored with the Governor's Office on Aging; attending and conducting a seminar at the Governor's Conference on Aging held in Great Falls in September; and a workshop held in Roundup for the Area II Agency on Aging. Janet also shared with the Board several recent articles that have been written regarding the RAM Program and which have appeared in several senior newsletters and newspapers.

LOW INCOME HOUSING TAX CREDIT

Maureen J. Rude, Multifamily Program Officer presented for the Board's review and action the Low Income Housing Tax Credit Compliance Monitoring Plan. Federal law requires that state credit agencies provide a procedure that the agency will follow in monitoring for non-compliance. Maureen reviewed the Plan with the Board noting changes to the draft Plan and other areas of significant interest. Maureen did explain to the Board that any projects not complying would be given a 90 day cure period in which to comply. After 90 days the IRS is notified that the project was not in compliance, given a 90 day cure period and actions, if any, taken by the project to comply. After reviewing the Low Income Housing Tax Credit Compliance Monitoring Plan Joe Gerbase moved that the Board adopt the Compliance Monitoring Plan as presented. Dean Mart seconded the motion and the Low Income Housing Tax Credit Compliance Monitoring Plan was unanimously adopted.

Maureen update the Board on the Multifamily refunding and presented a timetable showing procedures to be completed and a date for the scheduled closing.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Dick Kain presented the Mortgage Credit Certificate Program report, as of November 16, 1992, which showed that the Board has 99 reservations outstanding for \$1,170,594.60 and has issued 760 certificates for \$8,507,912.20 in credit authority. The average purchase price is \$58,041.29, the average MCC issued is \$11,194.62 and the average borrower

income is \$28,833.20. There remained \$321,493.20 available in credit authority, however as of November 19th there remained approximately \$157,000 in credit authority. A listing of MCCs issued and reserved by county or targeted area was presented. Dick reviewed the lender participation report, the largest users of the program, along with the number of MCCs issued by month.

1992 SERIES A

Dick Kain, presented the Series Allocation Summary Report for 1992 Series A, dated November 16, 1992. Of the \$22,844,550 in available proceeds the Board has 69 reservations outstanding for \$3,434,790.00 and has purchased 231 loans for \$11,156,899.85. The average purchase amount is \$48,298.26 and the average annual income is \$27,640.14. There remains \$8,252,860.15 in lendable proceeds. Dick advised the Board that as of November 19th there remained approximately \$7,600,000. Dick advised the Board that in each of the last two weeks staff has received approximately \$600,000 in reservations and advised the Board that they may want to look at extending the acquisition period at the December meeting and that staff would have for them at that time an approximate cost of extension. Dick reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 231 loans purchased 220 have been FHA and 11 have been VA or about 5% of the loans.

A comparison of FHA/VA mortgage quotes as of November 16, 1992 was presented. Dick noted that quotes have not changed significantly from the October meeting, however those at 8.25% with 2.5 points were the most comparable to the Board's 7%% mortgage rate.

Two graphs were reviewed with the Board. The first graph showed a comparison of the accumulated purchases for Series 1991A, 1991B and 1992A at the 10th purchase date for each issue. The second graph showed a comparison of accumulated reservations for 1991B and 1992A. At the 23rd reservation week, 1991B had reserved 87% of available funds verses 61% for 1992A.

CASH ASSISTANCE PROGRAM

Dick Kain recapped the Cash Assistance Program (CAP) which expired on October 31, 1992. There were 102 loans purchased for \$3,519,565.56 using the 7%% setaside for first mortgages and of the setaside for down payment assistance \$86,304.59 was used. The majority of the loans were in Billings but there was a good distribution in rural areas.

Dick reviewed with the Board the Terms and Conditions for the Cash Assistance Program II (CAP) noting items that were changed by the Board. Since the Program was approved on October 30th, there has not been any reservation or purchase activity.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Dick Kain presented to the Board a summary of recycled mortgage program setasides. Neighborhood Housing Services currently has four setaside programs totaling \$1,435,628, the 203(k), a FHA program, setaside is \$4,862,100, the Board's Cash Assistance Program II setaside is \$2,000,000 and the Manufactured Housing setaside is \$4,500,000. The total setaside for all programs is \$12,797,728. Dick noted that the 203(k) Program is starting to pickup and that staff has received a lot of calls about the Manufactured Housing Program.

MRB BRIDGE RECYCLING PROGRAM

Dick Kain presented for the Board's information a MRB Bridge Recycling

Program report noting the advantages and disadvantages. The Program would offer continuity of the Board's bond program through the spring. Dick advised the Board that at the time Board action was needed staff would run cashflows and present a report showing the impact to the bond issues of recycling funds.

Dick updated the Board on the Single Family refunding and presented a timetable for the refunding. Dick noted that the Single Family refunding is not as far along as the Multifamily, but that both would be sold and closed in December. Dick also noted that after the bond sales for both Single Family and Multifamily refundings the Board would then hold conference calls to approve the sales and authorize the signing of documents.

STATUS OF PROPOSALS FROM MISSOULA HOUSING TASK FORCE

Dick Kain advised the Board that staff is working with the Missoula Housing Task Force on the proposals presented to the Board at the October meeting. Dick advised the Board that there have been some discussions regarding the proposed Downpayment Assistance Program and that they hope to be in a position to have a proposal from the Task Force for the Board at the December or January Board meeting. Dick noted that the Task Force was not certain of the size of the take out financing commitment they would be asking from the Board. The Task Force is proposing using HOME funds for the downpayment/rehab assistance, HOME guidelines have not yet been finalized which is slowing down the process for completing the proposal.

Dick drew the Board's attention to a letter from Summit Independent Living Center in Missoula. The Independent Living Center coordinates housing for persons with disabilities. The letter explained that of the population that is served by the Center, 75% are mobility impaired and need accessible housing. Less than 5% of the housing in Missoula is handicapped accessible and rent for this type of housing begins at \$425 per month. A SSI payment received by a person with disabilities is \$422 per month, which virtually eliminates them from the housing market. The letter also noted that the Center currently has a waiting list of over 25 people needing housing. Dick noted that a program specifically targeted to persons with disabilities may be a direction the Board would like to address in the future.

OTHER BUSINESS

Dick Kain shared with the Board an article in the November issue of the Montana Builder, a publication of the Montana Building Industry Association (MBIA), regarding the Board and the MBIA's support of the Board.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday, December 18, 1992, at 9:00 a.m. to be held in the Billings Public Library third floor meeting room, with a public meeting to follow the business meeting.

There was no further business, and the meeting adjourned.



George McCallum

12-18-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
MISSOULA CITY COUNCIL CHAMBERS
201 WEST SPRUCE
MISSOULA, MONTANA
OCTOBER 30, 1992

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - September 28, 1992 Audit Committee Meeting
 - September 28, 1992 Business Meeting
 - October 21, 1992 Conference Call Meeting
- III. GENERAL COUNSEL REPORT - Mike Mulroney
- IV. UNDERWRITERS UPDATE - Randy Hynote, Goldman Sachs and Company
- V. MULTIFAMILY BONDING PROPOSAL - Maureen Rude
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1991 Series B
 - C. 1992 Series A
 - D. Cash Assistance Program Status and Delinquency Report
 - E. Proposed Enhancements to Cash Assistant Program
 - F. Status of Recycled Mortgage Program Setaside
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. MISSOULA HOUSING TASK FORCE - Nancy Leifer, Coordinator
- XI. MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS (11:30 A.M. TO 1:00 P.M.)
- XII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
MISSOULA CITY COUNCIL CHAMBERS
201 WEST SPRUCE
MISSOULA, MONTANA
OCTOBER 30, 1992

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - September 24, 1992 Audit Committee Meeting
 - September 24, 1992 Business Meeting
- III. GENERAL COUNSEL REPORT - Mike Mulroney
- IV. UNDERWRITERS UPDATE - Randy Hynote, Goldman Sachs and Co.
- V. MULTIFAMILY PROGRAM UPDATE - Maureen Rude
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1991 Series B
 - C. 1992 Series A
 - D. Cash Assistance Program Status and Delinquency Report
 - E. Proposed Enhancements to Cash Assistant Program
 - F. Status of Recycled Mortgage Program Set-Asides
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE
- X. MISSOULA HOUSING TASK FORCE - Nancy Leifer, Coordinator
- XI. MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS (11:30 A.M. TO 1:00 P.M.)
- XII. ADJOURN

10/15/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
MISSOULA CITY COUNCIL CHAMBERS
201 WEST SPRUCE
MISSOULA, MONTANA
OCTOBER 30, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt
John Wagner, Bond Counsel
Kutak Rock

UNDERWRITERS: Randy Hynote, Goldman Sachs and Company
Gordon Hoven, Piper Jaffray Inc.

OTHER: Nancy Stephenson, Neighborhood Housing Services, Inc.
Ruth Sacker, Missoula County
Ed Mayer, Missoula Housing Authority
Jack E. Lovell, Western Federal Savings Bank
Bill Carey, Missoula Food Bank/Housing Task Force
Stefan Chinilereylo, Refugee Center
Marry Yang, Refugee Center
Chris Behan, Missoula Redevelopment Agency
Charlie Eiseman, Western Federal Savings Bank
John Filz, District XI Human Resource Council
Jim Morton, District XI Human Resource Council
Barbara B. Bert, Gerontologist/Real Estate Broker
Steve Loken, Center for Resourceful Building Tech.
Bill Clarke, Missoula Neighborhood Network
Vi Seibert, Clark Fork Riverside
K. Evans, Private Citizen
Janet Stevens, Missoula County
Jim Mason, Missoula Department of Family Services
Lori Durrin, Missoula Department of Family Services

Don Olsson, Jr., Ronan State Bank
Kathie O'Brien, City of Missoula
Verna Welch, Bank of Montana
Cindy Wulfekuhle, Missoula County
Jim Fleischmann, Montana Peoples' Action
Shannon Fishborne, Job Quest
Nancy Leifer, Missoula Housing Task Force

The meeting was called to to order at 8:30 by Chairman Tom Mather.

APPROVAL OF MINUTES

The Board reviewed the minutes from the October 21, 1992 Conference Call Meeting. After a motion by George McCallum, seconded by Dean Mart, the Board unanimously approved the minutes of the September 28, 1992 Audit Committee, the September 28, 1992 Business Meeting and the October 21, 1992 Conference Call.

GENERAL COUNSEL REPORT

Mike Mulroney, Luxan and Murfitt, appeared before the Board to inform them of the status regarding the requested Attorney General's opinion on the transfer of \$500,000. A draft opinion from the Attorney General was received October 29th and stated that "Board of Housing funds not specifically pledged under a trust indenture must be deposited in the housing authority enterprise fund and invested in accordance with the unified investment program as provided..." by statues. Mike advised the Board that from a non-legal viewpoint there is nothing technically wrong with the draft opinion. From a legal viewpoint, he does not believe that the final opinion will be changed and advised the Board that it must next consider how to handle the issue. The Board could keep the funds separate or transfer them to the Housing Authority Enterprise Fund (HAEF) and pursue the constitutional issue separately. Mike did advise the Board that the constitutional issue can be pursued even after a transfer was made as long as notification of the transfer includes a letter that indicates the Board will be pursuing the constitutionality of HB41. If the court ruled in favor of the Board the \$500,000 would be returned.

Mike further advised the Board that he had been asked by staff to do some research regarding whether the Board's failure to transfer the funds could be grounds for allegations of malfeasance on the part of the Board members. Mike advised the Board that, in his opinion, that charge can not be sustained as the Board action was on advise of counsel, that an opinion from the Attorney General was sought and obtained. When a final opinion is received it is binding on the Board and they will be required to follow its directive. If the Board does there can be no basis for a charge of malfeasance by Board members.

Joe Gerbase asked for an interpretation regarding what happens when a Legislative appropriation is underspent, if it continues to build and if the Attorney General's opinion is in some way supporting it. Mike indicated that he did not believe that the opinion was supporting that, but is referring to any funds that are available to the Board must be deposited in the HAEF. Joe said if there is an implication in the opinion that if there is an accumulation of allocated funds from unspent legislative appropriations, then how future allocation requests are made to the Legislature would need to be determined. Joe requested that this matter be clarified as part of the final Attorney General opinion and would further like a strict definition of what is an appropriation. John Wagner, Kutak Rock, advised the Board that an appropriation authorizes the Board to spend money but the Legislature does not give the Board any money. The Board has to get the money out of the indentures and the indentures control how much can be taken out and funds can only be taken out for actual expenditures. Joe then questioned the timing of when funds

become available, John explained that the Board would have to take the money out that nothing frees up automatically. Joe Gerbase moved that in the event that counsel advises the Board that the Attorney General's opinion in final form is substantially the same as the draft opinion before them today, that \$500,000 be transferred from the Housing Trust Fund with the understanding, on advise of counsel, that the Board may challenge and pursue the constitutionality of the transfer and thus, depending on what the courts determine shall require that \$500,000 be returned to the Board of Housing. Dean Mart seconded the motion. After a brief discussion the motion was amended to include that the \$500,000 would be transferred to the Housing Authority Enterprise Fund in the State Treasurer's Office as HB41 specifies. The measure was unanimously approved. George McCallum asked counsel whether the Board would have to meet again to move funds from the HAEF to the State Treasury and where does the Board stand in regards to the statute deadline of September 2nd. Counsel advised first that once the funds are in the HAEF, HB41 appropriates the funds from that account to the State Treasury and secondly that is not a problem the Board needs to address, once the funds have been transferred to the HAEF it is up to State Administrative Officers to determine whether they have the proper legal authority to transfer those funds to the General Fund. Counsel further advised the Board that, in the opinion of First Interstate Bank of Denver as trustee, a resolution will be required to take from the Housing Trust Fund the sum of \$500,000. Dean Mart moved that the Board adopt a resolution to revoke that portion of the Housing Trust Fund necessary to transfer \$500,000 to the HAEF, seconded by Gerry Hudson the motion was unanimously passed.

Joe Gerbase anticipated that, Tom Mather would be asked for a statement and would like it to contain something to the effect that if the Legislature wants to take money, from the poor of Montana, that was not in the General Fund, monies not given to the Board and then taken back, and if the courts and Attorney General say they have that power, they can take the monies, but the Board's primary purpose was to make sure that they fulfilled their fiduciary responsibility to the bondholders. Dean asked counsel to clarify whether the Board will have fulfilled their fiduciary responsibility, counsel advised that the Attorney General's opinion relieves the Board of their fiduciary responsibility. Counsel advised that a final opinion was expected next week.

Tom Mather advised the Board that a Legislative Auditors report is due out on November 20th and will be presented to a combined meeting of the Legislative Finance and Audit Committees, it is to provide a recommendation as to the future of the Board of Housing. It was noted that neither Committee has the authority to disband the Board and that any action in that vein would have to wait until the Legislature is in session in January. Richard A. Kain, Administrator, informed the Board that the Legislative Auditors Office has been in the office looking at everything to determine if any efficiencies could be gained from doing away with the Board.

George McCallum advised the Board that at the last Audit Committee meeting the Committee authorized a contract with Jim Woy of Anderson ZurMuehlen and Co., to review four servicers and authorized Dick Kain to sign the contract. George moved that the Board approve the contract with Anderson ZurMuehlen to review four servicers and to proceed with the reviews. Bob Thomas seconded the motion which passed unanimously.

UNDERWRITERS UPDATE

Randy Hynote, Goldman Sachs and Company advised the Board of several occurrences since the last Board meeting. The tax bill to permanently extend MRB's was sent to the President, the Board was advised that if the measure is vetoed and not taken up by a lame duck Congress, it would not be until Congress convenes after the first of the year that MRB's would be addressed.

Randy presented for the Board's consideration and action a formal proposal for the refunding of 1980 Series A bonds. It was explained that benefits for refunding would allow the Board to take advantage of lower interest rates which would lower debt service costs, permit recycling of mortgage principal, creating an ongoing supply of funds for new mortgages and allow greater program flexibility. The funds would be dedicated to provide lower income homebuyers with low cost mortgage financing and it is anticipated that benefits should provide financing for 100 homes. The process to complete the refunding would take approximately 8 to 10 weeks. The Board was advised that the current interest rates on the 1980A issue range from 8.4% to 9% and the proposed rate on the refunding would be approximately 6.9%. It was also explained that the savings realized from refunding the bonds, as required by the trust indenture and tax laws, would remain in the indenture and would be obligated to either call bonds or make new loans. A motion was made by Gerry Hudson to direct staff to proceed with the work necessary to implement the refunding of 1980 Series A bonds, seconded by George McCallum, the motion was unanimously approved.

Dick Kain extended his thanks to Goldman Sachs, Kutak Rock and staff for the work done to complete the refunding proposal presented to the Board.

MULTIFAMILY BONDING PROPOSAL

Maureen J. Rude, Multifamily Program Officer, brought before the Board a proposal for the refunding of Multifamily 1978 Series A, 1979 Series A and 1982 Series A bonds. Maureen advised the Board that the refunding of these bonds is the first step in revitalizing the Multifamily Program. Benefits for the refunding would include a reduced interest rate which would lower debt service costs and an amendment to the indenture would allow for greater flexibility. Maureen advised the Board that benefits from the refunding would be used in two ways, first as an equity infusion or leverage for new bond issues and secondly as direct loans for smaller projects. The process to complete the refunding would take approximately 10 weeks, as any savings of the 1982 Series A bond issue, as a Financing Adjustment Factor bond issue, would have to be negotiated with HUD. Maureen noted that several Housing groups around the state have been waiting for Board action to see what kind of multifamily projects they will be able to initiate based on action taken by the Board. After a brief discussion, Dean Mart moved that staff begin working on the refunding of Multifamily 1978 Series A, 1979 Series A and 1982 Series A bonds, Joe Gerbase seconded the motion and it was passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude advised the Board that September 11th was the final round deadline for requests for reservation of 1992 tax credits and presented for the Board's consideration and action a non-profit corporation application for Low Income Tax Credits. The application was submitted by Milk River, Inc., a 501(c)(3) organization, for the Milk River Group Home in Glasgow. This project received a total of 33 points on the ranking matrix. The six unit project is new construction and is to serve as a group home for mentally and developmentally disabled individuals and will be receiving a Federal subsidy. All units will be targeted for the handicapped and the project will be paying all utilities. The total cost

of the project is \$288,101, with an eligible basis of \$268,101 and a qualified basis of \$268,101. The proposed project is requesting \$10,724 in tax credits which is the credit amount that staff recommends for approval. Russ Dahl moved to approve the reservation of \$10,724 in tax credits for the Milk River Group Home, Gerry Hudson seconded the motion, which carried unanimously.

Maureen provided for the Board's information a summary of tax credits committed during 1992.

SINGLE FAMILY PROGRAM UPDATE
MORTGAGE CREDIT CERTIFICATE PROGRAM

Bob Morgan, presented the Mortgage Credit Certificate Program report, as of October 26, 1992, which showed that the Board has 111 reservations outstanding for \$1,054,248.40 and has issued 722 certificates for \$8,053,520.60 in credit authority. The average loan amount is \$55,772.30, the average MCC issued is \$11,154.46 and the average borrower income is \$28,785.50 and \$633,643.00 in credit authority remains available. A listing of MCCs issued and reserved by county or targeted area was presented. Bob reviewed the lender participation report, the largest users of the program, along with the number of MCCs issued by month. Bob advised the Board that the Program will expire on December 31, 1992 and that if reservations proceed at the current rate there should be enough credit authority to last through December 31st.

1991 SERIES B UPDATE

Bob Morgan advised the Board that there was a cancellation of a reservation leaving a balance of \$146,529.72 in the 1991 Series B bond issue that would not be reserved as the deadline for reservation of funds had passed.

1992 SERIES A UPDATE

Bob Morgan presented the Series Allocation Summary Report for 1992 Series A, dated October 26, 1992. Of the \$22,844,550 in available proceeds the Board has 60 reservations outstanding for \$2,946,654.00 and has purchased 211 loans for \$10,207,586.90. The average purchase amount is \$48,377.18. There remains \$9,690,309.10 in lendable proceeds, however as of October 30th there remained \$9,060,000.00 in lendable proceeds. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 211 loans purchased 200 have been FHA and 11 have been VA.

Bob presented a comparison of FHA/VA mortgage quotes as of October 27, 1992. Bob reported that quotes at 8.50% and at 8.75% were the most comparable to the Board's.

Bob presented to the Board a list of potential options and approximate associated costs that staff has prepared for 1992 Series A funds. Bob advised that with the increased interest and number of reservations received the Board may wish to table this item until after the election, to watch the market and to see if funds continue to move. After a brief discussion the Board tabled this issue.

CASH ASSISTANCE PROGRAM STATUS AND DELINQUENCY REPORT

Bob Morgan reported on the Cash Assistance Program (CAP) as of October 26, 1992. There are 2 outstanding reservations for \$64,308.00 and 100 loans have been purchased for \$3,455,579.56; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$480,112.44 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$13,574.41 in lendable funds available. Bob reviewed with the Board an

analysis of delinquencies for the CAP Program as compared with the 1991 Series B and 1992 Series A delinquencies. The analysis showed that there are two CAP delinquencies which is higher than the two bond programs but overall compared favorably with the total portfolio.

PROPOSED ENHANCEMENTS TO CASH ASSISTANCE PROGRAM

Bob Morgan noting that the current Cash Assistance Program (CAP) expires October 31st, presented a revised proposal for enhancements to the CAP. The proposal consisted of a setaside of \$2,000,000 of 6% mortgage funds from the Single Family I Indenture for 30 year mortgages and a total setaside of \$50,000 from the Housing Trust Fund for 7% Cash Assistance loans. Bob explained that the current Cash Assistance Program has a balance of \$13,574.41 for Cash Assistance loans and would require an additional funding of \$36,435.59, totaling \$50,000. Other enhancements to the 30 year term loans include increasing the purchase price from \$45,000 to \$50,000, increasing the income limit from \$20,000 to \$23,000, the maximum Cash Assistance loan would be \$1,000 with an interest rate of 7%. Following a brief discussion of the proposal Dean Mart moved to accept the proposal as presented, Gerry Hudson seconded the motion which passed.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented for the Board's review a summary of recycled mortgage program setasides. Neighborhood Housing Services currently has three setaside programs totaling \$1,008,262, the 203(k), a FHA program, setaside is \$4,862,100, the Board's Cash Assistance Program setaside, before Board action today was \$480,112 and the Manufactured Housing setaside is \$4,500,000. The total setaside for all of programs is \$10,850,474. Bob noted that the Manufactured Housing Program is operative and he has received a great deal on interest but he has not received any reservations to date.

Bob turned the next presentation over to Nancy Stephenson, Executive Director, Neighborhood Housing Service, Great Falls for a formal presentation to the Board. Nancy explained to the Board that she was before the Board to request an allocation of \$448,000 of 7.75% mortgage monies to provide the take out financing for an additional twelve homes for NHS's Owners in Partnership Program II. Nancy advised the Board that NHS has applied to the Federal Home Loan Bank in Seattle and will be applying to the HOME Program for grants, which will assist with construction costs and downpayment assistance. The homes will again be two bedroom and in the same area but not as clustered together as were the first twelve homes. NHS is hoping to cluster the homes in groups of two or three. The Board discussed the merits of the program and unanimously approved the motion by Gerry Hudson to setaside \$448,000 of 7.75% mortgage monies to provide take out financing for Owners in Partnership II and seconded by Russ Dahl.

OTHER BUSINESS

Dick Kain briefly shared with the Board a memo from NCSHA regarding the status of the MRB legislation. Dick also shared a news release summary of other State Housing Authorities, highlighting areas that might be of interest to the Board.

Dick advised the Board that Associated Press has asked for formal notification of conference calls by the Board.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday, November 20, 1992, at 10:00 a.m. in Room 160 of the Mitchell Building, 205 Roberts Street, Helena, MT,.

The Board took a fifteen minute recess and reconvened.

MISSOULA HOUSING TASK FORCE

Nancy Leifer, Coordinator, Missoula Task Force thanked the Board for the opportunity to appear before them. She explained that the Missoula Housing Task Force presentation will include a background of the Task Force and testimony from several housing providers in the Missoula area. Nancy introduced the Board to Janet Stevens who would begin with a background of the Task Force.

Janet Stevens, Missoula County Commissioner, explained that on November 6, 1991, a meeting was held with Mayor Kemmis to discuss housing issues and the then current crisis. As a result of that meeting the Missoula Housing Task Force was formed with the specific goals to research and quantify the present urban needs and trends; to collect and disseminate information on available housing programs and to establish a model housing policy; and finally determine an specific avenue of action, recommending and establishing a permanent housing policy. The Task Force received funding in the form of \$19,000 from the City and County, \$19,000 from the University of Montana and \$11,000 other area groups. All groups have been actively involved in providing answers to Missoula's housing problem.

Nancy Leifer, provided an overview of a housing survey that was completed for the Missoula area. In the 1970's and 1980's the Missoula housing market was over built, between 1982 and 1990 the housing situation maintained a balance. Since 1990 things have changed greatly, Missoula currently has a 0% vacancy rate and an extreme shortage of housing stock. New units of housing have increased 2% each year since 1990, but that has just equaled the growth rate, effectively just keeping even and not reducing the housing shortage. Nancy presented a chart that showed the number of households in Missoula and income per household. The chart further showed the median income of \$23,500 and that the average rent equated to an income per household of \$25,000. The majority of need in Missoula is below what the private sector can provide. Using HUD income guidelines, 25% of the population or 6,600 families in Missoula fall below 50% of median income, 40% fall below 80% median income and 72% of Missoula's population fall below 120% of median income.

Reasons for Missoula's growth include the University and its increased student population, Missoula is a regional health care headquarters and a regional center for disability/rehabilitation programs, which attracts a large population of handicapped persons. Barriers that Missoula faces in providing affordable housing are twofold. First is the process of approving the development of projects in neighborhoods. Missoula tries to involve neighborhoods in housing projects in their neighborhoods. The Task Force is working with neighborhood networks. Secondly, the infrastructure on which the city sits is unique in that Missoula sits on top of its water supply and appropriate water and sewer services are not readily available. Currently 40% of the city is on the city sewer system while the other 60% is not.

Nancy turned the presentation over to housing providers to further explain the needs in Missoula. Bill Carey, Missoula Food Bank, advised the Board that the number of families served this year has increased 21% over one year ago and 56% over two years ago. Many of the families served are young parents. Forty-four percent (44%) of the people served are 18 years old or younger. From the first of the year through September he has seen 41 different families that have consistently returned for assistance, these families are the working poor that are having to make difficult decisions. Bill explained that wages are not keeping up with expenses and

that many of the people he sees are making a choice of whether to pay the rent or to eat. They pay the rent, which may be up to 50% of their income, and come to him for food. He indicated that he believed that the number of families he serves can be reduced if affordable housing can be built and asked the Boards help in developing non-profit housing sectors and assistance in putting housing packages together.

Jim Morton, Executive Director, District XI, Human Resources Council, explained that he assists with subsidies and oversees HUD's Section 8 program. There is a great deal of difficulty for the people he serves to find housing that is within HUD's required limitations and as a result many of these people are homeless. Jim expressed the need to find ways to meet the needs of these people. Jim also noted that they have assisted with the purchase of one home using the Montana Board of Housing Cash Assistance Program (CAP), but appraisals are generally too high for the purchase price limit of \$45,000. Jim finally noted that any affordability issue needs to include something regarding the energy costs and measures to keep costs down and that the Montana Board of Housing is a key player.

Ed Mayer, Missoula Housing Authority, advised the Board that they currently have a waiting list of 1,400 families and estimates that half of those families could qualify for Section 8 vouchers if there were available housing. The Housing Authority manages approximately 200 units of public housing. Ed advised the Board that waiting list has grown from 1,200 families one year ago and from 800 families two years ago.

Barbara Bert, Gerontologist, advised the Board that Missoula County has a population of 8,000 citizens over the age of 65, of those individuals 2,300 have need some kind of mobility assistance. There are currently 263 housing units in Missoula available to older citizens. One area that is being explored is in shared housing, where seniors that own their homes but have problems of mobility are sharing their homes with individuals to assist them. Barbara advised the Board of figures given to her by Bonnie Lee, Missoula Area Agency on Aging, regarding the percentage of calls she receives from seniors regarding housing issues. Eleven percent of all calls relate to housing issues and 20% of those calls are from seniors requesting housing subsidies. It was also noted that Bonnie has expressed a concern that she has not received more requests for information about the Reverse Annuity Mortgage Loan Program and wondered if it were possible to do more advertising of the program. As a final note Barbara explained that there is more need as the population grows older particularly within the age group of 75 to 80 years old.

Jim Fleischmann, Montana Peoples Action, advised the Board that his group works closely with both the city and county. Jim explained to the Board that mobile homes are now the home of choice for new homebuyers and that 80% of the new housing stock includes mobile homes. One in five or 150,000 Montanans live in mobile homes and of those approximately 130,000 own the home but lease the land on which it is placed. Problems that occur from this situation include: no long term leases, most leases are for a period of 30 days; no security from eviction, evictions can be given without a 30 day notice and without a good cause and since all courts in Montana are currently full with waiting lists, these people have no place to move; and most courts were built several years ago and put together cheaply, causing Montanans health to be at risk. This industry and mobile home court development is occurring without regulation and little or no planning. Jim advised that regulation is needed, restrictive zoning, caused by the stigmatization of mobile homes, need to be addressed. Jim noted that one area that is being explored is co-op ownership. Families would, as a community, own the mobile home court, giving them greater

control over the type of community they live in. The need for Board involvement was expressed and it was noted that a co-op effort was being actively pursued in Missoula and Montana Board of Housing involvement was needed. Jim as a final note advised the Board that the State's HOME program has interpreted the common ownership of the land to mean in the case of a co-op that the individual owned the home and an interest in the land on which it was sitting and therefore a common ownership existed. The Board was asked to consider this regarding its stand on common ownership of the land.

Bill Clarke, Missoula Neighborhood Network, explained that his organization brought neighborhoods together to discuss the planning of proposed projects in affected neighborhoods. This allows those affected to have a say on what goes into the neighborhood before the planning progresses to far. This helps to decrease fears associated with proposed projects. Bill asked if there was some way the Board could intervene with the Department of Commerce on behalf of individuals who pay rent to out of state corporations. He explained that the conditions in which some persons are forced to live is demeaning to them, rent is paid to the out of state corporation, which is regulated by the Department of Commerce. To this point Commerce has been unresponsive to the problem.

Nancy Leifer, advised the Board that the Missoula Housing Task Force will have in December a set of recommendations for a course of action. Nancy passed out to the Board a written summary of the proposals and then gave a brief presentation of the three proposed programs the Task Force would like to develop in a partnership with the Board of Housing. The first proposal, in the area of Mobile Home Cooperative Financing was addressed by Jim Fleischmann. The second proposal would ask for assistance in the development of for-profit and non-profit partnerships. Ed Mayer advised the Board that historically HUD funds have been used to produce housing. This year Missoula donated the land that would be used and applied for funding to produce 10 units. Only enough funding was received to produce 5 of those units, which was the only funding received in Region VIII. Housing solutions will not come from the Federal level. The need exists to create partnerships to build housing near the urban core and that opportunity to begin those partnerships is now. Ed asked the Board's assistance in determining how those partnerships can be formed and determining the kind of partnerships that would be feasible under Board of Housing Programs. Chris Behan, Missoula Redevelopment Agency (MRA), explained to the Board that Missoula has two urban renewal districts, the downtown area and west to Russell Street. The area to the west would be key to bringing this idea to fruition but needs funding to be successful. Chris advised the Board that MRA can bring funds to the table and can assist in finding other financing. MRA would like to see public/private partnership in the development of the area. The last proposal would be in the area of a Downpayment Assistance Program similar to Neighborhood Housing Services in Great Falls. The program in Missoula would utilize existing housing for individuals who would be able to afford a mortgage payment but are not able to accumulate a downpayment. Nancy also noted that they will be seeking funding through the HOME Program for this program. Kathie O'Brien, Grants Coordinator, City of Missoula, advised the Board that the program is being structured as a city/county partnership and they are working with local lenders, the Housing Task Force and are asking the Board for their partnership in the development of the program.

Nancy Leifer asked the Board to hear from three individuals that were unable to be at the meeting prior to the presentation of the Task Force proposals. Marry Yang, Refugee Center, Laos Community, explained that she

was asked to appear before the Board to help them understand some of the problems faced by refugees. Marry told the Board that she is from Laos and that the Laos Community in Montana faces many housing problems. Many in the Laos Community have large families, they do have rental vouchers for housing but there is no available housing large enough. Marry also explained that many of the people in her country built their own homes, but because of the language barriers it is difficult to get a permit to build. The language barrier also puts them at a disadvantage in the job market, as a result they are only able to find low paying jobs. Currently many families are sharing housing with others who have been able to find housing.

Stefan Chinilereylo, Refugee Center, Russian Community, explained that many of the problems faced by the people in his community are similar to those already addressed. Many have large families and are unable to find homes large enough. Stefan asked if the Board could assist in finding homes. It was noted that Stefan was building his own home from materials that had been discarded from building worksites, recycling those produces.

Shannon Fishborne, Job Quest, advised the Board that she was asked to speak to the issue of the homeless. Shannon works with the monitoring of adults seeking public assistance and to help those with infirmities. In the years 1991-1992 they have had 1,105 persons enrolled in the program, of those 620 are employable, 333 are not employable and of those not employable 32% have psychological problems. 371 are women, 5% of those women are pregnant and 12% have children and are receiving State care. 50 women are homeless. 644 are men and 200 of them are homeless. Eight-six percent (86%) are white, the average age is 33 and the average education level is the 11th grade. Monthly assistance is \$229 which is reduced to \$156 if individuals "team-up" to share expenses. Shannon noted that she works with the chemically dependent and a large number of transients, but that there is a large segment of Missoula residents that are sleeping in their cars and that if government assistance is reduced many more will be forced into the streets.

Nancy Leifer concluded the Missoula Housing Task Force presentation by thanking the Board for coming to Missoula to have their Board meeting and allowing them the opportunity to appear before them.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS

Tom Mather, Chairman, introduced the Board members and staff to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Missoula area and comments relative to the Board's current programs.

Steve Loken, a Missoula area builder, explained to the Board that his business is involved in researching the use of recycled building materials to build homes and explained that traditional homes and conventional builders are losing the battle to more non-traditionally built and financed homes. Non-traditional homes are being built at a lower cost and with greater energy efficiencies. Steve noted a need to establish infrastructures to develop multifamily housing with 3 to 4 bedrooms and to develop a partnership with utility companies and state agencies in the building of homes.

Bill Carey, Missoula Food Bank, asked the Board if they had any ideas that they would share with the local Housing Authority. Dean Mart advised that there are several possibilities to establish working leverages and to obtain grants from other sources such as the Federal Home Loan Bank of

Seattle. Dean also advised that the legislature needs to become more aware of the housing problems across the state and he recommended that they talk with their legislators. Joe Gerbase addressed the need for zoning law to be changed to provide a great mix of zoning possibilities and a great cooperative effort with city officials. Joe requested that staff look into the possibility of multifamily cooperatives, whereby the housing unit is owned by an individual and the land is jointly owned by all of the tenants. It was noted that Missoula is looking into co-housing, in which a family would own the unit, there would be common room and other resources, such as lawn mowers, gardens, etc. are shared. The Board was asked to assist in sorting out the partnership questions that arise because of projects of this nature. It was finally suggested that all groups with the shared common purpose of providing affordable housing need to work together to get one project done. To show support of the other groups for their projects and for them to show support of your projects to eventually get them all done.

The Board thanked those individuals who attended the meeting and for giving their views on housing needs in the Missoula area and comments on the Board's existing programs. There was no further business, George McCallum moved that the Board meeting adjourn, Joe Gerbase seconded the motion which carried unanimously and the meeting adjourned.

George McCallum
George McCallum, Secretary

12-18-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

October 20, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday October 21, 1992, at 11:00 a.m., M.D.T., to review the Legislative Audit Committee meeting held on October 19, 1992 and to review the status of the Attorney General's opinion.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Wednesday, October 21, 1992, at 11:00 a.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. John Wagner, Kutak, Rock; Mike Mulroney, Luxan and Murfitt; and staff member Dick Kain also participated.

Dick Kain advised the Board that the purpose of the conference call was twofold. First, to advise the Board of the status of the Attorney General's opinion and secondly, to give a synopsis of the October 19, 1992 Legislative Audit Committee meeting.

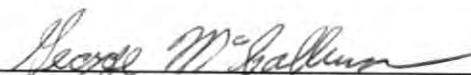
The Attorney General is actively working on an opinion and a draft is expected next week. However, the Office of Budget and Program Planning sent a formal request to expand the opinion requested by the Board. The expansion was in the area of unspent operational expenses, which is covered in indentures.

Dick advised the Board that the Legislative Audit Committee passed, 5 to 2, a two part motion. First, to research the potential of moving indentured funds to the State Treasury and second, to research the willingness of the Board of Investments to take over the duties of the Board.

Bob Thomas advised the other Board members that the Board needs to do outreach with the public to indicate the reason for the Board's position on the \$500,000 so as to counter the appearance of arrogance. Tom Mather advised the Board that he has been asked by the Great Falls Tribune for a response in regards to the Board's position and read a letter he had drafted and would like to give to the Tribune. Various suggestions were made to the letter to clarify the Board's position and the Board moved for Tom to provide the letter to the Tribune on behalf of the Board. Bob emphasized it needs to get to all papers to give the public comfort that the Board is acting in a responsible fashion.

Joe Gerbase asked counsel to monitor the Attorney Generals Office for a draft opinion and to look into the process for filing a declaratory judgement.

There was no further business, and the meeting adjourned at 11:35 a.m.


George McCallum, Secretary

10-30-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
SEPTEMBER 28, 1992

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - August 21, 1992 Business Meeting
 - September 3, 1992 Conference Call Meeting
 - September 21, 1992 Conference Call Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM - Ralph McCormick, Farmers Home Administration
- V. PROPOSAL ON MANUFACTURED HOUSING PROGRAM - Stuart Doggett and Don Cape, Representatives Montana Manufactured Housing Association
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. MULTIFAMILY PROGRAM UPDATE - Maureen Rude
- VIII. UNDERWRITERS UPDATE - Randy Hynote, Goldman Sachs and Co.
- IX. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Report on October 1, 1992 Bond Calls
 - B. FY94 and FY95 Budget
 - C. Housing Trust Fund
- X. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1991 Series B
 - C. 1992 Series A
 - D. Cash Assistance Program Status and Delinquency Report
 - E. Proposed Enhancements to Cash Assistant Program
 - F. HUD 203(k) Rehabilitation Loan Setaside
- XI. OTHER BUSINESS
 - A. MRB and LIHTC Update
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
SEPTEMBER 25, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- August 21, 1992 Business Meeting
- September 3, 1992 Conference Call Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM - Ralph McCormick,
Farmers Home Administration
- V. PROPOSAL ON MANUFACTURED HOUSING PROGRAM - Stuart Doggett and Don
Cape, Representatives Montana Manufactured Housing Association
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. MULTIFAMILY PROGRAM UPDATE - Maureen Rude
- VIII. UNDERWRITERS UPDATE - Randy Hynote, Goldman Sachs and Co.
- IX. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Report on October 1, 1992 Bond Calls
 - B. FY94 and FY95 Budget
 - C. Housing Trust Fund
- X. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1991 Series B
 - C. 1992 Series A
 - D. Cash Assistance Program Status and Delinquency Report
 - E. Proposed Enhancements to Cash Assistant Program
 - F. HUD 203(k) Rehabilitation Loan Setaside
- XI. OTHER BUSINESS
 - A. MRB and LIHTC Update
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN

9/8/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
SEPTEMBER 28, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Absent)
Dean Mart (Absent)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Maureen Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Kelly Rusoff, Comptroller
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulrone, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs and Company
Ken Rogozinski, Goldman, Sachs and Company
Gordon Hoven, Piper Jaffray, Inc.
Gene Hufford, D.A. Davidson

OTHERS: Jim Woy, Anderson ZurMuehlen & Co., P.C.
Marilyn Dusenberry, Anderson ZurMuehlen & Co., P.C.
Ralph McCormick, Farmers Home Administration
Don Cape, MMH Association
Stuart Doggett, MMH Association
John Grant, Jackson, Murdo, Grant and McFarland
Nancy Griffin, Montana Building Industry Association
Nancy Stephenson, Neighborhood Housing Services

The meeting was called to order at 9:00 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the August 21, 1992 Business Meeting, the September 3, 1992 Conference Call and the September 21, 1992 Conference Call were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Board's Audit Committee, reported on the Committee's meeting of September 28th with Jim Woy and Marilyn Dusenberry of Anderson ZurMuehlen and Company. George advised the Board that the auditors gave the Board an unqualified opinion for the Fiscal Year 1992; there were no significant changes in accounting policy; no adjustments were made by the auditors; there were no disagreements with management; financial statements were reviewed and changes in the report presentation were discussed; differences between FY91 and FY92 numbers were discussed as were the footnote disclosures. The auditors reported that there were no items of noncompliance noted, that no internal control weaknesses were found, it was also noted that both findings from the FY91 audit were complied with. That they did not have any recommendations for the current year. The committee reviewed the footnotes to the Financial Statements and discussed report presentation changes. The Committee also discussed two findings, one regarding the transfer of \$500,000 into the Housing Authority Enterprise Fund, which they recommended that an opinion from the Attorney General's office be sought by the Board. The second finding noted that not all copies of information pertaining to a specific loan were in the loan file and recommended that all information be placed in each loan file.

George advised the Board that the auditors also reported to them regarding the Department of Commerce (DOC) budget assessment for services and shared with the Board the audit confirmation prepared by DOC. Staff explained to the Board that they believed that the assessment is based on a pro rata distribution of Management Services Division total budget appropriation.

After review, George McCallum moved the Board approve the Audit Committee Report. The motion was seconded by Bob Thomas and carried unanimously.

FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM

Ralph McCormick, Farmers Home Administration (FmHA), presented for the Board's review FmHA's Rural Housing Guaranteed Loan Program. Ralph explained that FmHA's program is almost identical to FHA's with the exception that the full amount of a FmHA loan is not 100% insured, that there is a one time insurance charge of 9/10 of one percent of the loan amount and there are no monthly insurance charges. It was noted that closing costs are running between \$1,200 and \$1,600.

Ralph advised the Board that representatives from FmHA have met with lenders around that state and have had four training sessions for lenders. The program has received an excellent reception and currently they have 12 participating lenders. Lenders interested in the program include Western Federal Savings Bank, Montana Bank of South Missoula and Bank of Montana system. With the potential merger of the Montana Bank system and the Bank of Montana system lender participation would increase by over 30 lenders.

It was further explained to the Board that a rural area is defined as an area with a population of 10,000 or less, exceptions would include areas that had a greater population but did not have the financial services available to them. Currently Anaconda, Havre and Kalispell are the only exceptions in Montana. Staff noted that the program would not require a setaside but would be included with the current 1992 Series A bond program as an additional guaranty program, it might allow the Board to be more effective in reaching rural borrowers and that any foreclosed property would come back to the Board's inventory. The FmHA would

guaranty a total of 90% of the loan, 100% of the first 35% loss would be guaranteed and 85% of the remaining 65% loss. It was also noted that the loan amount could not exceed the current FHA maximum loan amounts and that the interest rate could not exceed the greater of VA or Fannie Mae rates. After a brief discussion of the program, George McCallum moved to include the FmHA Rural Housing Guaranteed Program in the 1992 Series A bond program, Joe Gerbase seconded the motion which passed unanimously.

PROPOSAL ON MANUFACTURED HOUSING PROGRAM

Stuart Doggett, Executive Director of Montana Manufactured Housing Association (MMH Association) and Don Cape, owner Ponderosa Homes in Belgrade and member MMH Association Board of Directors appeared before the Board to present a program proposal for their consideration. Stuart advised the Board that the proposal before them had been taken to the MMH Association Board and was received very favorably, noting that if the proposal was approved today that they were authorized to begin utilizing the program. Don Cape explained to the Board the difference between a modular home and a mobile home and that the life of mobile home built today would be comparable to a conventionally built home and further noted that an average sized mobile home built today would have 1,150 to 1,400 in square footage, have 3 bedrooms, 2 baths and be fully carpeted.

The proposed terms and conditions were reviewed with the Board which would include: a setaside of \$4,500,000 of 7% recycled fund as permanent take out financing to lenders closing loans for manufactured homes installed on a permanent foundation; that mortgage be insured by FHA or guaranteed by VA; term is for 30 years at a fixed interest rate of 7.75%; maximum mortgage amount is \$65,000; fees would include a 1% origination fee, a 1/2% discount fee and a 1% loan reservation fee to the Board of Housing at the time of reservation; and loans are purchased at par. Eligibility includes: first-time homebuyers or single parents; an annual income not exceeding \$25,000; property is owner occupied; and the property be a single family dwelling on not greater than five acres. Reservations are to be on a first-come, first-served basis and reservations are for 120 days on existing homes and 180 days on new homes with extensions available. Assumptions require prior Board approval, and meet HUD/VA requirements, lenders qualifying for the 1979 Series A Bond Program may participate and other lenders are encouraged to apply. The program will expire on October 15, 1994. After a short discussion George McCallum moved, per the proposal, to setaside \$4,500,000 of 7% recycled funds as the permanent take out financing for manufactured homes installed on a permanent foundation, Joe Gerbase seconded the motion which was unanimously approved.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude, Multifamily Program Officer, advised the Board that two of the projects approved for Low Income Housing Tax Credits at the August Board meeting have scaled back their projects based on the amount of Tax Credits approved for reservation. The Bowen Group, Brush Meadows Apartments in Billings, will be building 60 units instead of the proposed 70 and Great Northwest Management Company, Meridian Point Apartments in Kalispell, will be building 48 units instead of the proposed 64. Maureen did advised the Board that both projects will remain committed to building large family units.

MULTIFAMILY PROGRAM UPDATE

Maureen Rude, presented for the Board's review a summary of the outstanding Multifamily bond issues and associated mortgages. Maureen

briefly reviewed cashflows for each bond issue, advising the Board of benefits associated with the refunding of those bonds. The Board was advised that at the October meeting she will be bringing before the Board a proposal to do a refunding and that it was thought that by the end of December or first of January that the program will be ready to begin working with non-profits on the provision of new units of multifamily rental housing and then begin working with for-profits.

Nancy Stephenson, Executive Director, Neighborhood Housing Services, Inc. (NHS) briefly appeared to update the Board on two projects that NHS has in mind which would use HOME funding but would require additional assistance from the Board. The first project would be a second Owners in Partnership Program, building another 12 homes. The second project would involve NHS applying for 15% of the funding for CHDOs and build a 20 unit multifamily project. Nancy indicated that the Great Falls Housing Authority would be willing to contract to manage the units.

ACCOUNTING AND REPORTING UPDATE

REPORT ON OCTOBER 1, 1992 BOND CALLS

Kelly Rusoff, Comptroller, reported the Board will call on October 1st \$2,095,000 in bonds from the Single Family I Indenture in a mandatory call from prepayments. \$620,000 will be called from 1987A, \$825,000 will be called from 1987B and \$650,000 will be called from 1988A. Additionally, there will be \$1,345,000 from 1988B, \$1,235,000 from 1989A, \$770,000 from 1990A, \$400,000 from 1990B, \$875,000 from 1990C, \$375,000 from 1991A and \$75,000 from 1991B for a total of \$5,075,000 in bonds called from Single Family 88B, 89A, 90A, 90B, 90C, 91A and 91B. Kelly advised the Board that a mandatory bond call is required on these issues if the trustee, through an analysis of the revenue account 45 days prior to the bond call date, determines if there are excess revenues or if the call is needed to meet asset requirements. Excess revenues are mortgage prepayments and repayments. Kelly also provided a bond call history per bond series for the Boards review.

FY94 AND FY95 BUDGET

Kelly, reviewed with the Board the requested budget for the 1994-1995 biennium. Kelly reviewed the requested budget for each year and explained the larger items shown in the budgets. Joe Gerbase moved to direct staff to obtain from the Department of Commerce (DOC) a more specific detail of the indirect costs charged by the DOC and to further determine if those services could be performed in a more cost effective manner than currently provided by the state, Joe further moved that if it is determined that those services can be provided at significant cost savings to the Board, that the Board would then propose that the Board's enabling legislation be amended so that the Board can privately contract for the services. The motion was unanimously approved after being seconded by George McCallum. Kelly, then drew the Board's attention to the budget justification forms explaining that they are based on actual expenditures. Budget requests over actual figures require justification, these requests were examined by the Board and Kelly explained where the figures were derived. Finally, Kelly presented pie charts illustrating the breakdown of the budget for each fiscal year and the breakdown of the largest portions of the budget.

HOUSING TRUST FUND

Kelly presented for the Board's review an update of the Housing Trust Fund as of August 31, 1992 showing a balance of \$858,672. Kelly advised the Board that \$79,260 transfer from the Financial Programs Fund is reflected as is \$78,000 required by Standard and Poor's.

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Co., advised the Board that today if it were possible for the Board to structure a bond issue much like the 1992 Series A bond issue a mortgage interest rate of 7.05% to 7.10% would be possible. Randy noted that the market was close the bottom of where rates are expected to drop and advised the Board that rates would creep up after the election.

Randy further advised the Board that with the MRB sunset in effect it is not possible to structure any bond issues. The Senate has finished debating changes to their bill and should vote on Monday. All indications are that it should pass, which would allow for conference with the House on blended bill before Congress adjourns. It is expected that legislation will extend the MRB for 15 months, retroactive to July 1, 1992.

The Board recessed at 10:47 a.m. to attend a Legislative Finance Committee Hearing scheduled for 11:00, reconvening at 12:20 p.m.

SINGLE FAMILY PROGRAM UPDATE MORTGAGE CREDIT CERTIFICATE PROGRAM

Robert D. Morgan, Single Family Program Officer, presented the Mortgage Credit Certificate Program report, as of September 17, 1992, which showed that the Board has 127 reservations outstanding for \$1,415,823.00 and has issued 653 certificates for \$7,285,492.60 in credit authority. The average purchase price is \$57,835.04 and the average borrower income is \$28,847.39. \$1,298,684.40 in credit authority remains available. A listing of MCCs issued and reserved by county or targeted area was presented. Bob reviewed the lender participation report, the largest users of the program, along with the number of MCCs issued by month. Bob advised the Board that the Program will expire on December 31, 1992 and that if reservations proceed at the current rate there should be enough credit authority to last through December 31st.

1991 SERIES B

Bob Morgan presented the Series Allocation Summary Report for the 1991 Series B bond issue as of September 18, 1992. There are 2 reservations outstanding for \$51,000.00. There remains \$72,694.21 in lendable proceeds. Bob advised the Board that the reservation that staff have been working on for the remaining lendable funds had run into some problems but that they are hopeful that subsequent efforts to reserve the remaining funds will be successful.

1992 SERIES A

Bob Morgan presented the Series Allocation Summary Report for 1992 Series A, dated September 18, 1992. Of the \$22,844,550 in available proceeds the Board has 69 reservations outstanding for \$3,126,591.00 and has purchased 169 loans for \$8,303,475.18. New home construction reservations are \$409,898.00 and purchases are at \$353,257.81. The average purchase amount is \$49,132.98. There remains \$11,414,483.82 in lendable proceeds. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 169 loans purchased 158 have been FHA and 11 have been VA.

Bob presented a comparison of FHA/VA mortgage quotes as of September 24, 1992. Bob reported that quotes at 7 $\frac{1}{2}$ % and at 7 $\frac{3}{4}$ % the most comparable to the Board's.

Bob presented to the Board a list of potential options that staff has

prepared for 1992 Series A funds and also noted options that have been accomplished since the August Board meeting at the Board's direction. The Board was advised that funds are being reserved at the rate of approximately \$1,000,000 per month and that staff will have a better idea of the effects of efforts to stimulate the program at the October Board meeting.

CASH ASSISTANCE PROGRAM STATUS AND DELINQUENCY REPORT

Bob Morgan reported on the Cash Assistance Program (CAP) as of September 18, 1992. There are 5 outstanding reservations for \$186,940.00 and 97 loans have been purchased for \$3,335,519.56; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$477,540.44 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$13,472.41 in lendable funds available. Bob advised the Board that there were enough funds remaining to reserve another 14 loans.

Bob presented an analysis of delinquencies for the CAP Program as compared with the 1991 Series B and 1992 Series A delinquencies. The analysis showed that CAP delinquencies compared favorably with the delinquencies for the two bond programs.

PROPOSED ENHANCEMENTS TO CASH ASSISTANCE PROGRAM

Bob Morgan reviewed with the Board the proposed enhancements to the Cash Assistance Program, which would setaside \$4,000,000 of 6-7/8% funds and \$120,000 from the Housing Trust fund at 6%. Enhancements include increasing the purchase price to \$50,000, increasing the family income limit to \$23,000, decreasing the term from 30 years to 25 years, noting that at the Board meeting in July there had been a discussion regarding leaving the term at 30 years. Also proposed would be to increase the maximum assistance to \$1,200 and decreasing the interest rate on the assistance to 6%. The Board, based on events effecting the source of funding for the downpayment, tabled the discussion to the October meeting and instructed staff to present at that time a scaled down version of the program.

HUD 203(k) REHABILITATION LOAN SETASIDE

Bob Morgan reported to the Board that there have been 3 reservations for funds from the 203(k) setaside in the amount of \$137,900. The average reservation has been for \$45,967, with an average household income of \$24,580. Two of the reservations are for first time homebuyers and one reservation is for a single parent. The reservations are located in the communities of East Helena, Glasgow and Helena.

OTHER BUSINESS

MRB AND LIHTC UPDATE

Dick advised the Board that he had nothing further to add to the report that Randy had given, but did direct the Board's attention to a memo sent from NCSHA regarding this issue.

Dick advised the Board that the Missoula Housing Task force has invited the Board to hold their October meeting in Missoula. Dick explained that the Missoula Housing Task Force is very close to getting a non-profit organization in place to work on affordable housing programs and that they would like to make a presentation to the Board and have the Board tour a home built with recycled building materials.

Dick provided the Board with a report that listed the bids for the recent sale of TRANS. Dick told the Board that the notes had received the highest rating from both Standard and Poor's and Moody's and that the Board's bid placed 22nd out of 37 bids.

Joe Gerbase brought up a point for discussion relative to the Board's conflict with the legislature and the question of whether it is constitutional for the legislature to appropriate the funds from the Board. Joe explained that he felt that the issue should be researched.

Joe advised the Board that the request submitted to the Attorney General is for a statutory ruling, the Attorney General can not give an opinion on a constitutional issue. After further discussions the Board instructed Board Counsel to research the issue and report back to the Board their findings at the October meeting.

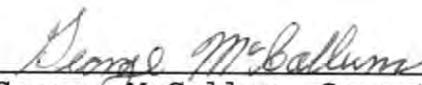
Tom Mather thanked the Board for all the work they have done regarding this issue and thanked others for coming today to attend the hearing and showing their support of the Board.

Randy Hynote brought before the Board the matter of refunding 1980A Single Family issue and the 1983 outstanding bonds. Randy advised that if the Board wished to refund the bonds they would have to do so and give notice to the Trustees prior to their next bond calls. For the 1980A bonds that would be December 1st, requiring Board action by the latest October 15th. The 1983 bonds timing would be more flexible as the bond call would not be until June of 1993. The Board directed Randy to provide an outline to staff for review and if staff were comfortable with the proposal to set up a conference call for the presentation to the Board for a decision prior to October 15th.

SET NEXT MEETING DATE

The next meeting was set for Friday, October 30, 1992, at 8:30 a.m., to be held in Missoula, with a public meeting to follow the meeting.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

10-30-92

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on September 28, 1992 at 7:15 a.m. in the Board office at 2001 11th Avenue, Helena, MT.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, September 28, 1992 at 7:15 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Board Member Bob Thomas; Jim Woy and Marilyn Dusenberry, Anderson ZurMuehlen and Company; and staff Dick Kain and Kelly Rusoff.

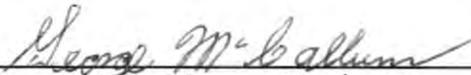
Jim Woy presented the Board's recently completed audited financial statements for year ending June 30, 1991, and advised the Committee that the auditing firm issued an unqualified opinion. Jim informed the Committee that a meeting was held with management on September 10th, at which audit findings were discussed and the report reviewed with staff. Jim indicated that there had been no significant changes in accounting policies and that there were no adjustments by the auditors or disagreements with management.

The Committee reviewed the Balance Sheet, Income Statement and Statement of Cash Flows. Changes in the report presentation were also discussed. Variances between FY91 and FY92 numbers were reviewed and the reasons for the variance were addressed. Also reviewed were the footnote disclosures.

Auditor's reports that were reviewed were: the Compliance Report which showed that no items of noncompliance with laws or regulations were noted; the Internal Control Report which indicated that no material weaknesses were found during the audit; and the Audit Opinion which reported that an unqualified opinion was issued by the auditors.

Jim Woy advised the Committee that the Board had complied with both findings from the FY91 audit and further advised the Board that there were two findings in the current year's audit. The first finding showed that the Board had not transferred \$500,000 into the Housing Authority Enterprise Fund and recommended that the Board seek an opinion from the Attorney General's Office on this matter. The second finding indicated that the Montana Board of Housing did not maintain copies of all loan assumption agreements or mortgage notes (stamped paid) in the loan file and recommended that this be done on a prospective basis.

There was no further discussion, and the meeting adjourned at 8:45 a.m.


George McCallum, Chairman

10-30-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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NOTICE OF SPECIAL MEETING

September 21, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday September 21, 1992, at 2:30 p.m., M.D.T., to consider changing the date of the September 25, 1992 Board meeting.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, September 21, 1992, at 2:30 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson and Dean Mart; and staff member Dick Kain, Maureen Rude and Janet Kunz.

Dick Kain advised the Board that he and Gerry Hudson met with Moody's Investor Services, September 14th in Chicago at the NCSHA Annual Conference regarding their response should the Board agree to move \$500,000 from the Housing Trust Fund to the Housing Authority Enterprise Fund to the General Fund. Moody's voiced their concern with such an action setting a precedent but indicated at this time such a movement of funds would not lead to an immediate bond rating downgrade. Gerry Hudson advised the Board that he felt Moody's response was not strong enough regarding the adverse effect of the transfer of funds, but they were more concerned with the precedent it would set.

Dick also advised the Board that the Legislative Finance Committee will be meeting on Monday, September 28, 1992 and have placed on their agenda a review of the Board's response to House Bill 41. The Legislative Fiscal Analyst Office is preparing a draft report for the Committee, as of yet staff has not seen the report. Dick suggested to the Board that they may wish to change the Board meeting date from this coming Friday the 25th to Monday the 28th to coincide with the Legislative Finance Committee meeting allowing Board members to attend the Committee meeting.

Joe Gerbase advised the Board that he had been in contact with Mike Mulrone, of Luxan and Murfitt, regarding Pat Melby's legal opinion on House Bill 41. Joe advised the Board that while Mike is not in total agreement with the opinion, he will not render a counter opinion against the official Luxan and Murfitt opinion. He is willing to work with the Board, to go with staff to ask the Attorney General to render a legal opinion and to explain the Board's position. Staff noted that Anderson ZurMuehlen in their recent draft audit report first agreed with the Luxan opinion, however upon subsequent review, felt it advisable to obtain a legal opinion.

Gerry Hudson moved to reject the Luxan and Murfitt opinion that the Board must move \$500,000 from the Housing Trust Fund to the Housing

Authority Enterprise Fund to the General Fund, the motion was seconded by George McCallum and passed unanimously. Joe Gerbase then moved to seek the Attorney General's opinion as soon as possible on the issue of requiring funds, not pledged to a bond indenture, to be held in the Housing Authority Enterprise Fund. Dean Mart seconded the motion which was unanimously approved after a brief discussion.

Joe Gerbase advised the Board that he will contact Mike Mulroney, advise him of the Board's decision to reject the Luxan and Murfitt opinion and obtain assistance in requesting an opinion from the Attorney General.

Following a general discussion as to moving the scheduled Board meeting date, George McCallum made a motion to move the Board meeting from Friday, September, 25th to Monday, September 28th, beginning at 9:00 a.m. and to also move the Audit Committee meeting to Monday, September 28th, beginning at 7:15 a.m., Joe Gerbase seconded the motion which was passed with five Board members voting for the measure and one abstaining.

There was no further business and the meeting adjourned at 3:00 p.m.



George McCallum, Secretary



Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

September 2, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Thursday, September 3, 1992, at 11:00 a.m., M.D.T., for the purpose of reviewing the Mortgage Credit Certificate (MCC) Program.



MONTANA BOARD OF HOUSING

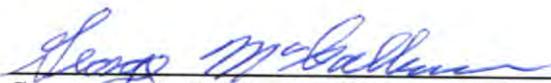
2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Thursday, September 3, 1992, at 11:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; and Board members Gerry Hudson, and Dean Mart; John Wagner, Kutak Rock; and staff members Dick Kain, Bob Morgan and Janet Kunz.

Tom Mather advised the other Board members that he has received correspondence expressing concern over the increased reservation fee for the MCC program and the short notice given before the fee increase took place. Tom also advised the Board that any credits not allocated before December 31, 1992 would expire. Dick Kain explained that to get the credit authority for the MCC Program, bond authority is converted to credit authority and that the credit is good for two years. The present MCC Program was established using 1990 bond authority therefore the credit authority that was authorized will expire December 31, 1992. Dean Mart advised the Board that he has also received several calls regarding the increased fee. The Board was advised that no MCC's with the new fee have been received. After a brief discussion of the MCC fee, Dean Mart moved to rescind the 1% reservation fee on the MCC Program, the \$200 MCC reservation fee would be reinstated as before and that if any applications were received with the 1% fee the amount over \$200 would be refunded to the borrower, Tom Mather seconded the motion. With a vote of three members for the motion and one member against the motion, the motion was passed.

Dick advised the Board that staff would get a mailing out regarding the MCC reservation fee in the September 4, 1992 mail.

There was no further business and the meeting adjourned at 11:30 p.m.


George McCallum, Secretary


Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

September 1, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday, September 2, 1992, at 10:00 a.m., M.D.T., for the purpose of reviewing the Mortgage Credit Certificate (MCC) Program.



MONTANA BOARD OF HOUSING

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The special telephone conference call scheduled for September 2, 1992, at 10:00 a.m. was cancelled due to State telephone system problems. The telephone call was rescheduled for September 3, 1992 at 11:00 a.m.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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AGENDA
MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
AUGUST 21, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- June 24, 1992 Business Meeting
- III. LOW INCOME HOUSING TAX CREDIT - Maureen Rude
- IV. REVIEW OF REAL ESTATE OWNED - Maureen Rude
- V. BOARD COUNSEL REPORT - Patrick Melby
- VI. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Review of June 30, 1992 Consolidated Financial Statements
 - B. Status of Annual Audit
 - C. Housing Trust Fund
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Quarterly Delinquency Report - June, 1992
 - B. Mortgage Credit Certificate Program
 - C. 1991 Series B
 - D. 1992 Series A
 - E. Cash Assistance Program
 - F. Proposed Enhancements to Cash Assistant Program
 - G. Error and Omissions Coverage - Qualified Lenders and Servicers
- VIII. OTHER BUSINESS
 - A. Bondholder Statistics - Mark Semmens, D.A. Davidson
 - B. NCSHA'S Annual Conference
 - C. MRB and LIHTC Update
 - D. Schedule Audit Committee Meeting
- IX. SET NEXT MEETING DATE
- X. ADJOURN

8/7/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
AUGUST 21, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

COUNSEL: Pat Melby, Board Counsel
Luxan & Murfitt
John Wagner, Bond Counsel
Kutak Rock

UNDERWRITERS: Mark Semmens, D. A. Davidson & Co.

OTHERS: Jim Woy, Anderson ZurMuehlen and Co., P.C.
John Grant, Jackson, Grant, Murdo and McFarland

The meeting was called to order at 9:30 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the July 24, 1992 Business Meeting were approved as presented.

LOW INCOME HOUSING TAX CREDIT

Maureen J. Rude, Multifamily Program Officer, advised the Board that July 10th was the third round deadline for requests for reservation of 1992 tax credits. Eight applications were received, two of which did not meet the completeness and soundness criteria, one was a pre-application, no final was received. The remaining five applications were retained for completeness and soundness and deemed eligible based on the Allocation Plan and its selection criteria. Maureen noted that the mayors from all the communities in which projects are proposed have responded, she then reviewed with the Board a summary of the

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applications received. For comparison purposes, a spreadsheet of the five applications was examined and Maureen advised that Board that she would be referring to it again. The spreadsheet showed the total number of units proposed (222), the total cost of the five applications (\$10,323,975), that 3 applications requested the high cost increase of 130% and noted both the credit per unit and the cost per unit. A history of projects approved for tax credit allocation was presented, as was the 1991 carryover credit available for allocation, which totals \$704,661. Maureen explained that if all the projects to be presented to the Board were approved all tax credits will have been used with the exception of the non-profit setaside. It was further explained to the Board that if the Tax Credit Program is extended by Congress there would be an additional \$169,000 of 1992 credit available for allocation. Maureen drew the Board's attention to an analysis of proposed use of 1991 carryover credits and advised them that she would be returning to that page after presentation of the applications.

After the Board determined to take final action after presentation of all applications, the five eligible applications were then presented for review. The first application was a resubmitted application by Housing Development Associates for the acquisition and substantial rehabilitation of the Deer Lodge Apartments Project in Deer Lodge. This project, which was initially received in the March round and was approved by the Board in April, was unable to complete acquisition prior to the June 30, 1992 deadline for 1992 tax credits. The problem delaying acquisition has been resolved and Housing Development Associates are requesting reapproval of \$27,020 in tax credits. Staff recommended approval of the credits.

The second application was submitted by WHG Partnership for the new construction of the Fifth Street Apartments Project in Hardin. This project is a small development project, with construction slated to begin in September, 1992, receiving a Federal subsidy. At least 50% of the units would serve tenants at 50% or less of area median income. Maureen noted that WHG Partnership has previously participated in the Tax Credit Program in other states. WHG Partnership has requested a 130% high cost area adjustment making the eligible basis \$907,364. The proposed project would consist of 16 units and is requesting \$36,295 in tax credits, however, analysis indicates that it would only need \$34,566 in tax credits, which is the credit amount that staff recommends for approval.

Maureen explained the next three applications are large development projects. The third application was submitted for review by Olympic Manor Housing Corporation for the new construction of the Olympic Manor Project in Billings and received 24.5 points on the ranking matrix. This developer, has previous experience with tax credits and is managing the Heritage Apartments Project in Bozeman. Maureen explained that this project intends to pay all of the utilities in the 48 units and that all of the units are to be three bedroom. It was also noted that this developer has worked closely with the local PHA and redesigned the project to better meet local needs. The project is ready to proceed and intends for construction to begin October, 1992. The total cost of the project is \$1,693,000 and eligible basis is \$1,524,850. The developer has requested \$137,236 in tax credits and staff recommends approval of this amount.

The fourth application, with 18 points on the ranking matrix, was submitted by Bowen Real Estate Group. The project is for the new construction of the Brush Meadow Apartments in Billings, with a

projected beginning construction date of April, 1993. This project consists of 70 units, all of which would target large families (2 bedrooms and up). The developer has requested the high cost area adjustment increasing the eligible basis to \$4,196,400. The project requested \$370,000 in tax credits, however staff is recommending that \$284,159 (98% of the eligible basis without the high cost adjustment) be approved and that an additional \$84,633 in credits be approved pending extension of the Tax Credit Program, bringing the total tax credits to \$368,792.

The last application submitted by R.G. Johnson Associates, with 18 points on the ranking matrix, is for the new construction of the Meridian Pointe Apartments in Kalispell. The project has a projected beginning construction date of March, 1993 and will consist of 70 units, all of which would target large families (2 bedrooms and up). The developer has requested the high cost area adjustment increasing the eligible basis to \$4,117,684. The project requested \$370,000 in tax credits, however staff is recommending that \$283,266 (99.5% of the eligible basis without the high cost adjustment) be approved and that an additional \$84,367 in credits be approved pending extension of the Tax Credit Program, bringing the total tax credits to \$368,792.

Maureen then reviewed with the Board the proposed use of 1991 carryover credits. Joe Gerbase advised the Board that he had been contacted by one of the developers of a project in Billings expressing their concerns with the rigidity of the Allocation Plan requiring a firm financial commitment and preferential treatment received by another developer. Joe informed the Board that with staffs assistance he researched the concerns expressed and found that about half of the agencies allocating tax credits in the Pacific Northwest require a firm financial commitment and the other half are less stringent with their requirements. Joe noted that a public hearing was conducted on the proposed Allocation Plan, a mailing was sent requesting response and neither written nor oral response was received. He advised the Board that they may wish to address this is a matter in the 1993 Allocation Plan. Regarding the issue of preferential treatment, Joe advised the Board that he requested and received copies of the applications and correspondence regarding the involved projects and could find no evidence of preferential treatment. The motion was then made by Joe Gerbase to approve the reservation of tax credits for the five applications as recommended by staff, George McCallum seconded the motion which passed unanimously.

REVIEW OF REAL ESTATE OWNED

Maureen Rude reported to the Board that currently the Board holds no REO properties in inventory and presented an analysis of REO properties received and sold from 5/2/92 through 8/14/92, which showed that there were five trustee sales, no properties were received, one property was a potential VA REO's but a third party bid on the property at the trustee sale and two were sold with an average time in inventory of 8.5 months, the approximate average loss on the sales were \$10,842.43 and the average loss on seven sales for FY92 was \$3,776.

The August 18, 1992 listing of REO properties available for sale showed no properties available. An analysis of gains/losses on the sale of REO's for FY92 was presented. It was explained rental income had been received on the four properties in Billings which assisted in reducing the Board's losses.

BOARD COUNSEL REPORT

Patrick Melby, Luxan and Murfitt, came before the Board to offer his

opinion of the intent of House Bill No. 41 regarding the transfer of \$500,000 from the Housing Authority Enterprise Fund to the General Fund. Pat advised the Board that in his opinion the Board should comply with the directive to transfer the funds although the Board does not use the Housing Authority Enterprise Fund. He explained that he based his opinion on the legal theory that funds which are not pledged as security for a Board bond issue should be deposited in the Housing Authority Enterprise Fund, because he believes the alternative investment procedure provided for in the enabling legislation deals with proceeds and revenues from bond issues that are pledged as security for the bonds themselves. Pat noted that in his opinion the alternative does not extend to funds not pledged as security for a bond issue and that technically Housing Trust funds would have to be deposited into the Housing Authority Enterprise Fund. Joe Gerbase indicated that he did not find the specific wording "pledged as security" in the statutes. It was further indicated that where there is an inconsistency between general statutes and specific statutes, the specific statutes control, so the Board's enabling legislation controls, and it specifically provides for the use of indentures for the custody and application of moneys. In addition the general statutes deal with bodies using state funds and the Board funds are not state funds. Joe further noted that the 1976 Supreme Court decision on the "Housing Act of 1975" specifically says that "it is clear the legislature provided by law for strict accountability of funds". He also advised the Board that the Supreme Court Justices went on to state that setting up these type of trust indentures provides for the type of strict accountability that the legislature had contemplated and goes on to say "whereas, here, the agency is not using state funds and is setting up what amounts to its own specialized investment fund with a particular purpose, it is reasonable to allow, as the legislature did, the agency to take care of its own funds in a manner appropriate to its function." Joe asked Pat to explain his opinion and specifically the wording "pledged as security" as it is not in the statute. Pat did advise the Board that it is not clearly stated any place and that there is room for disagreement and alternative opinion. It was noted that this is a gray area and that the Board of Housing is an entity in and of itself and does not have to follow a strict construction of the statutes. Pat also noted that because this is a the gray area and that it might be appropriate to get an interpretation of the statute from the Attorney General, if given the timeframe of ten days there would be enough time for the Attorney General to render an opinion. Further discussions ensued regarding the needed use of funds in the Housing Trust Fund with respect to the 1992 Series A bond issue and the slowness with which loans are being purchased and other Board programs, the intent of the legislature and the Board's capability to transfer excess funds from the Housing Trust Fund to the Housing Authority Enterprise Fund and then to the General Fund and the Board's duty to bondholders. Counsel explained that to satisfy any technical reading of the law the Housing Trust Fund could be pledged to the bondholders, but on a subordinate basis so it would continue to be available for other purposes. The Board then reviewed an analysis of the Housing Trust Fund as of June 30, 1992. If the transfer of \$500,000 occurred the balance remaining would be \$350,296. Staff then reviewed several options available to the Board regarding the 1992 Series A bond issue and the slowness with which funds are being reserved, including the extension of the loan acquisition period, if it can be shown using cash flows and given bond counsel's opinion that the extension is appropriate. This would require an influx of funds, at this time that amount is not known. The Board could have an unexpended bond proceeds call, which would cost approximate \$205,000, the mortgage rate could be adjusted down, which would cost the Board an additional

\$381,000, the point split between the Board and the lenders could be changed, which would cost the Board approximately \$127,000, or cash assistance could be made available on the remaining funds, targeting a particular group and this option would cost the Board approximately \$125,000. Other options would be to increase the purchase price limits statewide to \$83,050, to restructure the financing of the 92A issue. Bond counsel did advise the Board that they can use funds used for recycling from another indenture to combine with the 92A issue which will cause the blending yield on loans originated to be lower. The final option presented was to increase the advertising of the program. Staff advised the Board that reservations are being received very slowly and that several states are facing the same problems as the Board, with mortgage rates having dropped below or near the available Board monies. After further discussion of the issue, Joe Gerbase commented that House Bill No. 41, orders the transfer of \$500,000 from the Housing Authority Enterprise Fund to the General Fund, but that the Fund contains no funds and is not normally used by the Board for the deposit of funds. Therefore, he moved that the Board not transfer \$500,000 from the Housing Trust Fund to the Housing Authority Enterprise Fund, citing the need for continued program continuity, past reliance of investors on the Board's asset base and Moody's letter, "... that withdrawal of \$500,000 could negatively impact any of the existing credit ratings of individual bond programs..." and further moved that counsel draft a resolution to this effect pledging all Funds in the Housing Trust Fund, after September 1, 1992, as additional security for bondholders under the Trust Indenture, reserving \$500,000 unpledged in said Fund for the Board's use in possible programs in the immediate future. The motion was seconded by Dean Mart and was passed unanimously.

The Board again discussed several of the options available to the Board regarding the 1992 Series A issue tabling any action until the Single Family Program Update portion of the agenda.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF JUNE 30, 1992 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, Comptroller, presented the Board's unaudited consolidated financial statements for the fiscal years ending June 30, 1992 and June 30, 1991. Significant changes between 1991 and 1992 were reviewed.

STATUS OF ANNUAL AUDIT

Kelly Rusoff advised the Board that the accounting firm of Anderson and ZurMuehlen began conducting their annual audit on August 3rd, and should be completed soon. Staff will be meeting with Jim Woy and Marilyn Dusenberry from Anderson and ZurMuehlen in early September to discuss their findings. Kelly explained that the auditors report needed to be to the Legislative Auditor by September 30th.

HOUSING TRUST FUND

Kelly presented the Housing Trust Fund as of June 30, 1992 and asked if the Board had any further questions regarding previous discussion.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT - JUNE, 1992

Robert D. Morgan, Single Family Program Officer, presented the Board's delinquency statistics, as of 6/20/92. The total delinquencies are 2.31% a slight decrease from March. The Board's delinquencies continue to compare favorably with Montana, Regional and National statistics. Bob reviewed with the Board an analysis of delinquencies by bond series noting that of 10,806 outstanding loans, 250 were delinquent and 42 were in possible foreclosure and advised the Board that Cash Assistance

Program loans were included in those figures. The Board requested that figures for the Cash Assistance program be segregated from the total for Board review at the next meeting. Bob also reviewed a listing of delinquencies by servicing institution.

MORTGAGE CREDIT CERTIFICATE PROGRAM

Bob Morgan presented the Mortgage Credit Certificate Report, as of August 17, 1992. The Board has issued 614 certificates, for \$6,843,360.80 in authority and has 95 reservations outstanding, for \$1,044,435.20 in authority. The average purchase price is \$57,768.48 and the average borrower income is \$28,727.64. There remains \$2,112,204.00 in credit authority available for reservation. A listing of MCCs issued and reserved by county or targeted area was presented. Bob reviewed the lender participation report, the largest users of the program, along with the number of MCCs issued by month. Bob advised the Board that at the given rate of reservation there should be enough funds to last through the first part of December and that any future credit authority for the Program would be dependent upon passage of the Urban Aide Tax Bill by Congress. Dick was asked the status of MRB legislation and he advised the Board that the Senate postponed action on the extension of MRB's and no action was taken before Congress recessed for the Republican Convention. Dick further explained that the Senate Committee has changed the permanent extension to an 18 month extension and that it may be October before any legislation was passed.

1991 SERIES B

Bob Morgan presented the Series Allocation Summary Report for the 1991 Series B bond issue as of August 17, 1992. There are 6 reservations outstanding for \$363,000.00. There remains \$74,796.29 in lendable proceeds. Bob advised the Board that there is a possible reservation that staff have been working on to reserve the remaining funds.

1992 SERIES A

Bob Morgan reviewed the Series Allocation Summary Report for 1992 Series A, dated August 17, 1992. Of the \$22,844,550 in available proceeds the Board has purchased 114 loans for \$5,516,301.57 and has 93 reservations outstanding for \$4,497,295.00. New home construction purchases are \$334,560.00 and reservations are at \$300,357.81. The average purchase amount is \$48,388.61. There remains \$12,830,953.43 in lendable proceeds and after a check of reservations the morning of August 21st there was \$12,571.000 in lendable funds remaining. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income. Of the 114 loans purchased 105 have been FHA and 9 have been VA.

Bob presented a comparison of FHA/VA mortgage quotes as of August 17, 1992. Bob reported that quotes at 8½% are with one point and that quotes at 8% are lower then the Board's. The Board was advised that in Great Falls at 8% no points were required. Bob advised the Board that advertisements have been place in newspapers in Havre, Butte, Bozeman, Glendive and Helena to stimulate the reservation of funds.

Bob presented to the Board a list of potential options that staff have worked up to stimulate the reservation of 1992 Series A funds. After a discuss of the several options Joe Gerbase moved to increase the maximum purchase price limit from \$75,500 to \$83,050 statewide, Gerry Hudson seconded the motion which was unanimously passed. Dean Mart then moved to drop the 1% reservation and based on cash flows, limit any additional funds required to be deposited into the escrow deposit to \$127,000, Joe Gerbase seconded the motion. The motion passed unanimously. Upon

further discussion Joe Gerbase moved to change the MCC Program reservation fee to a 1% reservation fee, \$100 of which would remain with the originator, the motion was seconded by George McCallum and was passed unanimously.

CASH ASSISTANCE PROGRAM

Bob Morgan reported on the Cash Assistance Program (CAP) as of August 17, 1992. There is 1 outstanding reservation for \$30,284.00 and 96 loans have been purchased for \$3,305,282.56; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$664,433.44 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$18,149.41 in lendable funds available. Bob advised the Board that there have been a total of 97 cash assistance loans and that the Program expires September 15, 1992.

PROPOSED ENHANCEMENTS TO CASH ASSISTANCE PROGRAM

Bob Morgan reviewed with the Board the proposed enhancements to the Cash Assistance Program, which would setaside \$4,000,000 of 6-7/8% funds and \$120,000 from the Housing Trust fund at 6%. Enhancements include increasing the purchase price to \$50,000, increasing the family income limit to \$23,000, decreasing the term from 30 years to 25 years, noting that at the Board meeting in July there had been a discussion regarding leaving the term at 30 years. Also proposed would be to increase the maximum assistance to \$1,200 and decreasing the interest rate on the assistance to 6%. Following a discussion of the proposed enhancements the Board directed staff to prepare a report showing an analysis of CAP Loan delinquencies. The Board then tabled the proposed enhancements until the September meeting. Gerry Hudson made a motion to extend the current CAP program to October 31, 1992, the motion was passed after being seconded by Dean Mart.

ERROR AND OMISSIONS COVERAGE - QUALIFIED LENDERS AND SERVICERS

Bob Morgan explained to the Board that the Board's Administrative Rules require lenders and servicers participating in Montana Board of Housing bond programs to carry Errors and Omissions (E&O) Insurance in an amount required by the program documents. The only program document referring to E&O is in the servicing document and it states that the coverage must be in an amount approved by the Board. Bob further advised the Board that those limits have not been examined since the mid-80's. The issue of E&O coverage was brought before the Board to determine if it is necessary and if so what limits should be required. Bob then advised the Board that Bob Thomas has done some research into the issue and asked Bob if he would like to share what he had found. Bob advised the Board that if the homeowner does not have an insurance policy then the E&O coverage would be what is used and that the premium is \$100 to the lender. A benefit that Bob noted was that before an E&O Insurance policy goes into effect the financial institution is thoroughly investigated for soundness and the larger the premium the riskier the stability of the institution. Dick Kain noted that E&O was originally a requirement of the rating agencies. John Wagner noted that several state agencies are in the same situation of trying to determine what to do with E&O. Bob Morgan further advised the Board that neither FHA or VA have any requirements on E&O but are looking at them. After a discussion of E&O Insurance the Board tabled any action on the issue until the September Meeting.

OTHER BUSINESS

BONDHOLDERS STATISTICS

Mark Semmens, D. A. Davidson, advised the Board of the current market conditions, indicating that the narrow trading range that has existed

continues and that there continues a widening in the gap in rates between taxable and non-taxable bonds. Mark noted that if it were possible to construct a bond issue, a low 7.0% mortgage rate would be achievable.

Mark updated the Board on the bondholder statistics that he presented at the July, 24th Board meeting. Reviewing the statistics, Mark noted that the Board does have a very broad constituency within Montana.

NCSHA'S ANNUAL CONFERENCE

Dick advised the Board that the National Council of State Housing Agencies Annual Conference will be held in Chicago, September 12 - 15, 1992. It was noted that the conference gives the Board the opportunity to interact with peers and attend workshops regarding housing issues and has been beneficial to Board members in the past. After a brief discussion George McCallum moved that Board member Gerry Hudson and staff member Dick Kain be authorized to attend the conference. The motion was seconded by Dean Mart and was passed unanimously.

MRB AND LIHTC UPDATE

Dick advised the Board that he had nothing further to add to his update earlier in the meeting.

SCHEDULE AUDIT COMMITTEE MEETING

George McCallum, Chairman of the Audit Committee, scheduled an Audit Committee meeting for Friday, September 25, 1992, at 7:30 a.m., in the Board's offices.

SET NEXT MEETING DATE

The next meeting was set for Friday, September 25, 1992, at 9:30 a.m., in Room 160 of the Mitchell Building, 205 Roberts Street, Helena, MT.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

9-28-92

Dated

**MONTANA BOARD OF HOUSING
RESOLUTION NO. 92-0821-S1**

WHEREAS, the Montana Board of Housing was established by the Legislature in 1975 to assist low and moderate income Montana residents in obtaining affordable, safe and sanitary housing, and was authorized to accomplish the same by borrowing funds from private investors, but without using moneys of the State; and

WHEREAS, the Board has to date, without receiving any funds from the State, and relying solely on borrowed funds obtained by the issuance of bonds to private investors, financed over 17,000 residential units for low and moderate income persons in the State of Montana, and maintains active programs to continue to assist such persons; and

WHEREAS, the Board has established a Housing Trust Fund pursuant to a trust indenture, into which the Board has deposited certain moneys released from the lien of certain of the Board's bond trust indentures and resulting from the successful operation of the Board's programs, and the amounts in said Housing Trust Fund are used to enable the Board to implement new programs for low and moderate income, particularly lower income persons in Montana; and

WHEREAS, the Board has committed approximately \$1,100,000 of the \$1,800,000 in the Housing Trust Fund to finance the Board's Reverse Annuity Mortgage Program (for elderly persons), and the Homebuyers Cash Assistance Program (for lower income persons) and the 1991 Series B and 1992 Series A mortgage programs; and

WHEREAS, the overall assets of the Montana Board of Housing have been and will in the future be relied upon by the agency rating its bond issues and have been and will likewise be relied upon by those purchasing bonds from the Montana Board of Housing; and

WHEREAS, in July, 1992 the Legislature adopted House Bill 41 which would appropriate \$500,000 from the housing authority enterprise fund of the Board to the State general fund to enable the State to balance its budget, although the Board presently has no amounts on deposit in said enterprise fund; and

WHEREAS, the action of the Legislature has raised concern among private investors about the security for their bonds, and a national bond rating agency has stated it is also concerned that the Legislative action indicates a possible trend of future Legislative actions adverse to the security of the present bondholders and adverse to the ability of the Board to continue to carry out its mandated purpose of providing housing for low and moderate income persons in Montana; and

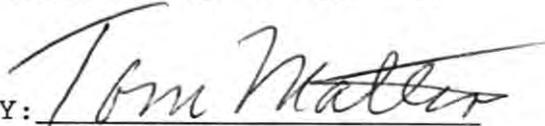
WHEREAS, the Board desires to provide assurance to its present and future bondholders, all to enable it to continue to meet its contractual obligations to them and to continue to borrow monies at favorable interest rates to carry out its purposes.

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

- (1) The Housing Trust Fund is hereby pledged to provide additional security for the repayment of outstanding bonds of the Board, provided that such pledge shall be subordinate to any previous pledge or set aside of any amounts therein for specific purposes, and provided further that the Board may at any time release any amounts so pledged to enable the Board to implement future programs, except that notwithstanding the foregoing the amount of \$500,000 in the Housing Trust Fund and not presently pledged or otherwise set aside shall not be subject to the pledge affected hereby.
- (2) The Board staff and counsel are directed to amend or supplement the Board's trust indentures, to the extent necessary, to effectuate the pledge specified in paragraph (1).
- (3) The \$500,000 amount specified in paragraph (1) shall not be transferred to the enterprise fund, and shall be retained unpledged in the Housing Trust Fund to assure its availability for Montana Board of Housing programs.
- (4) The pledge of paragraph (1) shall include any monies deposited in the Housing Trust Fund in the future unless otherwise pledged or designated by the Board for a particular purpose.
- (5) This Resolution shall be immediately effective, except that the pledge specified in paragraph (1) shall take effect September 1, 1992.

ADOPTED by the Montana Board of Housing this 21st day of August, 1992.

MONTANA BOARD OF HOUSING

BY: 
Chairman



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160

HELENA, MONTANA
JULY 24, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - June 19, 1992 Business Meeting
 - June 19, 1992 Audit Committee Meeting
 - July 13, 1992 Conference Call Meeting
- III. INVESTMENT COMMITTEE REPORT - Joe Gerbase
 - A. Approval of minutes, June 19, 1992 Investment Committee Meeting
 - B. Review of April 30, 1992 Investment Portfolios and Average Investment Yields
- IV. HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) - Newell Anderson, Administrator, Local Government Assistance Division
- V. BOARD COUNSEL REPORT - Patrick Melby
- VI. UNDERWRITERS UPDATE - Mark Semmens, D.A. Davidson and Company
- VII. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Budget Status Report - June 30, 1992
 - B. Review of 1991 Series A Escrow Deposit
 - C. Financial Programs Fund
- VIII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1991 Series B
 - C. 1992 Series A
 - D. Cash Assistance Program
 - E. Proposed Enhancements to Cash Assistant Program
 - F. Error and Omissions Coverage - Qualified Lenders and Servicers
 - G. HUD Section 248 - Single Family Mortgage Insurance on Indian Reservations
- IX. OTHER BUSINESS
 - A. MRB and LIHTC Update
- X. SET NEXT MEETING DATE
- XI. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
JULY 24, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Absent)
Russ Dahl, (Absent)
Gerry Hudson, (Present)
Dean Mart, (Present)
Bob Thomas, (Present)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Robert D. Morgan, Single Family Program Officer
Meredith Miller, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Patrick Melby, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Mark Semmens, D. A. Davidson
Gordon Hoven, Piper Jaffray Inc.

OTHERS: John Grant, Jackson, Murdo, Grant and McFarland
Newell Anderson, Department of Commerce
George Warn, HOME/Department of Commerce

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the June 19, 1992 Business Meeting, the June 19, 1992 Audit Committee and the July 13, 1992 Special Conference Call Meeting were approved as presented upon a motion by Joe Gerbase and a second by Dean Mart.

INVESTMENT COMMITTEE REPORT

Joe Gerbase, Chairman of the Investment Committee reported that the Committee met on Friday, June 19th after the regular Business Meeting to review the Board's investment portfolio. Joe reported that the portfolio is performing as anticipated. The Committee reviewed the problem of negative carry and looked at an alternative approach to short

term investments for future bond issues. Because there exists the risk of lost principle the Committee asked staff for a study to be done, so the Board can determine the real risks involved. After Joe presented his report to the Board, Dean Mart moved that the Investment Committee minutes of June 19, 1992 be approved as presented. Bob Thomas seconded the motion which passed unanimously.

Richard A. Kain, Administrator, reviewed with the Board the Investment Portfolio as of April 30, 1992. Advising the Board of total investments held in the 1977 Indenture, those held in the 1979 Indenture, the Housing Trust Fund, Financial Programs Fund and Multi-Family investments were also discussed. A final consolidated yield report was addressed, showing that the trend in average investment yields has been downward.

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

Newell Anderson, Administrator, Local Government Assistance Division, Department of Commerce presented the Board with informational books which review the HOME Program. Mr. Anderson then reviewed several portions of the book including: eligible activities, eligible applicants, targeted benefits, grant amounts and the application process. The Program was discussed with the Board and Mr. Anderson noted that the informational book does a good job of explaining the program. He looks forward to any feedback the Board may have regarding the Program. The Board was advised that if all goes as planned funds could be expected to be available in January or February, 1993.

BOARD COUNSEL REPORT

Patrick Melby, Luxan and Murfitt reported to the Board regarding the Department of Commerce's (DOC) charge assessed to the Board for certain services. The Board was advised that the DOC does provide support services to the Board of Housing and can legally, per MCA 2-15-1814, charge the Board for that relationship. Pat indicated that if the Board is concerned about the relationship of the assessment to the costs, he would suggest that the Board ask its independent auditor to review the Departments' assessment and the costs of providing the services in the next audit. After a discussion of these charges the Board directed staff to discuss the inclusion of a review of the DOC charges in the scope of the upcoming audit by Anderson ZurMuehlen and report back to the Board.

Pat advised the Board, regarding Special Session HB41 legislation, that the Montana Board of Housing enabling statutes lets funds be placed in one of two places, either to a Housing Authority Enterprise Fund (HAEF) or in investments and that HB41 requires a transfer of \$500,000 from the Board's HAEF to the General Fund on or before September 1, 1992. The Board, however, does not utilize a HAEF. After a discussion of the issue the Board asked counsel to research the statutes, including a test case suit and report the findings to the Board at the August Board meeting. Dick shared with the Board an opinion that he received on this issue from First Interstate of Denver, the Board's Trustee. Tom Mather shared with the Board a letter he had written to Governor Stephens on HB41 and asked the Board members to comment on its appropriateness, the Board indicated that they felt it was appropriate and Tom advised the Board he would be sending the letter.

UNDERWRITER'S UPDATE

Mark Semmens, D.A. Davidson and Company, updated the Board on the current bond market noting that if the Board were to structure a bond

issue like those in past it would be possible to achieve a mortgage interest rate of 7.05% possibly 7.0%. Noting that the prevailing consensus is that interest rates will remain in a narrow trading range until the election and will then rise.

Mark presented for review a statistical analysis of the Board's constituents among the Montana investment community. Utilizing a handout and stressing that the information was compiled using information from D. A. Davidson only, Mark showed that the Board has within the state a constituency of over 4,000 bondholders owning Montana Board of Housing bonds. There are investors in every county and in virtually every incorporated city or town. Mark estimated that if data from all Montana investment companies were combined there would possibly be \$250,000,000 within the hands of Montana investors, which is at work within Montana and not being invested out of state.

ACCOUNTING AND REPORTING UPDATE

BUDGET STATUS REPORT - June 30, 1992

Kelly Rusoff, Comptroller, presented the Board's fiscal year 1992 budget status, as of June 30, 1992, noting that there were a few items which were not yet charged against the budget for fiscal year end. The Board's expenditures are \$1,179,870, or 58% of the \$2,030,539 total budget authority for fiscal year 1992, leaving a balance of \$850,669.

REVIEW OF 1991 SERIES A ESCROW DEPOSIT

Kelly Rusoff reported to the Board that after final cash flows were run and confirmed by Barry Gottfried, Goldman Sachs, the entire escrow deposit for 1991 Series A would be returned to the Board. Kelly shared with the Board a letter to First Interstate of Denver, N.A. instructing the transfer of \$144,585.50 from the Escrow Deposit Account.

FINANCIAL PROGRAMS FUND

Kelly Rusoff reviewed with the Board the history of the Financial Programs Fund (FPF), where the funds originated, what the Fund has been used for in the past and an analysis of activity in the account including an account balance. Staff recommended to the Board that the balance of \$78,895.40 be transferred to the Housing Trust Fund. After a brief discussion Gerry Hudson moved to transfer the balance after of expenses of \$78,895.40 to the Housing Trust Fund, the motion was seconded by Dean Mart. The measure passed with four Board members voting for the motion and one Board member voting against.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Robert D. Morgan, Single Family Program Officer, reported to the Board that of the \$10,000,000 in credit authority there remains available \$2,766,125.80, which will expire on December 31, 1992. Bob then presented the Mortgage Credit Certificate Program report as of July 21, 1992, which showed that the Board has 103 reservations outstanding for \$1,195,829.60 and issued 549 certificates for \$6,038,044.60 in credit authority. The average purchase price is \$57,230.02 and an average gross annual income of \$28,515.02.

Bob reviewed the four areas (City of Great Falls, Flathead, Missoula and Yellowstone counties) that are most active in the program. The lender participation report was presented and the largest users of the program were noted. The MCC's processed by month was reviewed. Bob noted that if the program continues as it has credits will be used by November or

early December. Bob also advised the Board that when credits are fully reserved, the Board could act immediately to provide another MCC Program.

1991 SERIES B UPDATE

Bob Morgan presented the Series Allocation Summary Report for the 1991 Series B bond issue as of July 22, 1992. Of the \$23,312,516.91 in available proceeds the Board has purchased 483 loans for \$22,514,588.62 and has 12 reservations outstanding for \$720,482.00. There remains \$77,446.29 in lendable proceeds. Bob advised the Board that staff is working on reserving the remaining funds.

1992 SERIES A

Bob Morgan reviewed the Series Allocation Summary Report for 1992 Series A, dated July 22, 1992. Of the \$22,844,550 in available proceeds the Board has purchased 58 loans for \$2,708,504.07 and has 99 reservations outstanding for \$4,930,114.00. The average purchase amount is \$46,698.39. There remains \$15,205,928.93 in lendable proceeds and after a check of reservations the morning of July 24th there was \$14,837,027.93 in lendable funds remaining. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income. Of the 58 loans purchased 52 have been FHA and 6 have been VA.

Bob presented a comparison of FHA/VA mortgage quotes as of April 13, 1992 and July 21, 1992. Bob reported that the 8% quotes are most comparable to the Board's bond program. Bob advised the Board that staff has placed advertisements in four newspapers around the state (Great Falls Tribune, Billings Gazette, Missoulian and Kalispell Daily Inter Lake) to help stimulate the reservation of funds.

New Single Family Bond Program pamphlets were passed out and Bob thanked Gerry Hudson and Dean Mart for their assistance in putting together the pamphlets.

CASH ASSISTANCE PROGRAM

Bob Morgan, reported on the Cash Assistance Program (CAP) as of July 23, 1992. There are 5 outstanding reservations and 91 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$694,933.48 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$18,957.41 in lendable funds available. The average CAP loan funded is \$843.00, the average loan purchased is \$34,521.00 with an average household income of \$16,722.00 and an average household size of 2.3 persons. There have been 61 first-time homebuyers, 32 single parents and 3 disabled persons assisted with the program. Bob advised the Board that the Program expires July 31, 1992.

PROPOSED ENHANCEMENTS TO CASH ASSISTANCE PROGRAM

Bob Morgan presented for the Board's consideration proposed enhancements for a new Cash Assistance Program (CAP). Bob explained that with the expiration of the current CAP Program and based on input received from lenders and realtors around the State several changes to the current Program were being proposed including: setting aside \$4,000,000 of 6% mortgage funds from Single Family I Indenture; setting aside \$120,000 from the Housing Trust Fund; increasing the purchase price from \$45,000 to \$50,000; increasing the family income limit from \$20,000 to \$23,000;

decreasing the term from 30 years to 25 years; increasing the maximum cash assistance loan from \$1,000 to \$1,200; and decreasing the interest rate on cash assistance loan from 7% to 6%. After a review of these changes and a discussion, Gerry Hudson moved that the proposed program be adopted with the term to remain at 30 years, the motion died for lack of a second. Upon further discussion, Joe Gerbase moved to table the issue until the August Board meeting, seconded by Dean Mart the motion passed with four Board members voting for the measure and one Board member voting against it. Joe Gerbase then moved that the current Cash Assistance Program be extended to September 15, 1992. Gerry Hudson seconded the motion which passed unanimously.

ERRORS AND OMISSIONS COVERAGE - QUALIFIED LENDERS AND SERVICERS

Bob Morgan advised the Board that it's Administrative Rules require lenders and servicers participating in Montana Board of Housing bond programs to carry Errors and Omissions Insurance in an amount to be determined by the Board. Noting that the amount of insurance coverage has not been addressed since the mid 1980's. Bob explained the reasoning behind requiring this type of insurance and the comfort that the insurance provides to the Board for areas of risk. Bob Thomas indicated that Montana has no experts in this area of insurance and he has been trying to contact an expert on the subject and felt he would have more information to share at the August Board meeting. Bob Morgan provided the Board members with a handout listing the participating lenders in the bond programs and the coverage they currently have, which ranges between \$5,000 and \$75,000,000, with the majority having \$1,000,000 in coverage. A motion was made by Bob Thomas to table any action on Errors and Omissions Insurance until the August Board meeting, seconded by Dean Mart the motion passed unanimously.

HUD SECTION 248 - SINGLE FAMILY MORTGAGE INSURANCE ON INDIAN RESERVATIONS

Bob Morgan reviewed the Department of Housing and Urban Development's (HUD) Section 248 Program - Single Family Mortgage Insurance on Indian Reservations. Bob advised the Board that any Indian Tribe interested in the Program needs to make application to HUD. Approval to participate in the Program is given after meeting all HUD requirements. After receiving HUD approval, there are no special procedures for originating a Section 248 loan and there is no involvement in the foreclosure process. Bob advised the Board that First Interstate Bank of Colstrip is interested in originating Montana Board of Housing loans of this nature on the Northern Cheyenne Reservation. Gerry Hudson moved to make available HUD Section 248 Program through the Board of Housing bond programs, Bob Thomas seconded the motion which was unanimously passed.

Bob Morgan shared with the Board a letter received from Stuart Doggett of the Montana Manufactured Housing and Recreational Vehicle Association, noting their interest in working with the Board to establish a new mechanism for consumers to use in financing the purchase of a manufactured home. Staff will meet with representatives of the Association to discuss development of such a program.

OTHER BUSINESS

MRB AND LIHTC UPDATE

Dick Kain advised the Board that on July 2, 1992 the House passed a bill containing permanent MRB and Tax Credit extensions. The Senate is now considering the bill. Permanent extension of the Tax Credits seems more

certain than for MRB's but both are currently on a positive track.

The NCSHA will be holding it's Annual Conference in Chicago on September 13-15, 1992. Dick shared with the Board the draft agenda for the Conference and noted that in the past the Conference has been of benefit to those attending. Dick explained that Board action would need to be taken to authorize out of state travel but action could be taken at the August meeting.

Two news releases from the New Jersey Housing Agency were shared with the Board. Dick noted that the Housing Authority and corporations in the state are working together to provide homes to the employees of those corporations and that it is the first time that he has heard of such a cooperation existing.

SET NEXT MEETING DATE

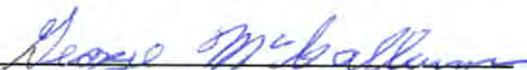
The next meeting was set for August 21, 1992, at 9:30 a.m., in Room 160 of the Mitchell Building, 205 Roberts Street, Helena, MT.

The Board recessed for lunch at 12:00 p.m., reconvening at 12:15 in a worksession. Kelly presented cash flows for the Single Family I, II and Multifamily Indentures. The following four scenarios for the Single Family I Indenture were presented: 1) mortgages at 0% FHA prepayment experience and a 60 day lag on mortgage payments; 2) estimated prepayment experience and bonds calls from surplus and prepayments in all series except 77A, 77B and 78A; 3) recycling of loans from 77A, 77B and 78A, calling all others series; and 4) callings bonds, in all series, from prepayments and surplus revenue.

The Single Family II Indenture presentation had the following five scenarios for the Board's information: 1) mortgages at 0% FHA prepayment experience and a 60 day lag on mortgage prepayments; 2) 0% FHA and recycling loans at 7-3/8%; 3) estimated prepayment experience and recycling loans at 7-3/8%; 4) recycling only 1979 and 1980 and calling all other series, using estimated prepays; and 5) calling all series from surplus revenues and prepayments, using estimated prepays. Kelly then reviewed with the Board, funds available for recycling or calling bonds in each of the Indentures.

The Multifamily cash flow were also reviewed by the Board, as were methods to bridge the MRB sunset.

There was no further business and the meeting adjourned.


George McCallum, Secretary

9-28-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

July 13, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, July 13, 1992, at 3:00 p.m., M.D.T., for the purpose of discussing potential legislation that may affect Montana Board of Housing Programs.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, July 13, 1992, at 3:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Dean Mart and Bob Thomas; John Wagner, Kutak Rock; and staff member Dick Kain.

Dick Kain reviewed with the Board the activity that has transpired over the past two weeks in regards to releasing existing Montana Board of Housing bond reserves for the use of the State, via the pledging of the Coal Severance Tax Permanent Fund. It has been and continues to be the opinion of Bond Counsel and Trustees, that the State can not legally appropriate indentured reserves and that any change in the flow of funds in an existing Trust Indenture would require an amendment to the indentures approved by 2/3's of the bondholders. On Saturday July 11th, House Bill No. 49 was introduced in the Special Session which would transfer \$20 million of Montana Board of Housing bond reserve funds to the proposed General Fund Stabilization Account and pledge funds in the Coal Severance Tax Permanent Fund to provide needed reserves.

After reviewing its available alternatives, to honor all of its constitutional and contractual obligations to outstanding bondholders, Joe Gerbase, Vice Chairman, moved that the Administrator be directed to consult with counsel and pursue a vigorous defense of the rights of the Montana Board of Housing and bondholders, including the filing of such legal action as is deemed appropriate and necessary. Also the Administrator is authorized to issue a press release in an effort to afford comfort to existing bondholders that the Montana Board of Housing will honor its contractual obligations and take such steps as it deems appropriate to defend the rights of bondholders. The motion was seconded by Chairman Tom Mather and passed unanimously.

George McCallum, then moved that the Administrator be directed to work with Joe Gerbase on the selection of appropriate counsel to pursue needed legal actions Joe Gerbase seconded the motion which passed unanimously.

There was no further business, and the meeting adjourned at 3:30 p.m.

A handwritten signature in cursive script that reads "George McCallum".
George McCallum, Secretary

Dated 7-24-92

MONTANA BOARD OF HOUSING

RESOLUTION NO. 92-0713-S8

WHEREAS, Legislation has been introduced from the 52nd Legislature, Special Session, such Legislation denominated as House Bill No. 49, which would purport to take and transfer \$20,000,000 from the Montana Board of Housing's bond reserve funds and transfer the same to the General Fund Stabilization Account, and pledge in lieu thereof a like amount of the Coal Severance Tax Permanent Fund; and

WHEREAS, such transfer is not authorized pursuant to the trust indentures establishing the bond reserve funds, and moreover the pledge of the Coal Severance Tax Permanent Fund would reduce revenues available to pay bondholders principal and interest because such pledge does not provide for interest earnings otherwise to be earned on the bond reserve funds; and

WHEREAS, the Montana Board of Housing has issued approximately \$1 billion of its bonds, over \$600 million of which are outstanding and depend in part upon the security and cash flow afforded by its bond reserve funds; and

WHEREAS, the transfers purported to be effective by said Legislation would violate the United States Constitution, particularly Article I, Section 10, as well as the Montana State Constitution, particularly Article II, Section 31, as well as existing Montana laws, particularly Montana Code Section 90-6-126, and specific provisions of the trust indentures securing the outstanding bonds which specify and incorporate the foregoing federal and state Constitutional and legislative statements; and

WHEREAS, under the trust indentures securing the outstanding bonds the Montana Board of Housing is contractually obligated to at all times defend, preserve and protect the pledge of the revenues and other moneys, securities, funds and accounts pledged under the indentures against all claims and demands of all persons whomsoever; and

WHEREAS, the action purportedly authorized by such Legislation to transfer reserve funds of the Montana Board of Housing would probably have an adverse effect on the value of outstanding bonds, and clearly would adversely impair the ability of both the Montana Board of Housing and the State of Montana and its other instrumentalities and agencies to borrow moneys at the lowest possible interest rates in the capital markets, by violating the obligation of the State to honor both the contractual obligations of itself and its agencies and instrumentalities, and would violate the rights of bondholders to the negotiated security and funds which formed the basis for their decision to purchase bonds of the Board of Housing and the State of Montana;

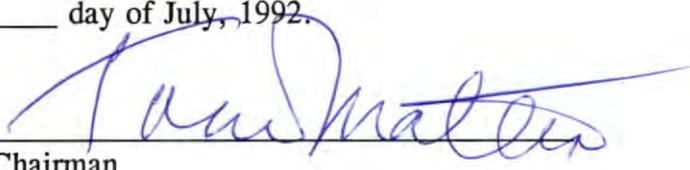
NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Montana Board of Housing that:

1. The Montana Board of Housing intends to honor all of its constitutional and contractual obligations to outstanding bondholders, including, particularly, the preservation of security for the same.

2. Because the enactment of the Legislation would have the effect of violating existing constitutional and contractual obligations of the State of Montana and the Montana Board of Housing, the Administrator is hereby directed to consult with counsel and pursue a vigorous defense of the rights of the Montana Board of Housing and its bondholders, including the filing of such legal actions as is deemed appropriate and necessary in the circumstances to avoid any injury to the bondholders that would be occasioned by the enactment of said Legislation. The Administrator shall consult with and obtain guidance from the Chairman, the Vice Chairman and such other Board members as he shall deem appropriate in implementing the foregoing; however, no further Board action shall be necessary for the Administrator to direct counsel to file legal action to declare the purported Legislation unconstitutional and/or such other legal remedies as shall be appropriate.

3. That the Administrator is authorized to issue a press release describing the foregoing in an effort to afford comfort to existing bondholders that the Board of Housing will honor its contractual obligations and take such steps as it deems appropriate to defend the rights of bondholders.

Passed and approved this 13th day of July, 1992.


Chairman



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Investment Committee of the Montana Board of Housing will hold a meeting on June 19, 1992 immediately following the regular business meeting in the Downstairs Conference Room of the Department of Commerce.



MONTANA BOARD OF HOUSING

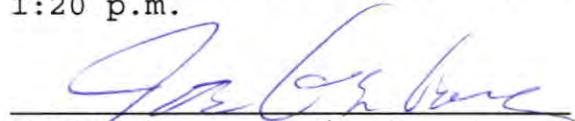
2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Investment Committee of the Montana Board of Housing held its semi-annual meeting on June 19, 1992, at 11:50 a.m., in Room 160 of the Sam W. Mitchell Building. Participating in the meeting were Committee members: Joe Gerbase, Russ Dahl and Dean Mart; and Dick Kain, Administrator.

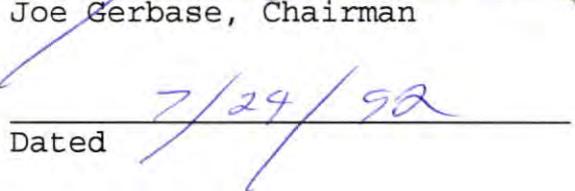
The April 30, 1992 investment portfolios per indenture; average investment yields for the period 11/1/91 through 4/30/92 and new money average investment yields for the period 11/1/91 through 4/30/92 were reviewed by the Committee. Discussion was also held concerning the use of short-term bond funds as permitted investments for future bond issues.

Based on information received from Moody's Investors Service, a short-term bond fund that may be subject to net asset value risk, could be acceptable for future bond issues of the Board if the earning rate on the acquisition account was equal to 3% for determining the amount of the escrow deposit. Subject then to the bond funds being a permitted investment for the Board, discussion ensued as to quantifying potential fluctuations in net asset value particularly in regards to potential risk of loss of principal. Staff was directed to review the loan origination schedule of the last several bond issues, in order to attempt to quantify the impact to the acquisition account if a bond fund had been used as the investment mechanism.

There was no further business and the meeting adjourned at 1:20 p.m.



Joe Gerbase, Chairman



Dated 7/29/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
JUNE 19, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Vice Chairman Joe Gerbase
- II. APPROVAL OF MINUTES - Vice Chairman Joe Gerbase
- May 20, 1992 Business Meeting and
Public Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Budget Status Report - May 31, 1992
 - B. Review of April 30, 1992, Consolidated Financial Statements
 - C. Review of 1991 Series A Escrow Deposit
 - D. Resignation of First Interstate Bank of Montana, N.A. as Co-Trustee, 1979 Trust Indenture
- V. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series B
 - D. 1992 Series A
 - E. Annual Income Limit Review
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. OTHER BUSINESS
 - A. NCSHA Tax Credit Conference
 - B. MRB Bridge Recycling Program
 - C. Foreclosure Counsel Questionnaire
- VIII. SET NEXT MEETING DATE
- IX. ADJOURN*

* Investment Committee Meeting to follow.

6/15/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
JUNE 19, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Absent)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF:

Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Maureen Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Jeannene Maas, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL:

Patrick Melby, Luxan & Murfitt
Board Counsel
John Wagner, Kutak Rock
Bond Counsel

UNDERWRITER:

Gordon Hoven, Piper Jaffray Inc.

OTHER:

John Grant, Jackson, Murdo and Grant

The meeting was called to order at 9:30 a.m., by Vice Chairman Joe Gerbase.

Richard A. Kain, Administrator, introduced Pat Melby, Luxan and Murfitt, to the Board Members.

APPROVAL OF MINUTES

The minutes of the May 20, 1992 Business Meeting and Public Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee, reported to the Board that the Audit Committee met with Jim Woy and Marilyn Dusenberry of Anderson

ZurMuehlen and Company on Friday, June 19, 1992 at 7:30 a.m. The Committee reviewed the scope of the upcoming FY92 audit, set to begin on August 3, 1992. The Committee discussed changes to the presentation of the audited financial statements which were agreed upon by the Committee and the auditors.

George McCallum moved to approve the report as presented, Bob Thomas seconded the motion which was unanimously approved.

ACCOUNTING AND REPORTING UPDATE
BUDGET STATUS REPORT- MAY 31, 1992

Kelly Rusoff, Comptroller, presented the Board's budget status, as of May 31, 1992. The Board has spent \$970,629 or 48% of the \$2,035,039 appropriation for fiscal year 1992, leaving a balance of \$1,064,410. Kelly drew the Board's attention to two allocation transfers made by the Department of Commerce. Kelly was asked to explain the Department of Commerce charge of \$25,717. Kelly explained that this is a charge assessed to all agencies attached to the Department of Commerce, all state agencies are required to be attached to one of the twenty state departments, for administrative purposes and includes such things as processing payroll and accounts payable, assistance with computer hardware and software and purchasing equipment. The Board asked that Board Counsel look further into the legality of the Commerce charge and report the findings back to them.

REVIEW OF APRIL 30, 1992 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, presented the Board's unaudited consolidated financial statements for the period ending April 30, 1992 and April 30, 1991 and reviewed significant changes between 1991 and 1992.

REVIEW OF 1991 SERIES A ESCROW DEPOSIT

Kelly Rusoff, advised the Board that the \$144,585 that was pledged from the Housing Trust Fund for the 1991 Series A bond issue, will be returned to the Housing Trust Fund when the last loan is originated, at the end of June.

Kelly reviewed with the Board cashflows relating to the Escrow Deposit. The cashflows used actual loan origination information, an interest rate of 6.61% (rate at which an escrow deposit would not have been required) and an interest rate of 6.11% (rate at which the bond proceeds were actually invested). After a brief discussion of the cashflows the Board decided to hold a session on cashflows in conjunction with the July Board meeting.

RESIGNATION OF FIRST INTERSTATE BANK OF MONTANA AS CO-TRUSTEE, 1979 TRUST INDENTURE

Kelly Rusoff, explained to the Board that First Interstate Bank Montana, N.A. in Kalispell will resign as co-trustee of the Trust Indenture dated August 16, 1979, effective August 5, 1992. Notice of the resignation, to notify bondholders, has been done by First Interstate Bank. Monthly mortgage collections will be wired directly to First Interstate Bank of Denver, N.A., beginning July 1, 1992.

Kelly drew the Board's attention to a letter from Kutak Rock indicating that, in their opinion, First Interstate Bank of Denver, N.A. does not have to be appointed as Successor Trustee. George McCallum moved that the Board accepted the resignation of First Interstate Bank of Montana, N.A. as Co-Trustee, Gerry Hudson seconded the motion with it passing unanimously.

SINGLE FAMILY PROGRAM UPDATE
MORTGAGE CREDIT CERTIFICATE PROGRAM

Robert D. Morgan, Single Family Program Officer, reported to the Board that of the \$10,000,000 in credit authority there remains available \$3,468,185.80,

which will expire on December 31, 1992. Bob then presented the Mortgage Credit Certificate Program report as of June 16, 1992, which showed that the Board has 117 reservations outstanding for \$1,344,885.20 and issued 474 certificates for \$5,186,929.00 in credit authority. The average purchase price is \$57,063.75, with an average loan amount of \$54,717.44; an average gross annual income of \$28,296.23.

Bob reviewed the four areas (City of Great Falls, Flathead, Missoula and Yellowstone counties) that are most active in the program. The lender participation report was presented and the largest users of the program were noted.

The MCC's processed by month was reviewed. It was noted that the monthly average number of MCC's processed for the year, beginning June, 1991 and ending May, 1992, was 48.

CASH ASSISTANCE PROGRAM

Bob Morgan, reported on the Cash Assistance Program (CAP) as of June 15, 1992. There are 12 outstanding reservations and 80 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$847,983.52 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$22,602.41 in lendable funds available. The average CAP loan funded is \$841.00, the average loan purchased is \$34,766.00 with an average household income of \$16,656.00 and an average household size of 2.3 persons. There have been 58 first-time homebuyers, 31 single parents and 3 disabled persons assisted with the program. Billings, with slightly over half of all loans reserved or purchased, remains the major user.

Bob advised the Board that at the July Board meeting he will be reviewing the Cash Assistance Program, which is due to expire on July, 31, 1992. He further explained that he will be asking the Board to review the purchase price limit, income limits, funding and that he will be asking for a Board action related to the program.

1991 SERIES B UPDATE

Bob Morgan presented the Series Allocation Summary Report for the 1991 Series B bond issue as of June 15, 1992. Of the \$23,312,516.91 in available proceeds the Board has purchased 475 loans for \$22,104,529.71 and has 20 reservations outstanding for \$1,132,200.00. The average purchase amount is \$46,535.85. There remains \$75,787.20 in lendable proceeds. Bob advised the Board that the remaining funds will be reserved when staff receives a reservation that can utilize that amount. The Board reviewed the major users of the Program and the Housing Profile comparing the average loan amounts between counties with the largest number of loans. Of the 475 loans purchased 434 have been FHA insured and 41 have been VA guaranteed. Bob also noted that 304 or 64% of the loans were purchased by married couples and 36% were purchased by single individuals.

1992 SERIES A

Bob Morgan reviewed with the Board the Series Allocation Summary Report for 1992 Series A, dated June 15, 1992. Of the \$22,844,550 in available proceeds the Board has 75 reservations outstanding for \$3,544,917.00. The average reservation amount is \$47,265.56. There remains \$19,299,633.00 in lendable proceeds. Bob advised the Board that the bond issue has gone quite a bit slower than was anticipated and that staff has received an average of four reservations per day.

Bob presented a comparison of FHA/VA mortgage quotes as of April 13, 1992 and June 16, 1992. Bob reported that the Board's 1992 Series A bond issue at

7.375% is approximately one point lower than conventional loans. It was also noted that appraisals are averaging 5 to 6 weeks, which is also affecting the loan process.

The list of 1992 Series A participating lenders was reviewed with the Board and it was noted that there are 104 participating lenders including branch offices.

ANNUAL INCOME LIMIT REVIEW

As required by the Administrative Rules of the Board, Bob Morgan presented updated information on the Federally imposed maximum income limits allowed by Treasury regulations. Bob reported that the maximum income limit is based on family size and location of the property in the state. The Federally imposed limits increased in April, 1992 and were adopted for the 1992 Series A bond issue by the Board at their May 20, 1992 meeting. Bob reviewed the method of calculating the maximum limits and presented a comparison of the income limits for 1991 and 1992.

After a discussion of the income limits and the Board programs, Gerry Hudson moved to increase the income limits for the Mortgage Credit Certificate Program to correspond with the Bond Program, effective today, June 19, 1992. Russ Dahl seconded the motion which was passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude, Multifamily Program Officer, presented for the Board's review an accounting of Revenues and Expenditures for the Low Income Housing Tax Credit Program. Maureen also reported on the remaining Tax Credits available, noting that \$232,980 of 1992 Credit Authority is due to expire on June 30, 1992 unless the MRB and Tax Credit legislation is extended. Maureen further advised the Board, the IRS has ruled that 1991 carryover can be used for the remainder on 1992. The next Tax Credit deadline is July 10, 1992 and completed applications will be brought before the Board for action at the August Board meeting.

Maureen shared with the Board a report from the U.S. General Accounting Office (GAO) regarding the FmHA and abuses in rural rental housing. Maureen advised the Board that the report contains two Montana projects but that neither one is a Board project. The report shows the importance of an up front review of Low Income Housing Tax Credit applications and not allocating any more tax credits to any project than would make the project feasible.

Maureen shared with the Board a News Release from the Delaware State Housing Authority. Maureen advised the Board that she has met with all of the major Public Housing Authorities (PHA) in the state on multifamily housing and that she will be following up with the PHA's on workable programs and options to provide the best programs to reduce rents. She and Dick Kain have also met with Section 8 Housing in hopes to establish a working relationship and to discuss the HOME Program. Section 8 was invited to update the Board on the HOME Program and how it will be administered in Montana.

OTHER BUSINESS

NCSHA TAX CREDIT CONFERENCE

Dick Kain asked for Board action in regards to sending Maureen to the National Council of State Housing Agencies (NCSHA) Tax Credit Conference, July 30, and 31 in San Francisco, CA. Gerry Hudson moved to send Maureen to the NCSHA Tax Credit Conference, the motion seconded by Dean Mart passed with five Board members in favor of the motion and one opposed.

MRB BRIDGE RECYCLING PROGRAM

Dick Kain updated the Board on the possible extension of the MRB legislation. The House has passed the Urban Relief Bill, to which MRB legislation is tied. NCSHA believes that it will be extended but are not sure when.

In the event that the MRB extension will need to be bridged, Dick reviewed with the Board the advantages and disadvantages of using existing prepayments in the Single Family II Indenture, writing down the interest rate and recycling the funds into new loans. The Board asked that staff work up cashflows to determine the feasibility of using funds to call bonds or using the funds to provide for continuous funding.

Dick shared with the Board a newsletter from Rhode Island Housing, highlighting homes financed in 1991 and their No-Down-Payment Mortgage Program.

FORECLOSURE COUNSEL QUESTIONNAIRE

Dick Kain reported to the Board that a questionnaire related to approved foreclosure counsel had been sent to fifteen in-state servicers. The questionnaire was intended to determine the effectiveness of current approved foreclosure counsels and if the Montana Board of Housing should be looking to change and/or expand it's approved list.

Eleven responses were received, one of which suggested the consideration of an additional legal firm for the approved list. Dick explained that because of problems with inexperienced attorneys and the fees being charged in the 1980's, the concept of an approved foreclosure counsel list was established. After a brief discussion the Board tabled any action.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday July 24, 1992 at 9:30 a.m., in Room 160 of the Mitchell Building, 205 Roberts Street.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

Dated

KUTAK ROCK

A PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

THE OMAHA BUILDING
1650 FARNAM STREET

OMAHA, NEBRASKA 68102-2186

(402) 346-6000
FACSIMILE (402) 346-1148

ATLANTA
BATON ROUGE
DENVER
LOS ANGELES
NEW YORK
OKLAHOMA CITY
PHOENIX
WASHINGTON

June 16, 1992

Montana Board of Housing
2001 Eleventh Avenue
Helena, MT 59620-0528

Re: Co-Trustee Resignation

We have been asked to review the Trust Indenture dated August 16, 1979, as amended, by and between the Montana Board of Housing and First Interstate Bank of Denver, N.A. as successor trustee for First Interstate Bank of California, N.A. (formerly known as United California Bank), and First Interstate Bank of Montana, N.A. (formerly known as The Conrad National Bank of Kalispell) as co-trustee.

We understand that First Interstate Bank of Montana, N.A., by letter of June 5, 1992, has notified you that it is resigning as co-trustee. We have been asked whether First Interstate Bank of Denver, N.A., needs to be appointed as successor co-trustee to First Interstate Bank of Montana, N.A.

Section 8.01 of the Trust Indenture provides, in subsection (a) thereof, that "Any provision in the Indenture to the contrary notwithstanding, the Trustee and Co-Trustee shall be jointly and severally obligated and responsible to execute the trusts provided in the Indenture." Subsequent subsections make it amply clear that both the Trustee and the Co-Trustee must cooperate with and inform each other of any actions taken, and that any actions taken by one will be conclusively deemed to have been taken with the consent of the other.

Inasmuch as First Interstate Bank of Denver, N.A., is already the trustee, and pursuant to the foregoing provisions is already obligated and responsible to execute all the

KUTAK ROCK

Montana Board of Housing
June 16, 1992
Page 2

trusts provided in the Indenture, there is no need to also appoint First Interstate Bank of Denver, N.A., as successor co-trustee. The Indenture does not require that a co-trustee be appointed; in fact, the Indenture contemplates a single trustee except in those few subsections of Section 8.01.

Moreover, inasmuch as First Interstate Bank of Denver, N.A., has been considered the primary trustee, and we assume it is the designated paying agent, there should be no market confusion caused by this simple resignation by First Interstate Bank of Montana, N.A., as co-trustee, without any further notification to bondholders.

You are authorized to release this opinion to First Interstate Bank of Denver, N.A., if you desire, and said Bank may rely upon this opinion as if it were addressed to it.

Very truly yours,



John J. Wagner

sej



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on June 19, 1992 at 7:30 a.m. in the Board office at 2001 11th Avenue, Helena, MT.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, June 19, 1992 at 7:30 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Audit Committee members Gerry Hudson and Bob Thomas; Jim Woy and Marilyn Dusenberry of Anderson ZurMuehlen and Co.; Dick Kain, Administrator and Kelly Rusoff, Comptroller and Bob Morgan, Single Family Program Officer.

The meeting began with a discussion of the internal audit, which was set for August 3, 1992. Jim Woy advised the Board that from their point of view the scope of the audit would remain the same. The Audit Committee advised the auditors that they did not have any specific areas they wanted audited. The auditors anticipated having an exit conference with the Committee during the third or fourth week of September.

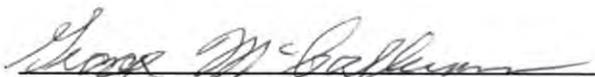
During a discussion of related party transactions, it was explained to the Committee that these transactions would be reviewed since it is a necessary audit procedure and must be disclosed in the footnotes.

Jim suggested that the Board may want to account for the Reverse Annuity Mortgage (RAM) loans in a different manner. Kelly Rusoff explained that the State of Connecticut was accounting for RAM loans in the same manner as the Board and she would provide a copy of this section of their financial statement to him.

There was a discussion regarding litigation with regard to a foreclosure. Bob Morgan indicated that the Board would probably not be named as a party in the litigation by year end. Dick Kain advised Jim to send a confirmation to John Grant's office in case any more litigation should arise before year end.

Kelly Rusoff discussed various changes with regard to the presentation of the financial statements. The auditors and the Committee agreed with the suggested changes.

There was no further business and the meeting adjourned at 8:30 a.m.


George McCallum, Chairman

Dated _____



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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AGENDA

MONTANA BOARD OF HOUSING
GREAT FALLS CIVIC CENTER
GIBSON ROOM
2 PARK DRIVE SOUTH
GREAT FALLS, MONTANA
MAY 20, 1992

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - April 15, 1992 Audit Committee Meeting
 - April 15, 1992 Business Meeting
 - April 29, 1992 Conference Call Meeting
 - May 5, 1992 Conference Call Meeting
- III. NEIGHBORHOOD HOUSING SERVICES INC., GREAT FALLS -
Nancy Stephenson, Executive Director
 - A. Request For Supplemental Allocation - Owners in Partnership Setaside
- IV. UNDERWRITERS UPDATE - Randy Hynote, Goldman Sachs and Co.
- V. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Quarterly Delinquency Report - March, 1992
 - B. Mortgage Credit Certificate Program
 - C. Cash Assistance Program Update and Extension of Setaside
 - D. 1991 Series B
 - E. 1992 Series A
- VII. REVIEW OF REAL ESTATE OWNED - Dick Kain
- VIII. REPORT ON JUNE 1, 1992 BOND CALLS - Dick Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS -
10:30 a.m. to 1:00 p.m.
- XII. ADJOURN

5/6/92



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
GREAT FALLS CIVIC CENTER
GIBSON ROOM
2 PARK DRIVE SOUTH
GREAT FALLS, MONTANA
MAY 20, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Maureen Rude, Multifamily Officer
Robert D. Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

UNDERWRITERS: Randy Hynote, Goldman, Sachs & Co.
Gordon Hoven, Piper, Jaffray
Mark Semmens, D. A. Davidson and Co.

COUNSEL: Mike Mulrone, Luxan & Murfitt
Board Counsel

OTHER: Nancy Stephenson, Neighborhood Housing Services,
Inc., Great Falls
Kevin Hager, City of Great Falls and Great Falls
Housing Authority
Jerry Hedrick, Montana Association of Realtors
Deborah Porter, American Capital Development
Toni Austad, Concerned Citizens Coalition
Bonnie Weaver, First National Bank, Cut Bank
Dave Steen, Steen Builders
Linda McNeill, Opportunities Inc.
Marilyn K. Rose, First Bank-Great Falls
Molly Munro, American Association of Retired Persons
Bill Beecher, Norwest Bank-Great Falls

The meeting was called to order at 8:35 a.m., by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the April 15, 1992 Audit Committee Meeting; April 15, 1992 Business Meeting; April 29, 1992 Conference Call Meeting; and May 5, 1992 Conference Call Meeting were approved as presented.

NEIGHBORHOOD HOUSING SERVICES (NHS), INC. - GREAT FALLS

Nancy Stephenson, Executive Director, came before the Board to request an additional allocation for the Owners in Partnership (OIP) Program. Nancy reviewed with the Board the backgrounds of the families that have purchased the first seven homes using the OIP Program. There are five couples and two single head of household families, one of the new owners is handicapped. Fifteen (15) children, one of whom is handicapped, will also be moving into the homes. One family will be moving out of the Public Housing Authority (PHA) which in turn will enable another family waiting for housing to move into the PHA. Two of the families are Native American, all families are free of debt, have an average income of \$18,900 and grants to the families range in amounts from \$9,600 to \$26,000.

Nancy explained that the seven completed homes have appraised values between \$59,400 and \$61,500. This is higher than originally anticipated, therefore requiring a higher than thought mortgage amount. The higher mortgage amounts and increased building costs have necessitated NHS to request an additional allocation of \$35,000 from the Board, it will be used to complete the remaining five homes.

George McCallum moved to approve an additional allocation of \$35,000, 7-3/4% funds for the Owners in Partnership Program, Russ Dahl seconded the motion. Dean Mart, President of NHS, abstained from the vote, which passed unanimously

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Company, advised the Board that the 1992 Series A bond issue was closed on May 14th and that they were able to obtain a mortgage interest rate of 7.375%. Randy noted that the 7.375% rate compared very favorable with other recent bond issues that have been completed and that it is the lowest rate that has been achieved since 1980. It was noted that the market has been very stable but feels that there will be a modest upward movement.

Randy advised the Board that there is an good chance that sunseting of the MRB will occur. There is not a great deal of motivation to extend the MRB and there hasn't been any tax legislation on which to place the extension. If sunset does occur, it will, in all likelihood, not be considered again before the fall election. It was noted that housing issues have been brought to the forefront because of the situation in Los Angeles and that as a result Congress may attach the MRB extension to Urban Relief legislation. As the sunset date becomes closer more information will become available.

Randy reviewed with the Board the Moody's Credit Report for the 1992 Series A bond issue. The Credit Report gives a snap shot of the bond issue. Because of the general health of the agency and past issues is strong the rating given by Moody's was Aa. Randy noted that the Credit Report is distributed to everyone dealing with municipal bonds.

Randy, at the Board's request, presented an alternative investment source to deal with the negative carry situation that has been a factor in the last several bond issues. Randy noted that there are four or five funds available but that he is most familiar with the Franklin Fund

Institution Adjustable Rate Insurance Fund, which invests in variable rate Ginny Mae's, Freddie Mac's and Fannie Mae's. In theory the interest rate, at which the principal is invested, will adjust to par as the underlying investments adjust to par. Risk would occur if rates did not return to par before funds were needed and possible loss of principal and an escrow deposit would still be required. Dick Kain explained to the Board that they would need to determine whether this type of investment would be permitted under State Statutes and the "prudent person" rule. Dick also explained that at the June meeting staff will be in a position to report to the Board on the effect of the escrow deposit on the 1991 Series A bond issue.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude, Multifamily Program Officer, advised the Board that the second round deadline for requests for reservation of 1992 tax credits was May 1st. Maureen reviewed with the Board the Allocation Plan, particular attention was made to the requirements of evidence of site control and financial commitment. The reservation process was also reviewed noting that approval is made for the future reservation of credits. Credits are issued when the project is completed and placed in service.

Five applications were received, four of which did not meet the completeness and soundness criteria. The remaining application was retained for completeness and soundness and deemed eligible based on the Allocation Plan and its selection criteria. This application was presented for the Board's review and action.

Presented was an application submitted by American Capital Development for the Shiloh Glen Apartments Project in Billings, with a projected placed in service date of March, 1993. This is to be a new construction project, consisting of 120 units, 74 of which would target large families (2 bedroom and up). The project requested \$470,415 in tax credits, but is limited to the allocation plan cap of \$370,000. This project has an eligible basis of \$5,226,832 and a qualified basis of \$5,226,832. Upon motion from Joe Gerbase, seconded by Dean Mart, the Board approved unanimously the application for future reservation of credits.

The status of available tax credits was reviewed with the Board, there currently remains a total of \$1,077,980 in all setasides of credit allocation authority for 1992.

Maureen updated the Board on the status of the Multifamily Program, advising the Board of meetings held with both the Billings Public Housing Authority and the Great Falls Public Housing Authority. The both groups were very responsive and are looking forward to working with the program and the Board.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT - MARCH, 1992

Robert D. Morgan, Single Family Program Officer, presented the Board's delinquency statistics, as of March 20, 1992. There are currently 11,091 loans outstanding with 2.46% in a delinquent status, this is slightly above the last quarter. These figures do however, compare favorably with Montana, Mountain Region, and National statistics. There are 37 loans in possible foreclosure with the highest concentration in the bond series 1980A - 1985B, these bond series have the higher interest rates of all the bond series. Bob noted that 65% of all foreclosures are within those issues. Bob also presented a distribution

of delinquencies per servicer, noting that there was no clear trend indicating that the greater the number of loans the higher the number of delinquencies.

MORTGAGE CREDIT CERTIFICATE PROGRAM

Bob Morgan, reported to the Board that there remains available \$4,109,877.00 in credit authority, which will expire on December 31, 1992. Bob then presented the Mortgage Credit Certificate Program report as of May 14, 1992, which showed that the Board has 98 reservations outstanding for \$1,116,781.20 and issued 436 certificates for \$4,773,341.80 in credit authority. The average purchase price is \$57,215.21, with an average loan amount of \$54,740.16; an average gross annual income of \$28,301.56 and an average credit issued of \$10,948.03.

Bob reviewed the four areas (City of Great Falls, Flathead, Missoula and Yellowstone counties) that are most active and reported that three of the most active areas of the program, City of Great Falls, Flathead and Missoula counties, are targeted areas. The lender participation report was presented and the largest users of the program were noted. The MCC's processed by month was reviewed, the average number of MCC's processed through December, 1991 was 50, this figured decreased through February and has increased since then. This increase maybe do in part to the single family bond program being between issues.

CASH ASSISTANCE PROGRAM UPDATE AND EXTENSION OF SETASIDE

Bob Morgan, reported on the Cash Assistance Program (CAP) as of May 14, 1992. There are 13 outstanding reservations and 76 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$949,678.94 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$24,425.41 in lendable funds available. The average CAP loan funded is \$842.00, the average loan purchased is \$34,989.00 with an average household income of \$16,631.00 and an average household size of 2.3 persons. There have been 55 first-time homebuyers, 31 single parents and 3 disabled persons assisted with the program. Billings continues to lead the program, with 50 loans either purchased or reserved.

Bob explained to the Board that the Cash Assistance Program was due to expire on May 31, 1992, that there remained funds available for another 25 loans and that staff recommended the Program be extended to July 31, 1992. Dean Mart moved that the Cash Assistance Program be extended to July 31, 1992, Gerry Hudson seconded the motion which was unanimously approved.

1991 SERIES B UPDATE

Bob Morgan presented for comparison purposes, the Series Allocation Summary Report for the 1991 Series A issue. Bob noted that the average purchase amount on the 1991 Series A issue was \$50,429.19 and that the average purchase amount on the 1991 Series B issue was \$46,290.90. The Series Allocation Summary Report for the 1991 Series B issue as of May 14, 1992 was presented. There remains \$19,765.25 in lendable proceeds.

Bob advised the Board that there are 31 reservations on the waiting list which represents approximately \$1,500,000. These reservations will be funded from the 1992 Series A issue when funds become available.

1992 SERIES A UPDATE

Bob Morgan, advised the Board that the 1992 Series A bond issue was closed on May 14, 1992 and that reservations will begin being accepted on June 1st, with funds becoming available on June 9th. Bob further

advised the Board that the Real Estate Agents Certificate which had been required in the past will no longer be required and that reservation packages will be required to include a copy of the VA Eligibility Certificate. This will allow the Board to know that the VA Guaranty is in place.

Bob advised the Board that the Federal 1992 Income Limits were received by staff and that there is an increase in income limits of approximately \$1,500 for all areas. Joe Gerbase moved to increase the Board income limits to correspond with the Federal 1992 income limits for the 1992 Series A bond issue. The motion was seconded by Gerry Hudson and approved unanimously.

REVIEW OF REAL ESTATE OWNED

Richard A. Kain, Administrator, advised the Board that there are only two REO properties in inventory and presented an analysis of REO properties received and sold from 12/1/91 through 5/1/92, which showed that there were eight trustee sales, one property was received, two properties were potential VA REO's but a portion of the debt on the loan was forgiven by the Board and three were sold with an average time in inventory of 54 months and the approximate average loss on the sales were \$20.

Dick reviewed the April 22, 1992 listing of REO properties available for sale and noted that a settlement statement was signed on the property in Wolf Point on May 19th which should effectively remove the property from inventory. Dick also noted that the Great Falls property, which the Board toured, has received a bid which is being considered. A comparison of gains/losses on the sale of REO's for FY91 and FY92 was presented. Lastly a report representing the REO's outstanding was shared with the Board, attention was drawn to the total outstanding indebtedness.

REPORT ON JUNE 1, 1992 BOND CALLS

Dick Kain, reported that the Board will call \$11,657,913 in bonds on June 1, 1992 from the Single Family II Indenture, which is the largest open indenture and contains nine bond issues. The bonds called will be from mortgage prepayments. This includes \$250,000 from 1982A, \$390,000 from 1983A, \$1,565,000 from 1983B, \$4,235,000 from 1983C, \$3,035,000 from 1984A, \$1,610,000 from 1985A and \$572,913 from 1985B. Dick explained that the 1985B issue contains zero coupon bonds which are accretion bonds and have to be called at the accreted value.

OTHER BUSINESS

Dick shared with the Board final copies of the 1992 Series A Official Statement.

SET NEXT MEETING DATE

The next meeting was scheduled for June 19, 1992, at 9:30 a.m., in Room 160 of the Mitchell Building, 205 Roberts Street, the Audit Committee will meet on June 19, 1992 at 7:30 a.m., in the Board's office and the Investment Committee will meet immediately after the regular Business meeting on June 19th.

The Board took a ten minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS

Tom Mather, Chairman, introduced the Board members present and to participants in the Public Meeting, and turned the meeting over to Dick Kain. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Great Falls area and comments relative to the Board's current programs.

Kevin Hager, City of Great Falls, Housing Supervisor and Deputy Director of the Great Falls Housing Authority advised the Board that there is a critical need for affordable housing for both homeownership and rental. Although many of the Board's programs have been designed to assist lower income individuals get into an affordable home or rental situation, housing needs in Great Falls continued to increase. Kevin cited the Board's involvement with Neighborhood Housing Services (NHS) and their Owners In Partnership (OIP) Program as a good example of providing affordable housing. Kevin explained that the Housing Authority views their role as a stepping stone whereby families are placed on a waiting list, then become tenants in subsidized housing and finally becoming homeowners. Kevin advised the Board that two of the families moving into OIP homes will be moving out of the Housing Authority thereby allowing two families to move off of their waiting list into subsidized housing. Kevin advised the Board that in April, 1991 the Housing Authority waiting list had 217 families on it, that number has increased, through April, 1992, to 334 families and that the average tenant paid rent is \$125.00 with the balance subsidized. There is a particular need for affordable rental units with two and three bedrooms in the Great Falls area and the need continues to increase. Kevin mentioned that he was in attendance at the meeting in which Board staff met with the Housing Authority on the production of multifamily housing and that the Authority is very interested in working with Board staff and utilizing the Multifamily Program.

Linda McNeill, Opportunities Inc., advised the Board that she works with both Opportunities Inc. and Section 8 Housing. Linda advised the Board that they only have one waiting list for both programs, and that there are currently 1,000 families/individuals on their waiting list, 200 of whom are elderly or disabled. Linda echoed Kevin Hager's need for 2 and 3 bedroom units, emphasizing a need for 3 bedrooms. It was noted that when the Franklin Project (a Low Income Housing Tax Credit project) was completed. It was filled very rapidly and that when families are added to the waiting list they are offered a unit in the Franklin and Elmore projects first before being placed in a Section 8 unit. The Great Falls market is very tight and landlords are able to dictate the market. Most seem unwilling to put the minimum housing standards into the houses. Without the minimum housing standards Section 8 is unable to place families in those houses. There is currently a two to five year wait for a Section 8 certificate and then families have to find a home that meets minimum standards. Those families currently on the waiting list are now living in substandard housing and other inadequate locations. Linda completed her comments to the Board by again stressing the need for more low interest loans and single family rentals.

Nancy Stephenson, Neighborhood Housing Service, asked the Board if there was any way for Board funds to be considered private monies and used to match funding for HOME or HOPE projects. Nancy indicated that the matching amounts could be in the form of grants or construction monies. The Board was also asked to consider increasing the \$1,000 closing cost limit on the Cash Assistance Program to \$2,500. Nancy indicated that \$2,500 is the limit used by NHS and it has worked very well for them. It has served as an incentive to families to keep their credit history

clean and to get them into the program. Nancy further advised the Board of a need to provide housing for the mentally handicapped that are not able to live in group homes. Landlords are unwilling to rent to these individuals because they don't conform to the norm and most are unable to maintain the properties. These individuals are currently living in substandard conditions.

Dave Steen, Steen Builders, expressed the need for interim financing and a relaxing of purchase price limits for the Building Industry. Dave indicated that it is extremely difficult to build a home today for less than \$80,000, explaining that the average building site costs \$20,000, city development fees run \$5,000 to \$6,000 and that building supply costs continue increase. Dick Kain explained to Mr. Steen that the Board had met with the Montana Building Industry Association with a plan to offer permanent take out financing, as the Board can not offer construction financing. The Board's proposal was not well received but that they would welcome the opportunity to work with the Montana Building Industry Association. Dick made the suggestion that the builders work with local agencies to bring down building costs, citing an example in which the City of Billings had a piece of property that it was interested in selling and returning to the tax rolls and in working with the developer waived taxes and SID's owing on the property. Dave indicated that is difficult for a private business to spend the time trying to develop an individual piece of property, that developers would prefer to work with a larger tract of land. Dave also indicated that he felt that it was important to create an avenue of communication between the Building Industry and the Board and that as in-coming president of the Montana Building Industry Association would like the opportunity to meet with the Board.

Molly Munro, American Association of Retired Persons, explained to the Board that she is also a counselor for the Reverse Annuity Mortgage Program, however she has not been kept up to date on its activities. The Board assured Molly that she would be placed on the Board's mailing list and kept informed as to the programs progress. Molly further advised the Board that housing for the elderly is becoming a critical problem. Many housing units that were originally intended for use exclusively by seniors are now being also used to accommodate the mentally handicapped. There is a mixing of age groups and this is causing a great deal of stress, particularly for the elderly. Molly indicated the need to have affordable housing for both groups of individuals.

Bonnie Weaver, First National Bank, Cut Bank, explained to the Board that the main problem that she runs into is that middle income families are not able to purchase homes because they can not accumulate the necessary funds to cover downpayment and closing costs. Bonnie noted that the only new construction being done is on the Blackfoot Reservation and that FmHA is currently asking borrowers to try and find another source of financing. Also, do to the ever increasing requirements of the Office of the Comptroller of the Currency, rural lenders no longer have the needed expertise to participate in real estate loans.

Marilyn Rose, First Banks, reiterated the statements made by Kevin Hager and Nancy Stephenson. Marilyn also noted the need for education, not only for lenders but also for lower and moderate income individuals regarding the Board's Programs, housing and mortgage financing. Marilyn complimented the Board's sensitivity to housing issues and for what it has done in the past.

Bill Beecher, Norwest Bank, noted to the Board that for many individuals obtaining the funds needed on the front end of a mortgage loan was very difficult. Bill asked that the Board consider increasing the limits on the Cash Assistance Program to coincide with the increased cost of housing and to also assist moderate income families.

Toni Austad, Concerned Citizens Coalition, reiterated to the Board the seriousness of housing problems in the Great Falls areas and explained to the Board that people can not continue to live in the substandard conditions that they are now living in. Toni indicated that along with this problem is the problem of housing discrimination and asked if the Board would be able to look into this problem. In relation to this problem Toni advised the Board that the Fair Housing Act of 1968 is not self-implementing and that the Concerned Citizens Coalition (CCC) is the only private fair housing group in Montana investigating fair housing complaints. CCC has raised Montana's awareness of fair housing issues and has experienced an backlash affect as a result. CCC has tried to apply for CDBG funds, a portion of which is to be allocated for fair housing activities, and is being refused the opportunity to apply. Toni asked that the Board contact Chuck Brooke at the Department of Commerce to see if there was some way that doors could be opened to allow private fair housing groups to apply for CDBG funding. Toni further advised the Board that while she is not very familiar with all of the Board's Programs she believes them to be very good and stressed the need to deal with housing rental problems.

Deborah Porter, American Capital Development, commended the Board on their efforts to provide affordable housing and for the co-operation that they, a private corporation, have received. Deborah stated that it is important to get the private sector involved in the providing of housing even if private corporations are not able to target the lowest income families. Providing affordable housing for moderate income families, who are currently living in subsidized housing, creates a domino effect where by families moving out of the subsidized housing into private sector projects, free up subsidized housing for families currently on waiting lists.

The Board thanked those individuals who attended the meeting and for giving their views on housing needs in the Great Falls area and comments on the Board's existing programs. There was no further business, George McCallum moved that the Board meeting adjourn, Bob Thomas seconded the motion which carried unanimously and the meeting adjourned.


George McCallum, Secretary

6-19-92
Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY MORTGAGE VARIABLE RATE BONDS
1992 Series A
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,000,000

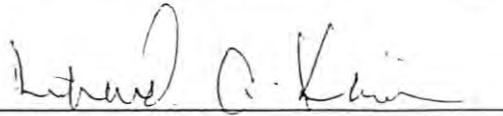
NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Wednesday, May 13, 1992, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATED: May 1, 1992.

MONTANA BOARD OF HOUSING

By: _____


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Administrator
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Michael J. Mulroney
Luxan & Murfitt
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MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a public hearing on the Board's proposed issuance of \$25,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing was held on Wednesday, May 13, 1992, in the Board's conference room. Attending the hearing were: Richard A. Kain, Administrator; Robert D. Morgan, Single Family Program Officer; Mike Mulroney, Luxan and Murfitt; Janet Kunz, Administrative Assistant. No comments, either written or oral, were received.

Richard A. Kain, Administrator

May 13, 1992
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING May 1, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, May 5, 1992, at 3:00 p.m., M.D.T., for the purpose of discussing material relative to the potential issue of a 1992 Series A Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday May 5, 1992, at 3:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Gerry Hudson and Dean Mart. Barry Gottfried, Goldman, Sachs and Company; Stan Dirks, Orrick, Herrington and Sutcliffe; Jim Arundel, Kutak Rock; Mike Mulroney, Luxan and Murfitt; Sandy Shupe, First Interstate of Denver; and staff members Dick Kain, Bob Morgan, Kelly Rusoff, Jeannene Maas, Nita Routzahn, Melody Johnston and Janet Kunz also participated.

Barry Gottfried reviewed the structure and pricing of the Board's 1992 Series A bonds, which were offered on April 29, 1992. The issue will allow the Board a mortgage interest rate of 7.375% with an escrow deposit of \$150,000 and is scheduled to close on May 14, 1992.

Jim Arundel and Mike Mulroney presented Resolution #92-5-5-S7 (attached). The Resolution approves a program to finance single family housing; authorizes the issuance of \$25,000,000 aggregate principal amount of single family mortgage senior bonds, 1992 Series A-1 and Series A-2; and single family mortgage subordinate bonds, 1992 Series A-1; approves the Trust Indenture and other documents; authorizes a special escrow account, in an amount not to exceed \$150,000 for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1992 Series A bonds; authorizes the bond purchase contracts dated May 1, 1992; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds.

Gerry Hudson then moved that Resolution #92-5-5-S7 be adopted, which Dean Mart seconded, the motion carried unanimously as presented.

There was no further business, and the meeting adjourned at 3:40 p.m.


George McCallum, Secretary

5-20-92
Dated

RESOLUTION NO. 92-5-5-S7

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A PROGRAM TO FINANCE SINGLE FAMILY HOUSING; AUTHORIZING THE ISSUANCE OF \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE SENIOR BONDS, 1992 SERIES A-1 and 1992 Series A-2 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) AND SINGLE FAMILY MORTGAGE SUBORDINATE BONDS, 1992 SERIES A-1 (FHA INSURED OR VA GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PROGRAM OF FINANCING AND AUTHORIZING THE CREATION OF A SPECIAL ESCROW IN CONNECTION THEREWITH; APPROVING THE SALE OF SAID BONDS PURSUANT TO PURCHASE CONTRACTS; APPROVING A TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue revenue bonds and to purchase mortgage loans 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; and

WHEREAS, the Board intends to issue its Single Family Mortgage Senior Bonds, 1992 Series A-1 and 1992 Series A-2 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Senior Bonds") and its Single Family Mortgage Subordinate Bonds, 1992 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans) (the "Subordinate Bonds"), in the aggregate principal amount of \$25,000,000 (collectively the "1992 Series A Bonds"), and has formulated a program pursuant to the Act to acquire mortgage loans with the proceeds of the 1992 Series A Bonds (the "1992 Series A Mortgage Purchase Program"); and

WHEREAS, a Trust Indenture dated as of April 1, 1992 (the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1992 Series A Bonds, subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement for the Senior Bonds (the "Preliminary Official Statement"), dated April 3, 1992, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1992 Series A Bonds, and which will be distributed to the purchasers of the Senior Bonds and others by a group of investment dealers and brokers represented by Goldman, Sachs & Co., D.A. Davidson & Co. Incorporated, Merrill Lynch Capital Markets and Piper, Jaffray & Hopwood Incorporated (the "Underwriters"); and

WHEREAS, a Preliminary Official Statement for the Subordinate Bonds (the "Preliminary Subordinate Bond Official Statement") dated April 3, 1992, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1992 Series A Bonds, and which will be distributed to the purchasers of the Subordinate Bonds and others by Goldman, Sachs & Co. ("Goldman, Sachs"); and

WHEREAS, a Purchase Contract (the "Senior Bond Purchase Contract"), dated May 1, 1992, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the Senior Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, a Purchase Contract (the "Subordinate Bond Purchase Contract"), dated May 1, 1992, between the Board and Goldman, Sachs, has been presented to the Board pursuant to which the Board would agree to sell and Goldman, Sachs would agree to purchase the Subordinate Bonds at the price and upon the terms and conditions therein set forth; and

WHEREAS, it is the intention of the Board that applications to participate in the 1992 Series A Mortgage Purchase Program will be received from lending institutions, and that the Board will acquire loans from these institutions on the terms and conditions set forth in certain program documents (the "Program Documents").

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 the 1992 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 hereby 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 Trust Indenture and to be contained in the Program Documents 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 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 with the proceeds of the 1992 Series A 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 1992 Series A Bonds do not involve direct loans.

Section 2. Approval of 1992 Series A Mortgage Purchase Program. The 1992 Series A Mortgage Purchase Program is hereby ratified and approved, and the staff of the Board, together with general counsel to the Board, are directed to prepare Program Documents in form and substance sufficient to implement the 1992 Series A Mortgage Purchase Program.

Section 3. Approval of Trust Indenture. The Trust Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 4. Authorization of Bonds; Authorization of Special Escrow Account. The issuance of the Board's Single Family Mortgage Senior Bonds, 1992 Series A-1 and 1992 Series A-2 (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1992 Series A-1 (FHA Insured or VA Guaranteed Mortgage Loans), in the aggregate principal amount of \$25,000,000 (the "1992 Series A Bonds"), is hereby authorized and approved. The 1992 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1992 Series A Bonds shall be at such rate or rates which will permit the Board to purchase Mortgage Loans in connection with the 1992 Series A Mortgage Purchase Program the interest rate on which will be equal to or less than 7-3/8% per annum. The 1992 Series A 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 1992 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term

is defined in the Trust Indenture) for purposes of executing and attesting the 1992 Series A Bonds. Such signatures may be in facsimile, provided, however, that such Bonds shall not be valid or obligatory for any purpose until authenticated by the manual signature of an authorized officer of the Trustee. In addition, in connection with the issuance of the 1992 Series A Bonds, the creation of a special escrow account with First Interstate Bank of Denver, N.A., as escrow agent with respect thereto, from moneys in the Board's housing trust fund in an amount not to exceed \$150,000, for the purpose of covering negative cash flow which will result during the investment period associated with the acquisition of mortgage loans from the proceeds of the 1992 Series A Bonds, is hereby approved, and the Chairman, Vice Chairman or Administrator of the Board is hereby authorized and directed to execute and deliver an escrow deposit agreement for the purpose of evidencing the creation of such special escrow account and the application of moneys therein as contemplated hereby.

Section 5. Approval of Disclosure Documents. The Preliminary Official Statement and the Preliminary Subordinate Bond Official Statement are hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a final senior bond official statement substantially in the form of the Preliminary Official Statement and a final subordinate bond official statement substantially in the form of the Preliminary Subordinate Bond Official Statement, respectively, with such changes, insertions or omissions therein as may be approved by the Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final senior bond official statement and the final subordinate bond official statement.

Section 6. Sale of the Bonds. The Senior Bond Purchase Contract, dated May 1, 1992, and the Subordinate Bond Purchase Contract, dated May 1, 1992, are hereby approved in the form submitted at this meeting and the execution of the Senior Bond Purchase Contract and the Subordinate Bond Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized, directed and ratified.

Section 7. Notice of Acceptance. The Administrator of the Board, his designee, or any other officer of the Board is hereby authorized and directed to execute and deliver Notices of Acceptance and related documents to each of the lending institutions to be approved by the Administrator or his

designee, each of which is hereby approved as a lender under the 1992 Series A Mortgage Purchase Program, informing such mortgage lenders of such approval, the interest rate on the mortgage loans, the date on which reservations will be accepted and other program details.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 1992 Series A Mortgage Purchase Program, the Trust Indenture, the Preliminary Official Statement, the Preliminary Subordinate Bond Official Statement, the Senior Bond Purchase Contract, the Subordinate Bond Purchase Contract and the 1992 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents (including the Program Documents) which may be required under the terms of the Trust Indenture and the Bond Purchase Contracts, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

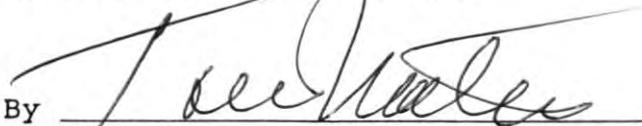
Section 11. Execution of Non-Arbitrage Certificate. The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue a certification as to its reasonable expectations regarding the amount and use of the proceeds of the 1992 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 143 of the Internal Revenue Code of 1986, as amended.

Section 12. Effective Date. This Resolution shall become effective immediately.

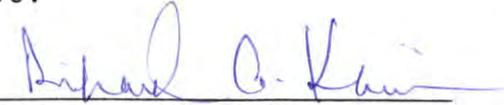
ADOPTED by the Montana Board of Housing this 5th day of
May 1992.

[SEAL]

MONTANA BOARD OF HOUSING

By 
Chairman

Attest:

By 
Treasurer/Administrator



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING April 28, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday, April 29, 1992, at 10:00 a.m., M.D.T., for the purpose of discussing material relating to the potential issue of a 1992 Series A Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Wednesday, April 29, 1992, at 10:00 a.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. Jim Arundel, Kutak Rock; Mike Mulrone, Luxan and Murfitt; and staff members Dick Kain, Bob Morgan, Kelly Rusoff, Maureen Rude, Meredith Miller, Jeannene Maas, Nita Routzahn and Janet Kunz also participated.

Dick advised the Board that a mortgage interest rate of 7.35% has not been attainable and updated the Board on the current market situation. Randy Hynote, Goldman Sachs, informed the Board that a bond issue similar to Series 1991 B would produce a maximum mortgage interest rate today of approximately 7.47% and a minimum mortgage interest rate of approximately 7.42%, with an escrow deposit not exceeding \$200,000. Further the Board was advised that FHA/VA 30 year mortgage rates are around 8.5% and it was noted that the 7.45% rate would give the Board a spread of 1% to 1-1/8% to FHA/VA mortgage interest rates. There is approximately \$1,100,000 in reservations on the waiting list.

Following a discussion of achievable interest rates, the escrow deposit and its investment possibilities and the length of time the Preliminary Official Statement has been in the market, Gerry Hudson moved to proceed with a \$25,000,000 bond issue, with a mortgage interest rate not to exceed 7.5% and the escrow deposit not to exceed \$200,000. Bob Thomas seconded the motion. The motion was approved with five in favor of the motion and two opposing the motion. Joe Gerbase further moved to authorize Dick Kain to sign the purchase contracts with Board confirmation at a conference call to be held the week of May 4th, Gerry Hudson seconded the motion, which was approved with all seven members in favor of the motion.

Russ Dahl asked that information be provided to the Board by Goldman Sachs regarding investment alternatives to eliminate the negative carry situation.

There was no further business, Joe Gerbase moved to adjourn the telephone conference call, Gerry Hudson seconded the motion which was carried and the meeting adjourned at 10:35 a.m.


George McCallum, Secretary

5-20-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
APRIL 15, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - March 5, 1992 Audit Committee Meeting
 - March 6, 1992 Business Meeting
 - March 19, 1992 Conference Call Meeting
 - April 7, 1992 Conference Call Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Report on April 1, 1992 Bond Calls
 - B. Report on Transfer of Mortgage Notes and Insurance Certificates
- V. MULTIFAMILY PROGRAM UPDATE - Maureen Rude
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VII. REVERSE ANNUITY MORTGAGE PROGRAM - Dick Kain
- VIII. NEIGHBORHOOD HOUSING SERVICES INC., GREAT FALLS,
 - A. Extensions of Setasides - Dick Kain
- IX. SINGLE FAMILY PROGRAM UPDATE - Dick Kain
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series B
 - D. Status of Proposed 1992 Series A
- X. OTHER BUSINESS
- XI. SET NEXT MEETING DATE
- XII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
APRIL 15, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Absent)
Bob Thomas (Absent)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Maureen Rude, Multifamily Program Officer
Robert Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

UNDERWRITERS: Gordon Hoven, Piper, Jaffray & Hopwood
Mark Semmens, D. A. Davidson & Company

COUNSEL: John Wagner, Bond Counsel
Kutak Rock

OTHERS: Deborah Porter, American Capital Development

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the March 5, 1992 Audit Committee, March 6, 1992 Business Meeting, March 19, 1992 Special Conference Call Meeting and the April 7, 1992 Special Conference Call Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee reported to the Board that the Audit Committee met with Jim Woy of Anderson ZurMuehlen and Co., on Wednesday, April 15th at 7:45 a.m. The Committee discussed the results of the three (3) servicer reviews conducted the last week of March. George noted that there were several problems and that many were of the same type that were in previous reviews. One of the major concerns is that Montana Board

of Housing is not named as Loss Payee on some of the insurance policies. Another concern is that escrow accounts, held for Board loans, do not identify the Board's interest. It was also reported that all three of the servicers, reviewed, held Montana Board of Housing funds that were in excess of the \$100,000 limit. George advised the Board that staff would be conducting a follow up with the servicers reviewed. The Committee also discussed the engagement for the 1992 fiscal audit and signed an agreement with Anderson ZurMuehlen and Co., which will begin August 1, 1992 and the fee will be \$17,500.

George McCallum moved to approve the report as presented, Joe Gerbase seconded the motion which was unanimously approved.

ACCOUNTING AND REPORTING UPDATE

REPORT ON APRIL 1, 1992 BONDS CALLS

Kelly Rusoff, Comptroller, reported that the Board called \$3,090,000 in bonds in a mandatory call from mortgage prepayments and unexpended mortgage proceeds. This includes \$985,000 from 1988B, \$1,025,000 from 1989A, \$520,000 from 1990A, \$385,000 from 1990B and \$175,000 from 1990C.

REPORT ON TRANSFER OF MORTGAGE NOTES AND INSURANCE CERTIFICATES

Kelly Rusoff advised the Board that the inventory and transfer of mortgage notes and Mortgage Insurance Certificates (MIC's) from First Interstate of Kalispell to the Board's office was completed by staff on April 6th. Kelly explained that there were few inconsistencies and that overall the transfer went smoothly.

Kelly noted that with First Interstate-Kalispell's pending resignation as co-trustee that all trustee services will now be conducted by First Interstate-Denver as master trustee.

MULTIFAMILY PROGRAM UPDATED

Maureen Rude, Multifamily Program Officer updated the Board on some of the activities that she has been pursuing in regards to the Multifamily Program. Maureen advised the Board that she and Dick Kain have met with Bond counsel to consider legal options available to the Board to pursue Multifamily projects. They have also met with Moody's and researched what other State's are doing. On April 1st, Maureen and Dick met with the Missoula Public Housing Authority. The Missoula Public Housing Authority currently has 1,300 individuals on their waiting list, with an average income of \$4,200. The Housing Authority was very receptive to the concepts that were presented at the meeting and intend to pass information on to the Housing Authorities throughout the state. Maureen indicated that she has already received several call from around the state inquiring about multifamily projects.

Maureen presented to the Board two flowcharts conceptualizing possible financing and structuring alternatives for projects to take. One alternative would involve the Board owning the project and a local Housing Authority managing the project. The second alternative would limit the Board's involvement to conduit financing.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude advised the Board that March 27th was the first round deadline for requests for reservation of 1992 tax credits. Four applications were received, two of which did not meet the

completeness and soundness criteria. The remaining two applications were retained for completeness and soundness and deemed eligible based on the Allocation Plan and its selection criteria. These applications were presented for the Board's review and action.

The first application was submitted by Housing Development Associates for the acquisition and substantial rehabilitation of the Deer Lodge Apartments Project in Deer Lodge. This project is expected to be placed in service on September 1, 1992. It is a FmHA 515 project, consisting of 24 units and is requesting \$27,020 in tax credits. The eligible basis is \$675,500, with the qualified basis also \$675,500. Russ Dahl moved to approve the Deer Lodge Apartments application for future reservation, Gerry Hudson seconded the motion, which carried unanimously.

The second application, submitted by American Capital Development, for the new construction of the Warm Springs Apartments in Missoula, with a projected placed in service date of March, 1993, was presented. This project consists of 96 units, 56 of which would target large families (2 bedrooms and up). The project requested \$398,970 in tax credits, however, the project is limited to the allocation plan cap of \$370,000. This project has an eligible basis of \$4,433,000 and a qualified basis of \$4,433,000. Maureen noted that the Warm Springs Apartment Project is in Missoula which is, under IRS codes, a difficult development area and therefore eligible for a 30% adjustment increase in qualified basis. Upon motion of Joe Gerbase, seconded by George McCallum, the Board approved unanimously the application for future reservation.

REVERSE ANNUITY MORTGAGE PROGRAM

Dick Kain, presented to the Board the status of the RAM program as of April 13, 1992. Ten RAM loans have been successfully closed and there are currently two applications in process, one of which should be closing within the month. Dick drew the Board's attention to the loan amount and the total principal to be advanced over 120 periods. The average borrower age is 78.6 years, the average household income is \$7,966, average loan to value is 70.1% and the average total principal to value is 47.5%. Dick advised the Board that of the \$730,300 setaside there remains \$472,160 in funds available for the program.

NEIGHBORHOOD HOUSING SERVICES INC., GREAT FALLS

Dick Kain advised the Board that several of the setasides for the Neighborhood Housing Services (NHS) have expired or will shortly expire. Dick presented a summary of NHS setasides, the three setasides that would require Board action to extend are: the 2/89 allocation, funds remaining are \$168,765 and which expired January 1, 1992; the Affordable Housing Allocation I with \$77,790 in remaining funds, which expired February 1, 1992; and Owners in Partnership Allocation with \$485,000 in remaining funds which is to expire May 31, 1992. The Board then reviewed an letter from Nancy Stephenson, Executive Director, asking the Board to consider extension of the setasides in the following manner: for the 2/89 allocation, extension to January 1, 1993; for the Affordable Housing Allocation I, extension to August 1, 1992; and for the Owners in Partnership Allocation, extension to April 1, 1993. George McCallum so moved, Russ Dahl seconded the motion which passed unanimously.

Dick next drew the Board's attention to a report from the Federal Home Loan Bank on their Affordable Housing Program in 1991. The cover story dealt with a family that was assisted in the purchase of a handicapped accessible home by both NHS and the Board of Housing.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Dick Kain presented the Mortgage Credit Certificate Program report as of April 9, 1992, which showed that the Board has 74 reservations outstanding for \$800,015.60 and issued 378 certificates for \$4,157,141.20 in credit authority. The average purchase price is \$57,264.85, with an average loan amount of \$54,988.64 and an average gross annual income of \$28,309.63. \$5,042,843.20 in credit authority remains available and the program will expire on December 31, 1992.

Dick also reported that three of the most active areas of the program, City of Great Falls, Flathead and Missoula counties, are targeted areas. The lender participation report was presented and the largest users of the program were noted. Dick advised the Board that while activity declined slightly in January and February, it increased again in March.

CASH ASSISTANCE PROGRAM

Dick Kain, reported on the Cash Assistance Program (CAP) as of April 13, 1992. There are 7 outstanding reservations and 75 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$1,166,977.94 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$30,850.41 in lendable funds available. The average CAP loan funded is \$839.00, the average loan purchased is \$34,909.00 with an average household income of \$16,541.00 and an average household size of 2.3 persons. There have been 51 first-time homebuyers, 28 single parents and 3 disabled persons assisted with the program. Billings continues to dominate the program, with 48 loans either purchased or reserved.

1991 SERIES B

The Series Allocation Summary for 1991 Series B, as of April 13, 1992 was presented by Dick Kain. Of the \$23,312,516.91 in available proceeds the Board has purchased 420 loans for \$19,440,499.55 and has 76 reservations outstanding for \$3,848,460.00. The average purchase is \$46,286.90 with the average borrower gross income \$26,322.05. There remains \$23,557.36 in lendable proceeds. Dick advised the Board that the waiting list concept was activated on April 3rd and that there is approximately \$700,000 in reservations on the list. Dick reviewed with the Board the major users of the Program and the Housing Profile comparing the average loan amounts between counties with the largest number of loans. Dick also advised the Board that of the 420 loans purchased 380 have been FHA insured and 40 have been VA guaranteed.

STATUS OF PROPOSED 1992 SERIES A

Dick Kain presented to the Board a comparison as of April 13, 1992, of 30 year FHA/VA mortgage quotes from the Board's larger lenders. Dick then asked Mark Semmens of D. A. Davidson to give the Board a market update. Mark advised the Board that in today's market, if an issue were completed today with a similar structure to the 1991B, that a mortgage interest rate of 7.35% was achievable. Mark

advised the Board that the mortgage rate does reflect a Montana market and that it is felt that the market will remain pretty constant over the next three to four months. Mark informed the Board that due to the Federal Reserve lowering short term interest rates that the negative carry situation has worsened and that an escrow deposit of \$200,000 would now be required.

John Wagner, Kutak Rock, advised the Board that regarding the Mortgage Revenue Bond sunset it is felt that there will not be an extension in June but that an extension could occur in October. If an extension does occur it is felt it will be for a period of 12 to 18 months.

Following a Board discussion of mortgage interest rates, an attainable interest rate spread to conventional FHA/VA rates, the MRB sunset, the escrow deposit and the market, George McCallum moved to authorize the structure a \$25,000,000 bond issue with an interest rate of 7.35% and with an escrow deposit of \$200,000, Gerry Hudson seconded the motion. The measure passed with two Board members voting for the motion, two Board members voting against the motion and the Chairman casting the tie breaking vote for a new bond issue.

OTHER BUSINESS

Dick shared with the Board a summary from NCSHA of the 1991 Mortgage Revenue Bond Program for all fifty states. The summary included Total Loans Purchased in 1991, Total MRB Issuance, Average Borrower Income and Average Purchase Price. Dick noted that Montana favored well in the comparison.

Also shared with the Board was a news release from the New Jersey Housing and Mortgage Finance Agency (NJHMFA), it was noted that NJHMFA is lowering their mortgage rate to 7.85% on \$30,000,000, for a term of 30 years, with a 5% downpayment requirement.

SET NEXT MEETING DATE

The next meeting was scheduled for Wednesday, May 20, 1992, at 8:30 a.m., to be held in Great Falls, with a public meeting to follow the meeting.

There was no further business, and the meeting adjourned.


George McCallum, Secretary

5-20-92
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on April 15, 1992 at 7:45 a.m. in the Board office at 2001 11th Avenue, Helena, MT.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Wednesday, April 15, 1992 at 7:45 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Audit Committee member Gerry Hudson; Jim Woy of Anderson ZurMuehlen and Co.; Dick Kain, Administrator and Kelly Rusoff, Comptroller and Bob Morgan, Single Family Program Officer.

The meeting began with a discussion of the three (3) reviews performed by Anderson and ZurMuehlen the last week in March. Delinquencies were not reviewed as in the past, since the Board has minimal risk in this area. A minimum of 60 loans were reviewed at each financial institution, noted exceptions included: insurance policies that did not name Montana Board of Housing as the loss payee in the insurance policy; a loan assumption that was not approved by the Board; a loan with no evidence of current insurance; two (2) of the institutions did not identify Montana Board of Housing custodial accounts as being held for the Montana Board of Housing; one (1) institution was using a manual accounting system; and all of the institutions reviewed were holding balances in excess of \$100,000.

The Committee discussed the exceptions and decided that the institution with the most serious of exceptions would be suspended from participating in future bond and Mortgage Credit Certificate programs until the Board was satisfied with the quality of their servicing.

The Committee also discussed the engagement of the 1992 fiscal audit. George McCallum, Chairman, signed the engagement letter. The fee for the audit will be \$17,500 and the auditors will begin fieldwork during the month of August.

There was no further business, and the meeting adjourned at 9:00 a.m.


George McCallum, Chairman


Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

April 6, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, April 7, 1992, at 2:00 p.m., M.D.T., for the purpose of discussing material relating to the potential issue of a 1992 Series A Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
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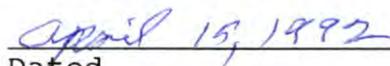
Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday, April 7, 1992, at 2:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, and Dean Mart with Bob Thomas absent. Larry Carlile, Kutak Rock; Mike Mulrone, Luxan and Murfitt; and staff members Dick Kain, Bob Morgan, Kelly Rusoff, Meredith Miller, Jeannene Maas and Janet Kunz also participated.

Dick advised the Board that on April 3rd, because mortgage interest rates decreased slightly, the Preliminary Official Statement was sent to the printers and for mailing and should currently be in the market. Dick informed the Board that a bond issue similar to Series 1991 B would produce a maximum mortgage interest rate today of approximately 7.40%, with a 7.375% being achievable, with an escrow deposit of \$125,000. Further the Board was advised that FHA/VA 30 year mortgage rates are around 8.5% or slightly lower and it was noted that the 7.375% rate would give the Board a spread of 1% to 1-1/8% to FHA/VA mortgage interest rates. Currently there remains slightly less than \$400,000 in available Series 1991 B funds.

Following a discussion of achievable interest rates and attainable interest rate spreads to conventional FHA/VA mortgage interest rates, Joe Gerbase moved to authorize staff to proceed with a pricing if a maximum mortgage rate of 7.25% and a minimum spread of 1.25% to conventional FHA/VA mortgage interest rates was achievable. Russ Dahl seconded the motion. The motion was approved with five in favor of the motion, one opposing the motion, and one member absent.

There was no further business, Dean Mart moved to adjourn the telephone conference call, Gerry Hudson seconded the motion which was carried and the meeting adjourned at 2:30 p.m.


George McCallum, Secretary


Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING March 16, 1992

The Montana Board of Housing will hold a special meeting via telephone conference call on Thursday, March 19, 1992, at 3:00 p.m., M.D.T., for the purpose of discussing material relating to the potential issue of a 1992 Series A Family Mortgage Bonds.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Thursday March 19, 1992, at 3:00 p.m. Participating in the meeting were: Tom Mather, Chairman; Joe Gerbase, Vice Chairman; George McCallum, Secretary; and Board members Russ Dahl, Gerry Hudson, Dean Mart and Bob Thomas. Barry Gottfried, Goldman, Sachs and Company; Jim Arundel, Kutak Rock; Mike Mulrone, Luxan and Murfitt; and staff members Dick Kain, Kelly Rusoff, Maureen Rude, Meredith Miller, Nita Routzahn, Jeannene Maas, Lynn Rolland, Denise Hanson and Janet Kunz also participated.

Dick advised the Board that the 7.85% funds in 1991 Series B have been moving quite rapidly in the last week and there currently remains \$1,800,000 in available funds. Dick further advised the Board that FHA/VA 30 year mortgage rates are around 8-5/8% with a total of 3½ points.

Barry Gottfried, Goldman, Sachs and Company, updated the Board on the current market. Barry advised the Board that rates have increased slightly and that a bond issue similar to Series 1991 B would produce a mortgage interest rate today of approximately 7.44%, with \$21,000,000 in non-AMT bonds and \$4,000,000 in AMT bonds. The market is expected to remain relatively stable with little movement.

Barry next advised the Board that the problem of negative carry is in the range of 250 basis points and that with an acquisition period of 18 months the escrow deposit required of the Board would be approximately \$400,000. If the acquisition period were shortened the required escrow deposit would be reduced to approximately \$125,000 for a 12 month acquisition period and \$95,000 for a 6 month acquisition period.

The Board was advised that the Housing Trust Fund, from which the funds for the escrow deposit would come, currently has an available balance slightly over \$700,000

Following a discussion of interest rates, acquisition periods and the time frame to put together a bond sale, Russ Dahl moved to continue monitoring the market and that if it is possible to achieve a mortgage interest rate of 7-3/8%, using a 12 month acquisition period, to authorize Dick Kain to proceed with a new issue. The motion was seconded by Joe Gerbase which was approved unanimously

There was no further business, Bob Thomas moved to adjourn the telephone conference call, George McCallum seconded the motion which was carried and the meeting adjourned at 3:40 p.m.

George McCallum
George McCallum, Secretary

4-15, 1992
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA
MONTANA BOARD OF HOUSING
GLACIER ROOM
METCALF (DNRC) BUILDING**
1520 EAST SIXTH AVENUE
HELENA, MONTANA
MARCH 6, 1992

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- January 17, 1992 Business Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. ACQUISITION COST LIMITS, MORTGAGE CREDIT CERTIFICATE PROGRAM -
Terry Cosgrove
- V. MOODY'S INVESTORS SERVICE - Deborah Silverman, Wendy Ward and
Peter Tommaney
- VI. PROPOSAL ON HUD SECTION 203(k) REHABILITATION LOAN PROGRAM -
Lyle Konkol, Construction Analyst, Helena HUD Office
- VII. FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM - Ralph McCormick,
Farmers Home Administration
- VIII. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Review of December 31, 1991 Consolidated Financial
Statements
 - B. In-House Servicing - Cost Analysis
 - C. Report on April 1, 1992 Bond Calls
- IX. UNDERWRITERS UPDATE - Randy Hynote, Goldman, Sachs and Co.

Continued on next page

AGENDA
MONTANA BOARD OF HOUSING
GLACIER ROOM
METCALF (DNRC) BUILDING**
1520 EAST SIXTH AVENUE
HELENA, MONTANA
MARCH 6, 1992
(continued)

- X. SINGLE FAMILY PROGRAM UPDATE - Dick Kain
 - A. Quarterly Delinquency Report - December, 1991
 - B. Mortgage Credit Certificate Program
 - C. Cash Assistance Program
 - D. 1991 Series B

XI. OTHER BUSINESS

XII. SET NEXT MEETING DATE

XIII. ADJOURN

**Please note meeting location, the Glacier Room is in the basement of DNRC, easiest access is from parking lot behind DNRC (north side of the building).



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
GLACIER ROOM
METCALF (DNRC) BUILDING
1520 EAST SIXTH AVENUE
HELENA, MONTANA
MARCH 6, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Absent)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Maureen Rude, Multifamily Program Officer
Meredith Miller, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulrone, Board Counsel
Luxan and Murfitt
Mike Rieley, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Randy Hynote, Goldman, Sachs and Company
Gordon Hoven, Piper, Jaffray and Hopwood

OTHERS: Chris Kafentzis, HUD/FHA
Lyle Konkol, HUD/FHA
Dale Creel, HUD/FHA
Ralph McCormick, FmHA
Peter Tommaney, Moody's Investors Service
Deborah Silverman, Moody's Investors Service
Wendy Ward, Moody's Investors Service
Andy Poole, Deputy Director, Dept. of Commerce

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the January 17, 1992 Business Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee reported to the Board that the Audit Committee met with Jim Woy and Marilyn Dusenberry of Anderson ZurMuehlen, on Thursday, March 5th at 3:00 p.m. The Committee discussed the results of the internal review of 25 files conducted by Anderson ZurMuehlen on January 21st and 22nd. There were no noted exceptions. Related party transactions were also reviewed and all transactions appeared to be reasonable. The procedure to transfer mortgage notes and Mortgage Insurance Certificates from First Interstate of Kalispell to the Board's office was reviewed, it was decided that Montana Board of Housing staff will perform the transfer. Three on-site servicer reviews will be performed by Anderson and ZurMuehlen the last week of March and lastly the Committee discussed the engagement for the 1992 fiscal audit, which will begin roughly August 1, 1992 and the fee will be \$17,500. Dean Mart moved to approve the report as presented, Russ Dahl seconded the motion which was unanimously approved.

ACQUISITION COST LIMITS, MORTGAGE CREDIT CERTIFICATE PROGRAM

Mike Mulrone, Luxan and Murfitt, advised the Board that it is Bond Counsel's opinion that the existing Mortgage Credit Certificate program can be changed to increase the acquisition cost limits to coincide with HUD's maximum mortgage limits, provided written notice is given to lenders. It was further advised that this could be accomplished without holding another public hearing. George McCallum moved to increase the acquisition cost limits to coincide with HUD's maximum mortgage limits for Cascade County and Yellowstone County to \$83,050 and in all other counties to \$75,500. Dean Mart seconded the motion which was unanimously approved.

MOODY'S INVESTORS SERVICE

Peter Tommaney, Moody's Investors Service, gave a brief overview to the Board and introduced Wendy Ward, group leader of all housing issues at a state level, who will explain how Moody's looks at housing and Deborah Silverman, the analyst responsible for all Montana credits, who will discuss the specific credits looked at when rating.

Wendy Ward explained to the Board that Moody's uses an integrated approach to rating single family housing revenue bonds and has no specific formula. They use six credit factors in determining a rating which include: the administration of the agency, active Board participation and programs operated; the State economy; what the loan portfolio consists of and its performance; types of assets; financial position; the legal structure of the bond indentures; and cash flows. Using these factors and taking an overview, strengths and weaknesses are weighed to determine a rating. Wendy noted that all of the Board's bond issues have been rated Aa by Moody's. Wendy next advised the Board of Moody's position regarding state legislatures drawing upon housing authorities funds in difficult times. It was stressed that from Moody's point of view they would prefer that funds not be taken at all, as the more funds available the stronger the overall program.

Deborah Silverman briefly reviewed with the Board an example of a Credit Report, which is produced whenever a bond issue is rated. Deborah explained how each of the six credit factors establishing a bond rating are analyzed and summarized in the Credit Report.

PROPOSAL ON HUD SECTION 203(k) REHABILITATION LOAN PROGRAM

Lyle Konkol, Department of Housing and Urban Development (HUD) Helena Office, Dale Creel Helena HUD Office, and Chris Kafentzis Helena HUD Office reviewed with the Board statistics that have been compiled by HUD, of 18 random 203(k) cases that they have on file. The Proposed Terms and Conditions to a setaside prepared by Board of Housing staff and concurred upon by HUD were also reviewed. Lyle explained that HUD would prefer as much flexibility in the program as possible to target the widest possible group. After a discussion of the Proposed Terms and Conditions for a HUD 203(k) Rehabilitation Loan setaside, the motion was made by Dean Mart to approve funding in the amount of a \$5,000,000 setaside of 7-3/4% recycled 1979 Series A monies to extend through December 31, 1993. The motion was seconded by Bob Thomas and was unanimously approved.

FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM

Ralph McCormick, Farmers Home Administration (FmHA), appeared before the Board to answer questions regarding FmHA's Guaranteed Rural Housing Program. Ralph advised the Board that FmHA has the authority to guaranty housing loans in rural locations (areas with population less than 20,000), that their guaranty requirements are similar to HUD's and that in meetings with lenders, held by FmHA across the state, the program has been well received and generated a great deal of interest. Ralph then reviewed criteria of the program, prepared in cooperation by Board of Housing staff and FmHA, with specific attention paid to the liquidation process. Ralph did indicate that FmHA financing through the (Section 502 Program) would be available to assist in the disposition of a foreclosed property. The Board deferred action to a future Board meeting.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF DECEMBER 31, 1991 CONSOLIDATED FINANCIAL STATEMENTS

Kelly Rusoff, Comptroller, presented the Board's unaudited consolidated financial statements for the period ending December 31, 1991 and December 31, 1990 and reviewed significant changes between 1990 and 1991.

IN-HOUSE SERVICING - COST ANALYSIS

Kelly Rusoff, presented to the Board an analysis of the revenues/expenses that would be associated with in-house servicing. Revenue would be generated from servicing fees, while expenses would include in-house servicing software, one additional employee, additional office space and the cost for acquiring servicing. It was noted that in-house servicing would be considered for smaller lenders who would prefer to originate but not service and for out-of-state lenders. Board action was asked for, as the request for an additional employee would need to be included and approved in the Executive Planning Process, to be prepared for the next

Legislative Session. George McCallum moved that application be made to provide for an additional FTE for in-house servicing, seconded by Russ Dahl. The motion was passed unopposed.

REPORT ON APRIL 1, 1992 BOND CALLS

Kelly Rusoff, reported that the Board will call \$2,075,000 in bonds from the Single Family I Indenture in a mandatory call from mortgage prepayments. This includes \$445,000 from 1987A, \$805,000 from 1987B and \$825,000 from 1988A.

UNDERWRITERS UPDATE

Randy Hynote, Goldman, Sachs and Company, advised the Board that rates have increased by approximately 25 basis points since the January meeting, but that the market is reasonably stable and he would expect a moderate increase in rates, followed by a summer lull and finally interest rates increasing in the fall. Randy further advised the Board that a bond issue similar to the Series 1991 B would produce a mortgage interest rate today of approximately 7.35%.

Randy informed the Board that the complication of negative spread is worse than it has ever been. The negative spread as of today is approximately 240 basis points which would require a very large escrow deposit of approximately \$300,000. Randy did review a concept of investing the loan acquisition funds to eliminate the negative carry, currently being used by Idaho and Utah, but stressed that it is quite risky and the Board may incur a loss of principal.

The Board instructed Randy to monitor the market, keeping Dick informed and that if an interest rate of 7.25% were achievable to conduct a telephone conference. The Board further instructed Dick to send them a memo each Friday to advise them of achievable mortgage rates.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT - DECEMBER, 1991

Dick Kain, Administrator, presented the Board's delinquency statistics, as of 12/20/91, which indicate a slight decrease in the number of delinquencies and number of loans in foreclosure. Dick noted a trend that as total loans serviced have increased, over the last two years, total delinquencies have decreased, with total delinquencies being 2.26% as of 12/20/91. The Board's delinquencies continue to compare favorably with Montana, Regional and National statistics. An analysis of delinquencies by bond series was reviewed, Dick noted that Series 1982A, 1983A, 1984A and 1985A have the highest percentages of delinquencies. A listing of delinquencies by servicing institution was also presented, the largest loan servicers were drawn to the attention of the Board.

MORTGAGE CREDIT CERTIFICATE PROGRAM

Dick Kain presented the Mortgage Credit Certificate Program report as of March 3, 1992, which showed that the Board has 50 reservations outstanding for \$569,499.80 and issued 334

certificates for \$3,655,063.40 in credit authority. The average purchase price is \$57,103.93, with an average loan amount of \$54,716.52 and an average gross annual income of \$28,559.41. \$5,775,436.80 in credit authority remains available and the program will expire on December 31, 1992.

Dick also reported that the largest users of the program remain the City of Great Falls, Flathead, Lewis and Clark, Missoula, and Yellowstone Counties. A new report was presented which shows the lender participation in the program, the largest users of the program were noted. Dick advised the Board that activity declined slightly in January and February.

CASH ASSISTANCE PROGRAM

Dick Kain, reported on the Cash Assistance Program (CAP) as of March 2, 1992. There are 7 outstanding reservations and 66 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$1,446,266.65 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$38,503.41 in lendable funds available. The average CAP loan funded is \$841.00, the average loan purchased is \$35,597 with an average household income of \$16,518.00 and an average household size of 2.3 persons. There have been 45 first-time homebuyers, 25 single parents and 3 disabled persons assisted with the program. Billings continues as the major user of the program, however, quite a few rural lenders have used the program.

Dick presented a synopsis of loans purchased monthly by series to give the Board an idea of the number of loans purchased since July 1, 1991. It was noted that although the program is currently experiencing a slow period, that through February 6, 1992 a total of 842 loans have been purchased.

Dick advised the Board that due to the cancellation of reservations there is, as of March 2, 1992, \$224,775.80 of available 7.90% funds in 1991 Series A.

1991 SERIES B

The Series Allocation Summary for 1991 Series B, as of March 2, 1992 was presented by Dick Kain. Of the \$23,312,516.91 in available proceeds the Board has purchased 400 loans for \$18,505,550.04 and has 31 reservations outstanding for \$1,505,152.00. The average purchase is \$46,263.87 with the average borrower gross income \$26,116.66. There remains \$3,030,000 in lendable proceeds as of today, March 6th. Dick reviewed with the Board the major users of the Program and the Housing Profile comparing the average loan amounts between counties with the largest number of loans.

Dick also presented to the Board a comparison as of March 2, 1992, of 30 year FHA/VA mortgage quotes from the Board's larger lenders. Mentioning that rates have increased approximately .5% since the last Board meeting in January.

OTHER BUSINESS

Dick shared with the Board several publications including an Annual Report received from National Council of State Housing Authority (NCSHA), stating that this is the first annual report that NCSHA has ever produced, a news release from Rhode Island Housing regarding their down payment assistance program, South Dakota's Housing Update drawing the Board's attention to two of their programs and finally to the Neighborhood Housing Services (NHS) newsletter pointing out several articles that reviewed the Board's involvement in NHS.

Dick suggested that since the NHS neighborhood has been expanded that the Board might be interested in holding a spring Board meeting in Great Falls and touring the neighborhood. Dick was asked to coordinate such a Board meeting with Nancy Stephenson, Executive Director of NHS.

SET NEXT MEETING DATE

The next meeting was scheduled for April 15, 1992, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



George McCallum, Secretary



Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on March 5, 1992 at 3:00 p.m. in the Board office at 2001 11th Avenue, Helena, MT.



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, March 5, 1992 at 3:00 p.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Audit Committee member Bob Thomas; Jim Woy of Anderson ZurMuehlen, and Co., Marilyn Dusenberry of Anderson ZurMuehlen, and Co.; Dick Kain, Administrator and Kelly Rusoff, Comptroller.

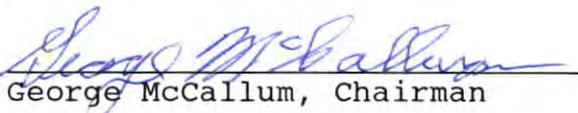
The meeting began with a discussion of the internal review, performed by Anderson and ZurMuehlen, on January 21st and 22nd. A review of 25 loan files, for compliance with Montana Board of Housing policies and procedures, showed no noted exceptions. Related party transactions were also reviewed with all transactions appearing to be reasonable.

Procedures for the transfer of Montana Board of Housing's notes and MIC's from First Interstate of Kalispell to the Board's office were discussed. The decision was made that Montana Board of Housing staff will perform the transfer of the instruments.

The Committee then discussed on-site servicer reviews, deciding that three financial institutions will be reviewed and the reviews will be performed during the last week of March. These reviews will determine if servicers are complying with the servicing agreement. A minimum of 60 loans will be reviewed at each financial institution and may be increased depending on the findings of the auditors. Delinquencies will not be reviewed as in the past, since the Board has minimal risk in this area.

The Committee discussed the engagement of the 1992 fiscal audit. The audit will begin approximately August 1, 1992 and the fee will be \$17,500.

There was no further business, and the meeting adjourned at 4:30 p.m.


George McCallum, Chairman

4-15-92
Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 a.m. on Monday, February 10, 1992, in the downstairs conference room of the Montana Department of Commerce Building. The Department of Commerce is located at 1424 Ninth Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 2001 Eleventh Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING

DATED: January 21, 1992

BY: Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, a Public Hearing was held on the Board's proposed Allocation Plan for Low Income Housing Tax Credit. The hearing was held on Monday, February 10, 1992, in the Downstairs Conference Room of the Department of Commerce Building.

The hearing opened at 9:00 a.m., and was attended by Richard A. Kain, Administrator, Maureen Rude, Multifamily Program Officer, Mike Mulrone, Luxan and Murfitt and Janet Kunz Administrative Assistant. No comments, either oral or written, were heard or received and the hearing closed at 9:15 a.m.

Handwritten signature of Richard A. Kain in blue ink.

Richard A. Kain, Administrator

Handwritten date "2/10/92" in blue ink.

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
JANUARY 17, 1992
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
HELENA, MONTANA

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- December 6, 1991 Business Meeting
- III. FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM - Ralph McCormick,
Farmers Home Administration
- IV. MAXIMUM MORTGAGE LIMITS AND PURCHASE PRICE LIMITS - Terry
Cosgrove, Luxan and Murfitt and John Wagner, Kutak, Rock and
Campbell
- V. RECOURSE OPTIONS ON VA NO-BID FORECLOSURES - Terry Cosgrove,
Luxan and Murfitt and John Wagner, Kutak, Rock and Campbell
- VI. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - A. Budget Status Report - December 31, 1991
 - B. Analysis of 1991 Series B Mortgage Rate Adjustment
- VII. SINGLE FAMILY PROGRAM UPDATE - Dick Kain
 - A. Mortgage Credit Certificate Program
 - B. Cash Assistance Program
 - C. 1991 Series B
- VIII. UNDERWRITERS UPDATE - Barry Gottfried, Goldman, Sachs and Co.
- IX. PROPOSED 1992 LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN -
Dick Kain
- X. MOODY'S MUNICIPAL CREDIT REPORT - 1988 SERIES B, 1989 SERIES
A AND 1990 SERIES A, B AND C - Dick Kain
- XI. OTHER BUSINESS
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
HELENA, MONTANA 59620-0528
(406) 444-3040

DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JANUARY 17, 1992

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Kelly Rusoff, Comptroller
Meredith McGuire, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Terry Cosgrove, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak, Rock and Campbell

UNDERWRITERS: Barry Gottfried, Goldman, Sachs and Company
Dick Spaulding, Merrill Lynch
Mark Semmens, D. A. Davidson
Gordon Hoven, Piper Jaffray and Hopwood

OTHERS: Ralph McCormick, FmHA - Bozeman, MT
Gary Frisch, FmHA, Columbia, MO

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the December 6, 1991 Business Meeting were approved as presented.

FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM

Ralph McCormick, FmHA - Bozeman, MT, and Gary Frisch, FmHA, Columbia, MO, reviewed with the Board FmHA's Guaranteed Rural Housing Loan Program. Mr. McCormick indicated that this is a relatively new program for FmHA, and is just beginning to be promoted nationally. Montana has been allocated \$1,800,000 in loan funds for its first year. The main purpose of the program is to serve very low and moderately low income families in rural areas, (defined as areas with a population of 20,000 or less) in the purchase of a home requiring little or no down payment via the presence of a FmHA loan guarantee. Mr. McCormick and Mr. Frisch reviewed with the Board criteria for application, issuance of guaranty and allowable liquidation costs. After a lengthy discussion the Board tabled further discussion of the FmHA Guaranteed Rural Loan Program to the worksession.

MAXIMUM MORTGAGE LIMITS AND PURCHASE PRICE LIMITS

Terry Cosgrove, Luxan and Murfitt and John Wagner, Kutak, Rock and Campbell advised the Board that it is counsel's opinion that the Terms and Conditions of existing bond programs can be changed to increase the maximum mortgage limits and purchase price limits to coincide with HUD's, if written notice is given to lenders.

Richard A. Kain, Administrator, presented to the Board a history of bond issues and their purchase price limits which began at \$50,000 in 1978 and is currently at \$75,000. Dick then presented an analysis of 1991 Series A loans with purchase prices between \$70,000 and \$75,000 in Cascade and Yellowstone Counties. For the two counties, a total of 153 loans have been purchased with nine (9) loans falling into the \$70,000 - \$75,000 purchase price range. The nine (9) loans had an average purchase price of \$73,544. After a brief discussion George McCallum moved to increase the Series 1991 B mortgage purchase price to coincide with HUD's maximum mortgage limits for Cascade County and Yellowstone County to \$83,050, Gerry Hudson seconded the motion which passed unanimously.

The Board asked counsel to look into whether the limits could also be used in conjunction with the Mortgage Credit Certificate Program and report back to the Board.

A short discussion then followed regarding the purchase price limits for the rest of the state, Russ Dahl moved that the purchase price limits for the rest of the state be increased from \$75,000 to \$75,500 to correspond with HUD's limits, Gerry Hudson seconded the motion which was unanimously passed.

RECOURSE OPTIONS ON VA NO-BID FORECLOSURES

John Wagner and Terry Cosgrove advised the Board that regarding the question from the December 6, 1991 meeting of recourse options on VA No-Bid Foreclosures that as long as the Veterans Administration, the appraiser or the lender all followed the proper procedures that the Board had no recourse open to them to mitigate the no-bid scenario.

ACCOUNTING AND REPORTING UPDATE

BUDGET STATUS REPORT - DECEMBER 31, 1991

Kelly Rusoff, Comptroller, presented the Board's budget status, as of December 31, 1991. The Board has spent \$494,571 or 24% of the \$2,060,239 appropriation for fiscal year 1992, leaving a balance of \$1,565,668.

ANALYSIS OF 1991 SERIES B MORTGAGE RATE ADJUSTMENT

Kelly Rusoff reviewed with the Board the cash flow report, prepared by Goldman, Sachs and Co., used to structure the 1991 Series B issue. Kelly then reviewed a cash flow report, staff had prepared, that illustrated that the cost to write the mortgage rate down from 7.85% to 6.85% on approximately \$4,000,000 in available funds would be \$269,500 and explained to the Board that before the rate could be bought down, cash flow reports would have to be provided to Moody's. It was also noted that the Board had until November, 1992 to originate the funds. After a brief discussion the Board deferred action.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Dick Kain presented the Mortgage Credit Certificate Program report as of January 14, 1992, which showed that the Board has 53 reservations outstanding for \$602,655.20 and issued 276 certificates for \$3,045,297.20 in credit authority. The average loan amount is \$55,168.43, with an average gross annual income of \$28,559.41. \$6,352,047.60 in credit authority remains available and the program will expire on December 31, 1992.

Dick also reported that the largest users of the program remain the City of Great Falls, Flathead, Lewis and Clark, Missoula, and Yellowstone Counties. On average 45 to 50 MCC files are processed monthly.

CASH ASSISTANCE PROGRAM

Dick Kain, reported on the Cash Assistance Program (CAP) as of January 14, 1992. There are 9 outstanding reservations and 59 loans have been purchased; of the \$4,000,000 of 7-3/4% setaside for first mortgages there remains \$1,590,774.69 in lendable funds and of the \$100,000 in setaside for down payment assistance there remains \$42,471.41 in lendable funds available. The average CAP loan funded is \$831.00, the average loan purchased is \$35,453 with an average household income of \$16,537.00 and an average household size of 2.4 persons. There have been 42 first-time homebuyers, 23 single parents and 3 disabled persons assisted with the program. While Billings continues as the major user of the program, Dick noted that quite a few rural lenders have used the program.

1991 SERIES B

The Series Allocation Summary for 1991 Series B, as of January 14, 1992 was presented by Dick Kain. Of the \$23,312,516.91 in available proceeds the Board has purchased 376 loans for \$17,430,459.46 and has 41 reservations outstanding for \$1,838,109.00. The average purchase price is \$46,357.60 and there

remains available \$4,043,948.45 in lendable proceeds. Dick noted that 1991 Series B has had a lower average purchase price and annual income than 1991 Series A and advised the Board that he would continue to watch those items. Dick reviewed with the Board the major users of the Program and the Housing Profile.

It was noted that the percentage of VA loans purchased in Series 1991 B continues to decrease as more Mortgage Loans are purchased. A comparison of the total VA loans purchased to the total Mortgage Loans purchased for Series 90A through 91B was presented.

Dick also presented to the Board a comparison of January 14, 1992, 30 year FHA/VA mortgage quotes from the Board's larger lenders.

UNDERWRITERS UPDATE

Barry Gottfried, Goldman, Sachs and Co., advised the Board that rates have declined slightly and that a bond issue similar to the Series 1991 B would produce a mortgage interest rate today of approximately 7.125%. Barry further advised the Board that Goldman believes that the rates will remain constant.

Barry also informed the Board that the complication of negative carry faced by the Board with the last two bond issues, continues to be a matter of concern. With current interest rates an escrow deposit larger than the previous two issues would be required, possibility greater than \$300,000.

Tom Mather shared with the Board a letter that he had received from Edward D. Jones and Company, regarding a mortgage interest rate of 6-7/8% that they believe would be attainable for a future issue. After a discussion of the possibility of such a rate the Board decided to issue a letter asking Edward D. Jones for a commitment at the mortgage interest rate quoted of 6-7/8%.

The Board further instructed Barry to monitor the market, keeping Dick informed.

PROPOSED 1992 LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

Dick Kain reported that the Low Income Housing Tax Credit Program has been extended to June 30, 1992 and presented the proposed Allocation Plan for the Board's consideration and action. Subsequent steps would include a public hearing, if there are any comments those would be brought before the Board, next would be to obtain the Governor's approval and signature making the program available. Dick then recapped the LIHTC Program for the last five years indicating that a total of \$1,537,894.63 in tax credits have been allocated to a total of 573 units.

Dick reviewed with the Board the Allocation Plan and it's changes, noting that Bond Counsel has reviewed the Plan for compliance with Treasury Regulations.

Dick then presented for the Board's approval the 1992 MBOH Low Income Housing Tax Credit Program. After review and discussion of

the Summary, Administrative Process and Allocation Plan, George McCallum moved that the proposal be accepted as presented. Russ Dahl seconded the motion and it was approved unanimously.

MOODY'S MUNICIPAL CREDIT REPORT - 1988 SERIES B, 1989 SERIES A AND 1990 SERIES A, B, AND C

Dick Kain advised the Board that in December Moody's Investors Service had completed their rating of the five bond issues 1988 Series B, 1989 Series A and 1990 Series A, B and C and directed the Board's attention to a credit report on those issues. The credit report contains the criteria used by Moody's to rate the issues and indicates a (Aa) rating.

Dick also advised the Board that Moody's has expressed an interest in again meeting with the Board at a future meeting. Dick was instructed to extend to Moody's an invitation.

OTHER BUSINESS

Dick Kain shared with the Board NCSHA's News Release Summaries, directing the Board's attention to several items of particular interest.

SET NEXT MEETING DATE

The next meeting was scheduled for March 6, 1992, at 9:30 a.m. in the Glacier Room of the Metcalf (DNRC) Building, 1520 East Sixth Avenue, Helena.

The meeting recessed for lunch at 12:00 p.m. and reconvened at 12:30 p.m. in its worksession. The worksession then being completed, the Board adjourned at 4:00 p.m.

George McCallum
George McCallum, Secretary

March 6, 1992
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

December 10, 1993

The Investment Committee of the Montana Board of Housing will hold a meeting on Friday, December 17, 1993 immediately following the regular business meeting, in the Sam W. Mitchell Building, Room 160, Helena, Montana.

12/10/93



MONTANA BOARD OF HOUSING

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Notice having been given, the Investment Committee of the Montana Board of Housing held its semi-annual meeting on December 17, 1993, at 12:00 p.m., in Room 160 of the Sam W. Mitchell Building. Participating in the meeting were: Gerry Hudson, Chairman and Committee members: Paul Bankhead, Dean Mart, Mike McKee, Bill Oser, Bob Savage and Bob Thomas; and staff: Karen Wynne, Comptroller; and Dick Kain, Administrator.

Dick reviewed with the Investment Committee the Board investment policy and asked for any changes. Gerry Hudson recommended the Investment Committee meet twice a year and investment activity be reviewed at the time and that the provision of quarterly investment reports to the Board be eliminated. The August 31, 1993 investment portfolios per indenture; average investment yields for the period 3/1/93 through 8/31/93 and new money average investment yields for the period 3/1/93 through 8/31/93 were reviewed by the Committee. Discussion was also held concerning the use of guaranteed investment contracts and the impact of lower interest rates and rapid mortgage prepayments on outstanding bond series.

There was no further business and the meeting adjourned at 1:15 p.m.



Gerry Hudson, Chairman

January 21, 1994

Dated



MONTANA BOARD OF HOUSING

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AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
DECEMBER 17, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - November 22, 1993 Long Range Planning Session
 - November 23, 1993 Business Meeting
 - November 23, Audit Committee Meeting
- III. KATHLEEN FLEURY, COORDINATOR OF INDIAN AFFAIRS, DEPARTMENT OF COMMERCE
 - A. Working with Tribal Governments In The Provision of Affordable Housing
- IV. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Quarterly Delinquency Report - September 20, 1993
 - B. 1993 Bridge Recycling Program
 - C. Homebuyers Cash Assistance Program
 - D. Status of Recycled Mortgage Program Setasides
 - E. Request of Neighborhood Housing Services Inc., Great Falls to Lower Mortgage Rates on 7% Setasides
 - F. Disabled Accessible Affordable Homeownership Program
- V. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Review of Mortgage Prepayments - Quarter Ended September 20, 1993
 - B. Review of Housing Trust Fund
- VI. INVESTMENT BANKERS UPDATE - Marie DeRosa, Paine Webber
- VII. MULTIFAMILY HOUSING PROGRAM
 - A. Overview of Proposals Received in December 1, 1993 Application Round - Maureen Rude
 - B. Presentation of Staff Approved Proposals By Applicants
 1. Great Falls Housing Authority - Kevin Hager, Deputy Director

- C. Status of Site Control of Previously Submitted Proposals Which Have Not Received a Preliminary Commitment
 - 1. Housing Authority of Billings
 - 2. City of Kalispell/Flathead Industries For The Handicapped
- D. Review of Proposed Modifications to Ronan Housing Authority Proposal Previously Receiving Preliminary Commitment on July 23, 1993

VIII. OTHER BUSINESS

- A. General Counsel Services
- B. Legislative Update
- C. Federal Home Loan Bank, Seattle
- D. Moody's Investors Service

IX. SET NEXT MEETING DATE

X. ADJOURN***

*** Investment Committee meeting to follow Business meeting

12/3/93



MONTANA BOARD OF HOUSING

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(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
DECEMBER 17, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF:

Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Kurt Lewis, Accounting Technician
Janet Kunz, Administrative Assistant

UNDERWRITERS:

Marie DeRosa, Paine Webber, Inc.
Gordon Hoven, Piper Jaffray Inc.
Kreg Jones, D.A. Davidson and Co.
Gene Huntington, Dain Bosworth

OTHERS:

Kathleen Fleury, Coordinator of Indian Affairs
Cheryl Patton, Great Falls Housing Authority
Kevin Hager, Great Falls Housing Authority
Donna Schroder, Department of Housing & Urban Development
Chris Kafentzis, Department of Housing & Urban Development
John Grant, Jackson, Murdo, Grant and McFarland

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Upon a motion by Bill Oser and seconded by Gerry Hudson the minutes of the November 22, 1993 Long Range Planning Session, the November 23, 1993 Business Meeting and the November 23, 1993 Audit Committee Meeting were approved as presented.

KATHLEEN FLEURY, COORDINATOR OF INDIAN AFFAIRS, DEPARTMENT OF COMMERCE

Kathleen Fleury, Coordinator of Indian Affairs, Department of Commerce, advised the Board that she works with the Tribal Governments within the State of Montana and acts as a liaison between the State and the Tribal

Governments. Kathleen explained that she was at the Board meeting to discuss a working partnership between the Board and her office, to provide housing on tribal lands and in particular working with the Department of Housing and Urban Development (HUD) 248 Program. Kathleen suggested to the Board that a pilot program, made available to two of the tribal governments, be initiated and suggested that the Salish Kootenai and the Fort Peck tribal governments be involved with the pilot program. Kathleen explained that while housing is a major issue for all of Tribal Governments, the two Governments suggested for the pilot program are in better positions, economically, to utilize the HUD 248 Program, have had past relationships with the State and that the Tribal Governments themselves have a great deal of continuity and stability. Kathleen advised the Board that the Salish Kootenai would be holding tribal elections on January 7th and suggested that a meeting be arranged after the elections have been held. Kathleen, also advised the Board that she would make herself available to the Board to assist in anyway possible to set up meetings and get people together.

SINGLE FAMILY PROGRAM UPDATE

QUARTERLY DELINQUENCY REPORT - SEPTEMBER 20, 1993

Robert D. Morgan, Single Family Program Officer, presented the Board's loan delinquency statistics, as of September 20, 1993. There are currently 8,884 loans outstanding with 2.37% in a delinquent status, and .39% in a foreclosure status. These figures, however, compare favorably with delinquency rates for Montana of 2.96%; the Mountain Region of 3.69%; and National rates of 4.15%. There are 35 loans in possible foreclosure with the highest concentration in the bond series' which have higher mortgage rates. Bob also presented a distribution of delinquencies per servicer.

1993 BRIDGE RECYCLING PROGRAM

Bob Morgan presented to the Board the status of the 1993 Bridge Recycling Program as of December 13, 1993. The Board had received 10 reservations for a total reservation amount of \$318,790. Twenty-one loans have been purchased for \$778,628, of the \$10,000,000 setaside there remains \$8,902,581 in available funds. The average purchase amount is \$37,077 and the average gross annual income is \$24,041. The statewide distribution of loan reservations and purchases by area and lender were then reviewed, as were graphs illustrating the reservations/purchases by area and lender.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan reported that as of December 13, 1993, there are six outstanding reservations for \$217,047.00 and 46 loans have been purchased for \$1,794,067.77; the \$2,000,000 of 6% setaside for first mortgages has been fully allocated; and of the \$50,000 in setaside for downpayment assistance there remains \$2,540.00 in lendable funds available. The average CAP loan funded is \$911.00; the average loan purchased is \$39,001; the average household income is \$18,337; and the average household size is 2.2. Bob also reviewed with the Board the reservations and loans purchased by area.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDES

Bob Morgan presented a two page summary of recycled mortgage program setasides as of December 13, 1993 to the Board. The first page is a summary of the setasides with a mortgage rate of 7%; totaling \$5,396,966 and include: Neighborhood Housing Services' two setaside programs totaling \$497,632 and the FHA 203(k) setaside which is \$4,899,334.

The second page of the summary include setasides with a mortgage rate of 6½%; totaling \$4,608,800 and include: the Board's Homebuyers Cash Assistance Program II setaside; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$560,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$10,005,766. Bob explained to the Board that the FHA 203(k) setaside expires December 31, 1993 and that based on a presentation at the September, 1993 Board meeting by the Federal Home Administration (FHA), the FHA 203(k) Program has been targeted for re-structure to make the procedures required of lenders easier to administer. It is staff's recommendation that the setaside be allowed to expire and at the time the Program has been re-structured by FHA to review the Program for the potential of establishing a Montana Board of Housing secondary market. It was further noted by Chris Kafentzis, FHA, that new regulations are expected by the summer, 1994. The Board, based on the staff recommendation took no action, allowing the setaside to expire, and agreed to review the FHA 203(k) Program when it has been re-structured.

REQUEST OF NEIGHBORHOOD HOUSING SERVICES INC., GREAT FALLS TO LOWER MORTGAGE RATES ON 7¼% SETASIDES

Bob Morgan drew the Board's attention to a letter from Nancy Stephenson, Executive Director, Neighborhood Housing Services (NHS), Inc. of Great Falls, requesting that the Board consider reducing the mortgage rates on the Affordable Housing Program II and the FHA Repo Rehabilitation Program, both of which are currently at 7¼%. Nancy also requested that both Programs be extended to July 1, 1994. It was noted that the mortgage rate for the Board's 1993 Bridge Recycling Program is currently at 6½% and that the 1993 Bridge Recycling Program would offer the requested lower rate. Dean Mart advised the Board that he would abstain from the discussion and any action on this issue as he is on the Board of NHS. Reduction of the current mortgage rates from 7¼% to 6½% was discussed, as was the cost of the bonds and an appropriate mortgage rate to cover the cost of the bonds. Following the discussion, Gerry Hudson moved to reduce the mortgage rates on both the Affordable Housing Program II and the FHA Repo Rehabilitation Program from 7¼% to 6½%, the motion was seconded by Paul Bankhead. The motion was passed with three Board members voting in favor of the motion, one against and one abstaining. Gerry Hudson then moved to extend both the Affordable Housing Program II and the FHA Repo Rehabilitation Program to July 1, 1994, seconded by Paul Bankhead, the motion passed with three Board members voting in favor of the motion, one against and one abstaining. Gerry then recommended that any Board members that have not seen the NHS neighborhood, should see the work that is being done. Other Board members concurred and expressed interest in touring the neighborhood, Dean Mart suggested that a tour be arranged after the next group of Owners In Partnership homes are finished allowing the Board to also tour those homes. Dean was asked to keep the Board advised so a meeting and tour could be arranged.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Bob Morgan, reported to the Board, as of December 13, 1993, on the Disabled Accessible Affordable Homeownership Program. Four loans have been reserved for a total of \$197,484, the average loan reservation is \$49,371, the average household income is \$11,710, the average mortgage rate is 3.5% and the average household size is 2.25. Of the four reservations, two are for existing housing and two are for new construction. Four loans for existing housing have been purchased, the average purchase price is \$52,587, the average household income is \$13,564, the average mortgage rate

is 4.25% and the household size is 2.5. The Board has received a total of 113 applications, of the applications received 93 have been approved; 8 are in process; and 12 have been denied. The mortgage rate distribution for the approved applications is as follows: 38 loans at 2.75%; 21 loans at 3.75%; 14 loans at 4.75%; 14 loans at 5.75%; and 6 loans at 6.5%. The average household income of approved applications is \$13,655 and the average household size is 2.44. Approved applications by area were also reviewed, as was a graph illustrating for the four Independent Living Centers each of their approved applications by mortgage rate.

Bob shared with the Board a listing of the 82 lenders participating in the Program and advised the Board that many of the people that have been approved by the Board are working with local lenders and looking for housing. Bob also shared with the Board the new Program Description for the Disabled Accessible Affordable Homeownership Program which includes FHA's new maximum mortgage limit for Flathead County and the new expiration date of July 1, 1994. Bob further advised the Board that there has been no activity in the non-profit portion of the Program to date.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF MORTGAGE PREPAYMENTS - QUARTER ENDED SEPTEMBER 20, 1993

Karen Wynne, Comptroller, presented a report to the Board illustrating mortgage loan prepayments and purchases for the quarter ended September 20, 1993. Karen explained that 632 loans have prepaid for a total of \$26,473,161. The Board was advised that the bond series' with the highest percentages of prepayments were generally those series with higher mortgage rates. Twenty one (21) loans were purchased for a total of \$889,411. The total number of outstanding loans as of September 20, 1993 was 8,884 for a total of \$350,172,630.

Karen also shared with the Board a graph of the prepayments and the purchases for the quarter. Further, for comparison, a graph of the prepayments and purchases for fiscal year 1993 was reviewed. It was noted that the trend for increased payoffs has continued into this quarter.

REVIEW OF HOUSING TRUST FUND

Karen Wynne, reviewed with the Board the Housing Trust Fund as of December 1, 1993. Karen advised the Board that the report reflected the two recent setasides (Homebuyers Cash Assistance Program and Affordable Housing Development Seed Money) that were authorized at the November Board meeting. Karen advised the Board that there remained an uncommitted balance of \$19,582.

INVESTMENT BANKERS UPDATE

Marie DeRosa, Paine Webber Inc., shared with the Board a chart which illustrated the downward trend of 30-year Treasury bonds and the Revenue Bond Index for the past 12 months. Marie explained that after the first of the year, interest rates are expected to continued their downward trend through mid-year.

Marie explained that they have been working with staff to present to the Board a proposal for a tiered mortgage program. Marie explained that such a program would be possible by combining a refunding of existing bond issues and the issuance of new bonds. Based on preliminary calculations, a \$25 million refunding/bond issue would be structured to include a setaside of \$3 million at 4.0% for the Homebuyers Cash Assistance Program; the bond program would receive a setaside of \$17 million at 4%; and the remaining would be setaside for the Energy Efficient Housing Program at 6.0%. Marie

explained that in today's market a new money bond issue would produce a mortgage rate of 6.3% and including the refunding allows the mortgage rate to be reduced. There was a general discussion of timeframes following Board authorization, origination of loans and the Energy Efficient Housing Program, following which Bill Oser moved to instruct Paine Webber to proceed with the structuring of a tiered mortgage program for presentation at the January Board meeting, Bob Savage seconded the motion which passed unanimously. There was a brief discussion of the effect of reducing the points on Board loans and it was noted that a one (1) point reduction in points would increase the mortgage rate by approximately $\frac{1}{8}$ of 1%.

LOW INCOME HOUSING TAX CREDIT UPDATE

Maureen Rude, Multifamily Program Officer, drew the Board's attention to a letter, dated December 13, 1993, from Community Oriented Affordable Development (COAD), Missoula and explained that the Board had approved the reservation of tax credits for three applications from COAD at the November, 1993 Board meeting. The letter from COAD states their intent to withdraw their applications at this time and resubmit them in 1994. Maureen advised the Board that she would be sending a letter to COAD explaining that when their applications are resubmitted in 1994, the approval of their application and reservation of tax credits is not guaranteed. The applications will be in competition with other applications received at the time of submission.

MULTIFAMILY HOUSING PROGRAM

OVERVIEW OF PROPOSALS RECEIVED IN DECEMBER 1, 1993 APPLICATION ROUND

Maureen presented an overview of the Multifamily Housing Program proposal that was received for the December 1, 1993 application round. A proposal from the Great Falls Housing Authority was received, the loan to value requirement was met with a ratio of 43%, the proposal was deemed eligible based on the terms and conditions, the soundness and completeness criteria and the financial feasibility analysis.

Maureen briefly reviewed the remaining funds available if the proposal presented today is approved for preliminary commitment. Of the \$500,000 Non-Profit Allocation there would remain \$145,000; of the \$2,000,000 Governmental Allocation there would remain \$272,189; of the \$300,000 Cash or Insured Loan Asset Requirement there would remain \$8,358. The Subsidy Program has been fully allocated. A total of 87 units will potentially be completed using \$2,374,453 in Board loan funds and with total project costs of \$5,286,945.

PRESENTATION OF STAFF APPROVED PROPOSALS BY APPLICANTS

GREAT FALLS HOUSING AUTHORITY

Maureen then introduced Cheryl Patton and Kevin Hager to present the proposal for the Great Falls Housing Authority (GFHA). Cheryl Patton, Executive Director, explained that the GFHA and the City of Great Falls (City) enjoy a unique relationship. When the GFHA was established in 1938, they entered into a contract with the City, whereby the City provides to the GFHA professional management services. The contract was amended in 1980 such that the City would provide staff as well as professional management. GFHA reimburses the City for those services. Both the City and the GFHA have a strong commitment to work together and the GFHA advises the city commission on all housing matters. Cheryl presented to the Board a letter of support from the City Manager, the GFHA Mission Statement and Statement of Values, the professional management/staff contract with the City and an organizational chart. Cheryl then turned the presentation over to Kevin Hager, Deputy Director.

Kevin explained, that the GFHA has five separate sites of housing in Great Falls, for a total of 490 units of public housing, the GFHA also oversees an additional 140 units of housing for the Section 8 Program. There are currently three waiting lists for subsidized low income rental housing in the Great Falls area and include: Opportunities Inc. with 1,350 families; Malmstrom A.F.B. with 566 families; and GFHA with 483 families, noting that there is little duplication between lists. Two years ago the GFHA had 150 families on their waiting list. In regard to their proposal, the total projected costs of the project are \$616,000 and GFHA has applied for a HOME grant in the amount of \$300,000; CDBG funds in the amount of \$50,000 and are asking the Board for a loan in the amount of \$266,000. Kevin further explained that GFHA will own and manage the project which will consist of 8 low income rental units (four-two bedroom units, four-three bedroom units and two units will be handicapped accessible), the initial target group will be Section 8 clients, utilities will be paid by the tenants, 100% of the units will serve tenants at 50% of the median income and rents will meet the fair market value. It was further noted that there are no zoning problems and no neighborhood opposition to the project.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$266,000 for a term of 40 years be extended to the Great Falls Housing Authority, subject to the approval of HOME funds and working with a local lender. Gerry Hudson moved that the Board, based on the proposal presented and staff recommendation, extend to the Great Falls Housing Authority a preliminary commitment of \$266,000, for a term of 40 years, Bill Oser seconded the motion. The motion was unanimously passed.

STATUS OF SITE CONTROL OF PREVIOUSLY SUBMITTED PROPOSALS WHICH HAVE NOT RECEIVED A PRELIMINARY COMMITMENT HOUSING AUTHORITY OF BILLINGS

Maureen Rude, shared with the Board a letter from Lucy Brown, Executive Director, Housing Authority of Billings, submitting a Buy/Sell Agreement, dated December 15, 1993, in effort to obtain site control for their proposed project. Maureen explained that site control remains contingent upon City of Billings approval, which supports this project. Maureen advised the Board that the proposed project appears to meet site control criteria and staff would now offer a preliminary commitment, based on previous Board action.

CITY OF KALISPELL/FLATHEAD INDUSTRIES FOR THE HANDICAPPED

Maureen Rude, advised the Board that the City of Kalispell has had difficulties in finding qualified appraisers, however they have secured the services of an appraiser after December 15th. The City will be meeting with site owners on December 21st and will order appraisals based on the willingness of owners to sell and should have Buy/Sell Agreements by January 15th. Maureen explained that the City received a positive Board action subject to obtaining site control within 45 days, that timeframe has expired and Board action would be required to continue the commitment. Dean Mart moved to extend the commitment of Multifamily Pilot Program for Rental Housing funds to January 15th for the City of Kalispell/Flathead Industries for the Handicapped's proposed project in order that they might obtain site control, the motion was seconded by Bill Oser and unanimously approved.

REVIEW OF PROPOSED MODIFICATIONS TO RONAN HOUSING AUTHORITY PROPOSAL PREVIOUSLY RECEIVING PRELIMINARY COMMITMENT ON JULY 23, 1993

Maureen Rude, advised the Board that she has received from Ronan Housing

Authority a request to make significant changes to their original proposal submitted and approved by the Board at their July Board meeting. The original proposal requested a multifamily loan in the amount of \$185,642 for two buildings (a duplex and a 4-plex) on two sites, all subject to FHA 203(b) insurance. Maureen explained that Ronan Housing Authority (RHA) has determined that the single family house on the site originally to be demolished can be rehabilitated and are proposing Montana Board of Housing financing of two 5-plexes versus the original duplex and 4-plex. Maureen also noted the \$50,000 commitment from the Salish Kootenai Tribe has been withdrawn and RHA has not found a source of funds for replacement. It was further noted that the proposed 5-plexes would not be insurable under FHA 203(b). Following a brief discussion, staff recommended that the preliminary commitment be withdrawn from the Ronan Housing Authority, that a new proposal be requested for presentation at the January Board meeting and the three units of subsidy previously committed, be maintained subject to the receipt of an acceptable proposal. Bill Oser moved to withdraw the Board's preliminary commitment of \$185,642 to the Ronan Housing Authority, that they be invited to re-submit a proposal which would meet the program guidelines, including FHA 203(b) insurance and maintain the three units of subsidy until an acceptable proposal is received. The motion was unanimously approved after being seconded by Dean Mart.

OTHER BUSINESS

GENERAL COUNSEL SERVICES

Richard A. Kain, Administrator advised the Board that the contract for general counsel services expires February 1, 1994. Dick explained that Luxan and Murfitt was selected as general counsel in 1990 the contract was for a period of two years and was re-authorized in 1992 for another two years. Luxan and Murfitt has expressed interest in continuing its relationship with the Board. Luxan and Murfitt has requested an increase in the hourly fee structure from \$85 per hour to \$95 per hour, however, the maximum compensation of \$20,000 per year would not be increased. Board action would be required, followed by a Department of Commerce review and final review by the Legal Services Review Committee. Following a brief discussion, Bob Savage moved that the existing contract be amended to include that Section 17, Indemnification, of the contract reflect proof of indemnification, to increase the per hour fee from \$85 to \$95 and to authorize the contract for general counsel for a period of two years with an expiration of February 1, 1996, the motion was seconded by Bill Oser and unanimously approved.

LEGISLATIVE UPDATE

Dick shared with the Board a letter to the editor, which ran in the Independent Record on December 8th, from Representative Hal Harper. The letter reviewed three existing programs which may assist seniors with higher property taxes. One of the programs mentioned was the Board's Reverse Annuity Mortgage Loan Program.

Dick reviewed the legislation with potential impact on the Board of Housing. SB11 (Abolishing The Department Of Commerce And Distributing Its Functions To Other Departments, Offices and Agencies), originally would have allocated the Board of Housing to the Secretary of State, the bill was amended and allocated the Board to the Department of Administration. Dick advised the Board that there are no substantive changes to the Housing Act of 1975, the effective date would be July 1, 1995 and that the bill was passed from the Senate to the House and was scheduled for hearing on December 16th.

SB39 (Providing For The Department Of Social And Rehabilitation Services To Impose A Lien For Recovery Of Medical Expenditures Against The Real Property Of Medicaid Recipients) would allow SRS to impose a lien on real property for the recovery of Medicaid costs. A lien could not be imposed if the recipient's spouse is living in the home, however, upon the death of the recipient a lien could be imposed on the home. Dick advised the Board that it is counsel's opinion that the Medicaid Lien would have no direct impact on previously recorded Board loans. The Board expressed concern regarding language referring to claims and subsequent claims and suggested that perhaps additional language (i.e future advance clause) could be added to loan documents, particularly to the Reverse Annuity Mortgage Loan Program. Dick advised the Board that he would closely monitor the progress of the bill and advise the Board.

HB78 (Establishing A Property Tax Deferral Program To Reduce The Impact Of Higher Property Taxes Because Of Reappraisal) would allow eligible taxpayers to defer property taxes for a year on a homestead. The taxpayer would have to apply annually and each year a lien in the amount of the deferral would be attached to the property. County Treasurer's would be reimbursed by the State for the amount of the tax deferral, the Board of Investments would be required to provide a \$5 million loan to make payments to the County Treasurer. Dick noted, on Page 8 of the bill, language that excluded from eligibility taxpayers receiving a Reverse Annuity Mortgage Loan. Dick further advised the Board that it was unknown how this bill would impact the required escrow of taxes per Single Family Trust Indentures and Board of Housing bonding procedures.

Dick advised the Board that there was no known legislation with direct impact to the Board.

FEDERAL HOME LOAN BANK, SEATTLE

Dick advised the Board that an invitation had been extended to the Federal Home Loan Bank (FHLB), Seattle to present an overview of their non-member advance program which allows access to available funds for leverage and various kinds of financing to be combined with housing bond program financing allowing for more affordable housing. Staff received a reply stating the FHLB's willingness to work with the Board and explaining that they would be available to attend the January Board meeting.

MOODY'S INVESTORS SERVICE

Dick drew the Board's attention to a letter from Christopher Martin, Moody's Investors Service. Dick explained that the letter is Moody's formal response to House Bill 2 (General Appropriations Act) as passed by the 1993 General Legislative Session. The letter explained that upon review, Moody's has determined that House Bill 2 would not result in an adverse affect on the outstanding Moody's ratings assigned to the Board's bonds. The letter further explained that while ratings were currently unaffected Moody's would be closely monitoring the Board's financial condition and any future legislative actions that may adversely impact the Board. Bob Savage moved that the formal response from Moody's Investors Service be incorporated into the Board of Housing's official minutes for December 1993. The motion was seconded by Paul Bankhead and was unanimously approved. The formal response from Moody's is incorporated as Attachment A to these minutes. The Board also expressed the desire to communicate to the Governor the formal reply from Moody's Investors Service and it was suggested that a cover letter, from the Chairman, accompany Moody's formal response. Marie DeRosa, Paine Webber commented that she perceived a very serious tone in the letter and felt it stopped just short of a rating downgrade.

Gerry Hudson shared with the Board an Affordable Housing Task Force study for the Billings area. The Board indicated that they would each like a copy of the study and asked that copies be made and sent to all Board members. Gerry felt that the Task Force would be approaching the Board in the near future with a proposal.

Staff was asked to provide business cards for Board members attending meetings on behalf of the Board.

Bill Oser advised the Board that Oscar Chaffee had written an article about the Reverse Annuity Mortgage Loan Program and it had appeared in the December 5th issue of the Billings Gazette. Bill felt that the article was very favorable, staff has received some calls regarding the article and that the article was good exposure for the Program.

SET NEXT MEETING DATE

An Audit Committee meeting was scheduled for Thursday, January 20, 1994 at 2:00 p.m. in the Board's office and the next Business meeting was scheduled for January 21, 1994, at 8:30 a.m. in the Downstairs Conference Room of the Department of Commerce.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

January 21, 1994
Dated



Christopher W. Martin
Assistant Vice President / Manager
Public Finance Department



99 Church Street
New York, NY 10007
212.553.4836

December 2, 1993

Mr. Richard Kain
Administrator
Montana Board Of Housing
2001 Eleventh Avenue
PO Box 200528
Helena, Montana 59620-0528

Dear Mr. Kain,

Please be informed that Moody's Investors Service has reviewed House Bill 2 (General Appropriations Act) as passed by the 1993 General Legislative Session and the required transfers that occurred July 1, 1993 from the bond programs of the Board. Moody's has determined that these transfers would not result in an adverse affect on the outstanding Moody's ratings assigned to the Board's bonds.

It should be noted, however, given that cash flows presented to Moody's at the time of initial rating assignment for the majority of the Board's bond issues did not reflect payment of expenses in advance as required by House Bill 2, but rather semiannually in arrears, financial condition and debt service coverage of the Board's bond programs will need to be closely monitored. As a result of this new requirement in addition to the fiscal 1992 legislative action that required the Board to transfer \$500,000 of its general reserves to the State, Moody's Investors Service will also need to closely monitor future legislative actions that may impact the financial integrity of the Board and/or its bond programs in order to accurately assess credit risks that may result.

Thank you for keeping us informed and the opportunity to speak to the Board Of Housing at the November 23, 1993 Board meeting.

Sincerely,

A handwritten signature in cursive script that reads "Christopher W. Martin".

Christopher W. Martin



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
NOVEMBER 23, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - October 18, 1993 Business Meeting - Sidney
 - October 19, 1993 Public Meeting - Miles City
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
 - A. Status Report
 - B. Review of Survey Results
- IV. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Quarterly Budget Status Report - September 30, 1993
 - B. Report on December 1, 1993 Bond Calls
 - C. Review of September 30, 1993 Consolidated Financial Statements
- V. ENVIRONMENTAL QUALITY COUNCIL - Deborah Schmidt, Executive Director
 - A. Overview of Implementation of SB340 "An Act Establishing A Policy on Residential Energy Efficiency"
- VI. MULTIFAMILY HOUSING PROGRAM - Maureen Rude
 - A. Status Report
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. Presentation of Applications Received In November 1, 1993 Application Round
- VIII. MOODY'S INVESTORS SERVICE - Christopher Martin
- IX. BOND COUNSEL - John Wagner
 - A. Designation of Targeted Areas
- X. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1993 Bridge Recycling Program
 - B. Homebuyers Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setasides

- XI. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber
- XII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Robert Morgan
 - A. Status Report
 - B. Program Extension
 - C. Non-Profit Entities As Mortgagors
- XIII. OTHER BUSINESS
 - A. Status of Bond Counsel Contract
 - B. Federal Home Loan Bank - Non-Member Borrower Status
 - C. Schedule Investment Committee Meeting
- XIV. SET NEXT MEETING DATE
- XV. ADJOURN

11/4/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
NOVEMBER 23, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead, (Absent)
Mike McKee, (Present)
Bill Oser, (Present)
Bob Savage (Absent)

STAFF:

Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulrone, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak Rock

UNDERWRITERS:

Gordon Hoven, Piper Jaffray Inc.
Gene Huntington, Dain Bosworth

OTHERS:

Christopher W. Martin, Moody's Investors Service
Timothy R. Bartel, Moody's Investors Service
Deborah Schmidt, Environmental Quality Council

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the October 18, 1993 Business Meeting and Public Meeting in Sidney were amended, based on a letter from Richard A. Jensen, Executive Director, Richland Opportunities, Inc., to show that the name of the group home toured by the Board in Sidney on October 17th is the Agetha Peer Group Home, not Alice Peer and that the group home is an adult intensive group home and not a supported living group home. The minutes were approved as amended.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, presented to the Board the status of the Reverse Annuity Mortgage (RAM) Program as of November 17, 1993. Janet advised the Board that two of the RAM loans in process have closed since the October 18th Board meeting, making a total of 11 active loans. The third loan in process was withdrawn by the applicant prior to loan closing. Of the 11 active loans the average borrower age is 76.3 years, the average household income is \$8,355, average loan to value ratio is 66.6% and the average total principal to be advanced to value ratio is 44.9%. Three RAM loans have prepaid and of the \$730,300 setaside there remains \$471,280 in funds available for new loans.

The results of a survey to active and prepaid loan RAM borrowers, asking for their input about the RAM Program, were reviewed with the Board. Janet advised the Board that generally those responding to the survey felt the Program has been very beneficial to them and that it should be more widely advertised locally to inform other senior Montanans about the Program and its benefits. Suggestions made by respondents were reviewed with the Board and included: having someone locally to thoroughly explain the program; reducing the timeframe between application submission and loan closing; make program easier to understand; working directly with person with authority to make decisions; and extending the term of the loan to 15 years. Most respondents felt that the maximum loan amount should be increased from \$40,000 to \$50,000 and some suggested there should be no cap, however, there was little response to changing the lump sum amount. The two greatest concerns about the RAM Program were repaying the loan and not knowing exactly happens at the end of ten years.

Janet advised Board that staff will increase the advertising in local newspapers, do public service announcements on both radio and television and look into alternative ways to reach disabled populations and will increase the outreach with the public, enlarging the counseling network and continue Board training of counselors. It was noted that these efforts will be implemented by staff immediately. Janet next presented two proposed changes to the Terms and Conditions of the Program. The first proposed change to the Terms and Conditions would be to reduce the mortgage rate from the current 7.0% to either 6.0% or 5.0% and the effect of each mortgage rate change on the monthly loan payment to the borrower was reviewed with the Board. Janet advised the Board that this proposed change could be accomplished immediately upon action taken by them and result in an approximate increase in monthly payments to new RAM borrowers of 11%. The second proposed change would be to increase the maximum loan amount from \$40,000 to either \$50,000 or \$60,000 and the effect of this proposed change on the monthly loan payment to the borrower was also reviewed with the Board. It was explained that this proposed change would require Board action to change the Administrative Rules and the process would take approximately four to five months. The Board thoroughly discussed each proposed change and Dean Mart moved to reduce the mortgage rate from 7.0% to 5.0%, the motion was seconded by Gerry Hudson and was unanimously approved. Gerry Hudson then moved to increase the maximum loan amount from \$40,000 to \$60,000, the motion was not seconded and died. Following further discussion Gerry Hudson moved to amend the Administrative Rules, changing the maximum loan amount cap from a specific dollar amount to an amount to be determined by the Board, seconded by Bill Oser the motion passed with three Board members voting in favor of the measure and one voting against.

ACCOUNTING AND REPORTING UPDATE

QUARTERLY BUDGET STATUS REPORT - SEPTEMBER 30, 1993

Karen Wynne, Comptroller, presented for the Board's review the Quarterly Budget Status Report as of September 30, 1993. The Board has spent \$209,011 or 14% of the \$1,483,289 appropriation for fiscal year 1994, leaving a balance of \$1,277,278. Items of note were reviewed with the Board.

REPORT ON DECEMBER 1, 1992 BOND CALL

Karen Wynne reported that the Board will call \$29,760,874.70 in bonds from the Single Family II Indenture. The bond call, on December 1, 1993, will be made from mortgage prepayments, including \$2,155,000 from 1983A, \$3,510,000 from 1983B, \$8,660,000 from 1983C, \$4,885,000 from 1984A, \$4,880,000 from 1985A and \$5,640,874.70 from 1985B.

REVIEW OF SEPTEMBER 30, 1993 CONSOLIDATED FINANCIAL STATEMENTS

Karen Wynne presented the Board's unaudited consolidated financial statements for the period ending September 30, 1993 and September 30, 1992 and reviewed significant changes between 1993 and 1992.

ENVIRONMENTAL QUALITY COUNCIL

Deborah Schmidt, Executive Director, explained that the Environmental Quality Council (EQC) is responsible for drafting and studying environmental policies and overseeing the State environmental programs. Deborah explained that the EQC had conducted an energy policy study which resulted in a collaborative of all parties with an interest in residential energy efficiency. An agreement was reached to adopt energy efficiency standards for new residential construction, while addressing the issue of affordability. This agreement resulted in Senate Bill 340 (SB340), which passed in the 1993 General Legislative Session, a portion of which encouraged the Montana Board of Housing to implement a Residential New Construction Program for Energy Efficient Homes. Deborah explained that because financial market conditions have influenced the Board not to proceed with a bond program at this time, the collaborative members reconvened on November 16th and reviewed the stages to implement the program. It was determined that all parties are proceeding in good faith toward implementation of the program and that the members of the collaborative have a greater understanding of why a bonding program would not be financially feasible at this time and that in order for the program to succeed the mortgage rate has to be attractive to the borrowers. Deborah thanked the Board and staff for working with the collaborative in their efforts to implement the program and that the program is a model for the future when financial conditions change.

MULTIFAMILY HOUSING PROGRAM

Maureen Rude, Multifamily Program Officer, advised the Board that the last scheduled application round for the Multifamily Pilot Program was October 25th and that no applications were received. Maureen further explained that there remained \$538,200 in Governmental unit funds and \$145,000 in private non-profit funds. Because of the remaining funds an informational mailing was completed and a December 1st deadline was added. It was noted that there had been a large response to the informational mailing.

The status of the seven multifamily proposals approved for preliminary commitment were reviewed with the Board. Maureen explained none of the three proposals applying for Affordable Housing funds had been awarded grants. It was noted that both the Helena Housing Authority and the City of Kalispell/Flathead Industries For The Handicapped would reapply

funds in April, 1994 and the Housing Authority of Billings, which had presented two proposal scenarios, would continue with their application, utilizing the full amount of the loan requested and approved by the Board. It was also noted that the two applications, one from the City of Kalispell/Flathead Industries For The Handicapped and the other from Housing Authority of Billings, in which the Board had authorized staff to offer preliminary commitments if land control had been obtained in 45 days, were having greater difficulties than expected obtaining land options. The Board directed staff to obtain further information for each proposal regarding the land option issues and report back to the Board at the December Board meeting.

LOW INCOME HOUSING TAX CREDIT

Maureen J. Rude presented for the Board's review and action the Low Income Housing Tax Credit (LIHTC) applications received in the final round for 1993. Maureen reviewed with the Board the application, reservation and allocation process. Six (6) applications were received and reviewed for completeness and soundness criteria. A summary of the applications received was reviewed and all six were deemed eligible based on the Allocation Plan and its selection criteria. It was noted that the Chief Executive Officer from each community in which a project is proposed have been contacted to obtain community input regarding each project and comments have been received for all projects with the exception of Butorac Rentals in Missoula and Mountain Shadow Apartments in Helena. Maureen shared with the Board a chart from 1987 through 1993 showing, the tax credits allocated and the rental units generated from the allocated credits, noting the tax credit projects from 1988 through 1991 that also received federal subsidies. Next Maureen reported on the status of tax credit allocation authority, explaining that there remained \$867,434 in credit authority with \$103,000 setaside for non-profit entities. If all six of the projects before the Board are approved the balance remaining would be \$525,105 and the total units receiving allocations for 1993 would be 107 with total construction costs of \$6,218,848.

Maureen next presented the applications submitted to Board for their consideration and action. The first three applications were submitted by Community Oriented Affordable Development (COAD) of Missoula and Maureen reviewed the information in the three applications that would be the same including: support letters from Mayor Dan Kemmis, Missoula Housing Task Force and the Missoula Redevelopment Agency and a financing proposal. The first application, COAD 1, is for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is scheduled to begin April, 1994 with a placed in service date of August, 1994. Qualified basis for the project \$403,100 and is requesting \$36,279 in tax credits. Staff recommends approval of the requested credits. Dean Mart moved to approve the reservation of \$36,279 in LIHTC for the COAD 1 project in Missoula as recommended by staff, the motion was seconded by Gerry Hudson and unanimously approved.

COAD 2, is for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is slated to begin May, 1994 with a placed in service date of September, 1994. The qualified basis for the project is \$405,100 and is requesting \$36,459 in tax credits. Staff recommends approval of the requested credits. Bill Oser moved to approve the reservation of \$36,459 in LIHTC for the COAD 2

project in Missoula as recommended by staff, the motion was seconded by Mike McKee and unanimously approved. Mike McKee asked how the projects were monitored to determine if the tax credits should be allocated once approved for reservation. Maureen explained that each project has to show by December 31st a readiness to proceed with the project in order to receive a reservation and a carry-over allocation, they then have two years to complete the project at which time they receive the final allocation. It was also explained that tax credits are analyzed in three phases: reservation of credits, carry-over of credits; and final allocation of credits. After a brief discussion the Board directed staff to report to the Board on the progress of the projects approved to receive a reservation of tax credits.

The last of the COAD applications was then presented, COAD 3 is also for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is slated to begin June, 1994 with a placed in service date of October, 1994. The qualified basis for the project is \$406,100 and is requesting \$36,549 in tax credits. Staff recommends approval of the requested credits. Bill Oser moved to approve the reservation of \$36,459 in LIHTC for the COAD 3 project in Missoula as recommended by staff, the motion was seconded by Gerry Hudson and unanimously approved.

The fourth application was submitted by Butorac Rentals for the new construction without Federal subsidies of a four family unit project in Missoula. One hundred percent (100%) of the units will serve tenants at 60% of the median income. Construction began on November 11, 1993 and is scheduled to be placed in service on March 15, 1994. The qualified basis for the project is \$156,469 and is requesting \$14,082 in tax credits. Maureen then reviewed three financial commitment letters and explained that a letter had been sent to the mayor requesting comments on the project with no response received. Staff recommends approval of the requested credits. Mike McKee moved to approve the reservation of \$14,082 in LIHTC for the Butorac Rental project in Missoula as recommended by staff, the motion was unanimously approved after being seconded by Dean Mart.

The next application was submitted by Shelby Apartments for the new construction with Federal subsidies (FmHA 515) of a 12 family unit project in Shelby. One hundred percent (100%) of the units will serve tenants at 50% of the median income. Construction began on November 1, 1993 and is slated to be placed in service on January 31, 1994. The FmHA 515 financing was briefly reviewed and was the letter from the Mayor of Shelby and the construction financing commitment letter. Shelby Apartments has requested a 130% high cost area adjustment making the qualified basis for the project \$586,300 and is requesting \$23,452 in tax credits. Based on analysis of the credit amount needed for the project, staff recommended a lower tax credit amount of \$16,960 for approval. Mike McKee moved to approve the reservation of the staff recommended \$16,960 in LIHTC for the Shelby Apartments project in Shelby, upon being seconded by Bill Oser the measure was unanimously approved.

The final project presented for the Board's consideration was submitted by Bowen Real Estate Group for the 36 family unit Mountain Shadow Apartments project in Helena. The project is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, the project

is to begin construction in March, 1994 and is slated to be placed in service on November, 1994. Mountain Shadow Apartments has requested a 130% high cost area adjustment making the qualified basis for the project \$2,368,124 and is requesting \$202,000 in tax credits. Maureen then reviewed the financial commitment letter and explained that a letter had been sent to the mayor requesting comments on the project with no response received. Staff recommends approval of the requested credits. Gerry Hudson moved to approve the reservation of \$202,000 in LIHTC for the Mountain Shadow Apartments project in Helena as recommended by staff, the motion was seconded by Bill Oser and unanimously approved.

MOODY'S INVESTORS SERVICE

Christopher Martin, Assistant Vice President, gave the Board an overview of Moody's and its organizational structure. Chris explained that he manages a rating unit within the Public Finance Department that deals with housing and student loan bonds, that analysts working with him are assigned specific States for which they are responsible and it is the responsibility of the analysts to prepare and present a rating recommendation to the rating committee, which in turn assigns a bond rating. Some of the items reviewed by the analysts in preparing a rating recommendation include: cashflows, legal documents, trust indentures, present financial situation and management. Moody's frequently visits the agencies and tries to establish a good working relationship, as they feel that management and the administration of an agency is a very important component in the rating analysis. Chris explained that Moody's has assigned a rating of "Aa" to all of the Board's program bonds and that they have an established open relationship with the Board.

Chris briefly reviewed their meetings with various senior Montana Board of Housing staff on November 22nd. Chris was asked if the November, 1992 transfer of the \$500,000 to the state treasury and the House Bill 2 (HB2) transfers, as approved in the 1993 General Legislative Session, would affect the Board's bond ratings. Chris explained that the transfer of \$500,000 and HB2 transfers has not immediately affected the Board's outstanding ratings, however it does raise concerns and that they will be closely watching the situation in the future. Chris noted that Moody's will be preparing a formal response to the required HB2 transfers and sending that to the Board. Chris thanked the Board for the opportunity to meet with them today.

BOND COUNSEL

John Wagner, Kutak Rock, explained that he was before the Board to review the designation of targeted areas, based on questions raised at the Board meeting in Sidney. John explained that, within the Federal tax codes, targeted areas were set up in areas of chronic economic distress and that within the targeted areas the Board can make loans to non-first-time homebuyers, also the income limits and the maximum purchase price for housing are higher. John explained that there are two ways in which an area can be designated a targeted area. The first method is through a qualified census tract as designated by HUD which shows that 70% of the population is at 80% or less of the median income. The second method is for the State to show an area of chronic economic distress and ask the Federal government that it be designated as such. John further explained that no more than 50% of the State could be designated as targeted and that four criteria must be met before a proposal could be submitted, including; the condition of the housing stock; the need of area residents for this kind of program; the potential use of the this kind of program; and the existence of housing

assistance plans. John outlined the procedures that would need to be taken to receive an area of chronic economic distress designation including: preparing the proposal with maps; obtaining the cooperation of the area HUD manager; certification by the Governor; and submission to the Departments of Housing and Urban Development and Treasury for approval. Following a discussion by the Board, staff was directed to begin the process to research census data for determining areas of chronic economic distress, beginning with Richland County.

SINGLE FAMILY PROGRAM UPDATE
1993 BRIDGE RECYCLING PROGRAM

Robert D. Morgan, Single Family Program Officer, presented to the Board the status of the 1993 Bridge Recycling Program as of November 15, 1993. The Board had received 10 reservations for a total reservation amount of \$303,991. Sixteen loans have been purchased for \$610,114, of the \$10,000,000 setaside there remains \$9,085,895 in available funds. The average purchase amount is \$38,132 and the average gross annual income is \$26,005. The statewide distribution of loan reservations and purchases by area and lender were then reviewed.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan reported that as of November 15, 1993, there are five outstanding reservations for \$202,576.00 and 43 loans have been purchased for \$1,683,055.33; of the \$2,000,000 of 6% setaside for first mortgages there remains \$114,368.67 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$5,797.00 in lendable funds available. The average CAP loan funded is \$912.00; the average loan purchased is \$39,141; the average household income is \$18,402.00; and the average household size is 2.1. Following a brief discussion of the remaining funds available and the successes of the Program Gerry Hudson moved to commit \$100,000 from the Housing Trust Fund to fund a future Homebuyers Cash Assistance Program. The motion was seconded by Bill Oser and unanimously approved.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented a two page summary of recycled mortgage program setasides as of November 15, 1993 to the Board. The first page is a summary of the setasides with a mortgage rate of 7%; totaling \$5,396,966 and include: Neighborhood Housing Services' two setaside programs totaling \$497,632 and the FHA 203(k) setaside which is \$4,899,334.

The second page of the summary include setasides with an mortgage rate of 6%; totaling \$4,722,369 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$114,369; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$560,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$10,119,335. At this time Gerry Hudson moved to setaside \$400,000 from the Housing Trust Fund for affordable housing development as seed money in partnership with local governments, non-profit entities and financial institutions to develop infrastructure for affordable housing. Bill Oser seconded the motion which was unanimously approved.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber Inc., due to unforeseen circumstances was unable to attend the Board meeting.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Bob Morgan, reported to the Board, as of November 15, 1993, on the Disabled Accessible Affordable Homeownership Program. Six loans have been reserved for a total of \$317,667, the average loan reservation is \$52,945, the average household income is \$13,765, the average mortgage rate is 4.0% and the average household size is 2.29. Of the six reservations, four are for existing housing and two are for new construction. One loan for existing housing in Great Falls has been purchased for \$39,962, the household income is \$9,443, the mortgage rate is 2.75% and the household size is 2.0. The Board has received a total of 103 applications, of the applications received 85 have been approved; 6 are in process; and 12 have been denied. The mortgage rate distribution for the approved applications is as follows: 34 loans at 2.75%; 19 loans at 3.75%; 14 loans at 4.75%; 12 loans at 5.75%; and 6 loans at 6.5%. The average household income of approved applications is \$13,520 and the average household size is 2.45. Approved applications by area were also reviewed, as was a graph illustrating the four Independent Living Centers and each of their approved applications by mortgage rate.

Bob advised the Board that the Disabled Accessible Affordable Homeownership Program was due to expire on January 1, 1994. Bob also explained that while the Program has been very well received by individual Montanans, there has been some difficulty for borrowers to locate acceptable housing within their price range and recommended that the Program be extended to July 1, 1994. Mike McKee moved to extend the Disabled Accessible Affordable Homeownership Program to July 1, 1994, the motion was unanimously approved after being seconded by Dean Mart.

Bob further explained the need for non-profit entities to be involved with the Program. Loans would be made to the non-profit entities, which could in turn sell or lease the homes to individuals or families. It was explained that originally it was thought that the Independent Living Centers would be in a position to apply for these funds, however it has recently been explained that their particular entity status will not allow them at this time to apply for the funds. Staff has therefore completed a mailing to all Public Housing Authorities and Human Resource Development Councils inviting them to participate in the Program.

OTHER BUSINESS

Richard A. Kain, Administrator, advised the Board that the process to put in place a new bond counsel contract has been completed, including review by the Legal Services Review Committee. A new contract with Kutak Rock as bond counsel, for a two year term expiring on November 1, 1995, has been executed.

Dick explained that peer agencies across the nation have applied as non-voting members to their regional Federal Home Loan Bank (FHLB) to access available funds for leverage and various kinds of financing to be combined with housing bond program financing allowing for more affordable housing. Dick recommended that a representative from the FHLB-Seattle be invited to the December Board meeting to give the Board an overview of the non-member advance program being used by other state housing finance agencies. Bill Oser moved to extend to the FHLB-Seattle an invitation to attend the December Board meeting and explain the program to the Board. The motion was seconded by Dean Mart and unanimously passed.

Dick advised the Board that based on direction from the Board at their October Board meeting, Paul Bankhead's name was submitted to be considered as the Governor's Representative on the State Housing Task Force and that Paul has been appointed to the State Housing Task Force as the Governor's Representative.

Dick updated the Board on the concept, brought to the Board at their October, 1992 public meeting in Missoula by the Montana Peoples Action, of mobile home co-operatives and the Board's interest in participating to finance both units and land. Based on the Board's interest, staff prepared in March, 1993 an outline of how the Board could participate in such a venture. Dick directed the Board's attention to a November 18th letter from Montana Peoples Action expressing their continued interest and outlining steps that they have taken to actively pursue the concept. Dick advised the Board that in the near future they will be seeing a proposal from MT Peoples Action.

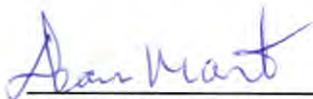
Bill Oser asked that the December Board meeting agenda include someone to update the Board on how to provide financing for the indian community and how to work with the various indian tribes. Dick explained that the State Coordinator of Indian Affairs, Kathleen Fleury, could be invited to advise and update the Board. Staff was directed to extend an invitation to Kathleen Fleury to attend the December Board meeting.

As a final item Gerry Hudson asked that the Board members be responsible for bringing with them to future Board meetings their advanced packets and duplicated material be omitted from meeting packets. The other Board members agreed and staff was directed to no longer duplicate advance meeting packet and meeting packet information.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday, December 17, 1993, at 8:30 a.m. to be held in Room 160 of the Sam W. Mitchell Building, 125 Roberts Street, Helena, MT, to be immediately followed by an Investment Committee meeting. The January Board meeting was tentatively scheduled for the 21st.

There was no further business, and the meeting adjourned.



Dean Mart, Secretary

December 17, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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NOTICE OF COMMITTEE MEETING

November 18, 1993

The Audit Committee of the Montana Board of Housing will hold a meeting on Tuesday, November 23, 1993 at 7:00 a.m., in the Governor's Reception Room, Room 204, State Capitol Building, Helena, Montana, to review proposed servicer reviews.

11/18/93



MONTANA BOARD OF HOUSING

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HELENA, MONTANA 59620-0528
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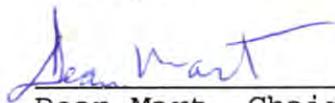
Notice having been given, the Audit Committee of the Montana Board of Housing met on Tuesday, November 23, 1993 at 7:00 a.m in the Governor's Reception Room, State Capitol Building, Room 204. Participating were: Dean Mart, Chairman of the Audit Committee; Committee Members Gerry Hudson, Mike McKee, Bill Oser and Bob Thomas; and staff Dick Kain and Karen Wynne.

Jim Woy, Anderson ZurMuehlen and Company, called and advised the Board that because of weather conditions he would be unable to attend the scheduled meeting. The Audit Committee meeting was rescheduled as a conference call at 1:00 p.m. in the Board's office.

Participating in the conference call were: Dean Mart, Chairman of the Audit Committee; Committee Members Gerry Hudson and Bill Oser; Jim Woy, Anderson ZurMuehlen and Company; and staff Dick Kain and Karen Wynne.

Jim Woy, Anderson ZurMuehlen and Company presented to the Board a proposal for conducting on-site servicer reviews of First Interstate Bank, Casper, Wyoming and First Bank Servicing Center, Sioux Falls, South Dakota. The reviews would be conducted in December, 1993 and the proposed costs would be \$2,630 for First Interstate Bank-Casper and \$2,950 For First Bank Servicing Center-Sioux Falls. The Audit Committee requested a clarification from Jim regarding the costs associated with the on-site servicer reviews and after a brief discussion it was moved that the proposal for the on-site servicer reviews be approved as presented and Dean Mart communicated the Committee's approval for the two on-site visits to Jim. It was further explained to Jim that the Legislative Auditors Office must give final approval of the proposals via an appropriate engagement letter before the on-site servicer reviews can be conducted.

There was no further discussion and the meeting adjourned at 1:25 p.m.



Dean Mart, Chairman

December 17, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

November 18, 1993

The Montana Board of Housing will hold a special meeting on Monday, November 22, 1993, at 4:00 p.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to discuss long range planning.

11/18/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Board met on Monday, November 22, 1993 at 4:00 p.m. in the Board's Office. Participating were: Bob Thomas, Chairman; Board Members Gerry Hudson, Dean Mart, Bill Oser; and staff Dick Kain.

The following matters were discussed as to long range planning for the agency, existing programs and future programs:

- The Housing Act of 1975 was reviewed, which is the Board's enabling legislation and mission statement. Particular discussion focused on the types of housing development identified in the Act.
- Discussion on the need for the Board to have a more comprehensive role in the development of affordable housing projects. In particular, with the comments received at the August, 1993 meeting in Hamilton, with natives to the Bitterroot Valley not being able to purchase an affordable home. Critical to the production of affordable homes is the availability of funds for infrastructure purchase and development. The potential of the Board acting as a developer in connection with local governments, non-profits and financial institutions is a direction that apparently is needed in certain circumstances to produce affordable housing and will be recommended for consideration to the full Board.
- Bill Oser and Paul Bankhead while at the National Council of State Housing Agencies (NCSHA) Annual Conference became aware that other Housing Finance Agencies across the nation have applied as non-voting members to their regional Federal Home Loan Bank (FHLB) to access available funds which can be used as leverage in the production of affordable housing. It will be recommended that the Board pursue the availability of these funds and that a representative of the FHLB-Seattle be invited to give a presentation to the Board.
- Discussion on the level of lender compensation (origination/discount fees) and Montana Board of Housing (MBOH) compensation (reservation/discount fees) should be reviewed in conjunction with the next bond program. Increased compensation levels to lenders to offset such items as mortgagor recapture due diligence and decreased MBOH compensation levels to reduce needed upfront cash by borrowers will be reviewed.

- Final discussion centered on both homeownership opportunities via the HUD 248 Homeownership Program and college student housing for native americans on the various reservations in the state. It was felt that the Board needed to actively pursue this area and request advise on working with tribal governments.

There was no further business and the meeting was adjourned.

Alex Mart

December 17, 1993
Date



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040
AGENDA

MONTANA BOARD OF HOUSING
SIDNEY CITY HALL
115 2ND STREET SOUTH EAST
SIDNEY, MONTANA
OCTOBER 18, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - September 23, 1993 Audit Committee Meeting
 - September 24, 1993 Business Meeting
- III. REVIEW OF THE WYOMING COMMUNITY DEVELOPMENT AUTHORITY TAXABLE HOUSING BOND PROGRAM - Richard Kain
- IV. LOW INCOME HOUSING TAX CREDIT PROGRAM - Richard Kain
 - A. Presentation of Applications Received In October 1, 1993 Application Round
- V. INVESTMENT BANKERS UPDATE - Peter Nolden
- VI. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
 - A. 1993 Bridge Recycling Program
 - B. Homebuyers Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setasides
 - D. Disabled Accessible Affordable Homeownership Program
 - E. Proposed Enhancements to Homebuyers Cash Assistance Program
- VII. REVERSE ANNUITY MORTGAGE PROGRAM - Janet Kunz
- VIII. REVIEW OF MONTANA BOARD OF HOUSING ACTIVITY IN SIDNEY, GLASGOW, GLENDIVE, WOLF POINT AND SURROUNDING AREAS FROM JULY 1, 1989 THROUGH JULY 1, 1993 - Richard Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. MEETING WITH LOCAL HOUSING PROVIDERS & ADVOCATES** (10:00 a.m.-12:00 p.m.)
- XII. ADJOURN

** The Montana Board of Housing has scheduled a meeting with local housing providers and advocates in Miles City on October 19, 1993 from 9:00 a.m. to 11:00 a.m. in the Main Building, Room 106, Miles Community College, 2600 Dickinson.

"AN EQUAL OPPORTUNITY EMPLOYER"



MONTANA BOARD OF HOUSING

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MONTANA BOARD OF HOUSING
SIDNEY CITY HALL
115 2ND STREET SOUTH EAST
SIDNEY, MONTANA
OCTOBER 18, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Absent)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Peter Nolden, Paine Webber Inc.

OTHER - SIDNEY:
John Beagle, Beagle Properties
Betty McGuire, Beagle Properties
Jim Nelson, ReMax of Sidney
Paul Groshart, Richland County Housing Authority
Ralph Norby, Action for Eastern Montana
Dick Jensen, Richland Opportunities, Inc.
Garth Kallevig, Richland Bank and Trust
Bob Goss, Richland Bank and Trust
Enid Stennes, Richland Bank and Trust
Representative Bob Gilbert, Sidney
Cheryl VanEvery, First United Bank, Sidney
Vicki Lapp, Action for Eastern Montana
Mary Alice Rehbein, Governor's Advisory Council on Aging
Shelly Rosaaen, Commission on Aging Inc.
Representative Bill Rehbein Jr., Lambert
Lee Ann Loucks, First Fidelity Bank, Glendive
Jim Carter, First Fidelity Bank, Glendive
Ed Ajre, KXGN-TV, Glendive
Phil Johnson, Sidney Herald
Esther E. Lee, private citizen
Leonard Malin, Valley Bank of Glasgow
Marlyss Burg, Valley Bank of Glasgow

MILES CITY COMMUNITY COLLEGE

ROOM 106

OCTOBER 19, 1993

9:00 A.M. TO 11:00 A.M.

OTHER-MILES CITY:

Betty Allerdings, Fallon County Council on Aging
Sharon Loss, Action for Eastern Montana
Linda Haker, First Interstate Bank, Miles City
Charles Wendt, Garfield County Bank, Jordan
Robert Nystuen, First Bank-Miles City
Representative Marian Hanson, Ashland
Representative Ellen Bergman, Miles City
Dorothy Armstrong, Berg Realty

The meeting was called to order at 8:30 by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the September 23, 1993 Audit Committee Meeting and the September 24, 1993 Business Meeting were approved as presented.

REVIEW OF THE WYOMING COMMUNITY DEVELOPMENT AUTHORITY TAXABLE HOUSING BOND PROGRAM

Richard A. Kain, Administrator, reviewed with the Board the Wyoming Community Development Authority Taxable Housing Bond Program. Dick advised the Board that the Program was formed in January, 1993 through a partnership with the Wyoming Community Development Authority, the Wyoming State Treasurer and Federal National Mortgage Association (Fannie Mae). The purpose of the Program is to assist moderate income families move up into an upper end home which in turn provides a greater opportunity for first-time homebuyers to purchase an available home being vacated. Under this Program taxable bonds are sold to the State Treasurer to provide the loan funds, loans are then originated with loan packages prepared by Fannie Mae approved lenders which are sold to Fannie Mae who insures the bonds. It was noted that the taxable bond issue is structured identical to a tax-exempt bond issue and that Fannie Mae has no income or purchase price limits. The application materials for the Program were reviewed with the Board and after brief discussion the Board tabled any action until the current trend in the bond market reversed itself.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Dick Kain explained that the Board's authority to allocate Low Income Housing Tax Credits (LIHTC) received permanent extension in the Budget Bill signed by President Clinton in August, 1993 and that the application submission date for the first round of 1993 Low Income Housing Tax Credits was October 1, 1993. Dick reviewed with the Board the application, reservation and allocation process noting that \$1,000,000 in LIHTC are available to be allocated by the Board each year, any federal tax credits not allocated can be carried forward for one year. Therefore, any LIHTC unallocated in 1993 can be carried forward and allocated in 1994.

Dick advised the Board that ten (10) applications were received and reviewed for completeness and soundness criteria. A summary of the applications received was reviewed, of the ten applications received four were deemed eligible based on the Allocation Plan and its selection criteria. A comparison of the four applications was reviewed and it was noted that mayors from each community in which a project is proposed have been contacted to obtain community input regarding each project. The first application was submitted by Kalispell Associates Limited for the 16 family unit Meridian Pointe II Project in Kalispell. The project is requesting tax credits for new construction without Federal subsidies. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option),

construction is slated to begin March 1, 1994 with a placed in service date of August 30, 1994. Kalispell Associates Limited has requested a 130% high cost area adjustment making the eligible basis for the project \$1,379,547 and is requesting \$124,159 in tax credits. Dick also reviewed with the Board a letter from Lawrence Gallagher, Director, Community Development Department, City of Kalispell, which expresses the support of the City for the development of the Meridian Pointe II Project. Staff recommend approval of the requested credits. Gerry Hudson moved to approve the reservation of \$124,159 in LIHTC for the Meridian Pointe II project in Kalispell as recommended by staff, the motion was seconded by Bill Oser and unanimously approved.

The second application was submitted by Eugene G. and Ann C. Clyatt for the four family unit Clyatt Rental Project in Missoula. The project is requesting tax credits for new construction without Federal subsidies. At least 40% of the units would serve tenants at 60% of the median income, construction is slated to begin November 1, 1993 with a placed in service date of May 1, 1994. The eligible basis for the project is \$142,656 and the Clyatt's are requesting \$12,839 in tax credits. Dick then reviewed with the Board a letter from Daniel Kemmis, Mayor, City of Missoula, which expresses the support of the City for the development of the Clyatt Rental Project. Staff recommend approval of the requested credits. Paul Bankhead moved to approve the reservation of \$12,839 in LIHTC for the Clyatt Rentals in Missoula as recommended by staff, the motion was seconded by Dean Mart and unanimously approved.

The third application was submitted by Mark J. and Lori Davis for the acquisition and rehabilitation without Federal subsidies of a one unit project (J & L Rental Group) in Joliet. The project has selected the 40/60 setaside option and requested a 130% high cost area adjustment. The project was placed in service on September 13, 1993. The eligible basis for the project acquisition is \$28,883 and for the rehabilitation is \$4,486. Tax credits requested are \$1,034 for acquisition and \$375 for rehabilitation for a total tax credit request of \$1,409. Staff recommend approval of the requested credits. Bill Oser moved to approve the reservation of \$1,409 in LIHTC for the J & L Rental Group in Joliet as recommended by staff, the motion was unanimously approved after being seconded by Gerry Hudson.

The final project presented for the Board's consideration was submitted by Melvin Shuland for the 16 family unit Highland Manor I Project in Havre. The project is requesting tax credits for new construction with Federal subsidies (FmHA 515). At least 20% of the units would serve tenants at 50% of the median income (20/50 setaside option), the project is currently under construction and is slated to be placed in service on February 1, 1994. Highland Manor I eligible basis is \$603,148 and is requesting \$24,159 in tax credits. Staff recommend approval of the requested credits. Dean Mart moved to approve the reservation of \$24,159 in LIHTC for the Highland Manor I project in Havre as recommended by staff, the motion was seconded by Bob Savage and unanimously approved.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber Inc., shared with the Board a chart which illustrated the downward trend of 30-year Treasury bonds and the Revenue Bond Index for the past 12 months. Peter advised the Board that the market is expecting interest rates to continued their downward trend through year end and at this time no predictions are forthcoming for 1994, explaining that experts are waiting for signals from the economy.

Peter explained the long term treasury, as of today, is 5.79% and if the Board were to pursue a stand alone bond issue today the mortgage rate would

translate to 5%. Peter further explained that if the Board were to combine a bond issue with the refunding of an existing bond issue the resulting mortgage rate could be as low as 4%. The Board, following a brief discussion, directed Peter to begin conversations with bond counsel as to the feasibility of a refunding in combination with a new bond issue totalling \$25,000,000 and to report back to the Board at the November meeting upon a motion by Bill Oser, seconded by Bob Savage and unanimously approved.

SINGLE FAMILY PROGRAM UPDATE
1993 BRIDGE RECYCLING PROGRAM

Dick Kain informed the Board, that per Board action taken at the September Board meeting, the mortgage rate on the 1993 Bridge Recycle Program has been reduced from 7.0% to 6.5%. The Board had received four (4) reservations prior to the mortgage rate reduction and has received three (3) reservations for total reservations of \$226,750. The Board has purchased 11 loans (all 7.0%) for \$427,787, of the \$10,000,000 setaside there remains \$9,345,463 in available funds. The average purchase amount is \$38,890 and the average gross annual income is \$26,272. The statewide distribution of reservations and purchases by area and lender were then reviewed.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Dick Kain reported that as of October 12, 1993, there are six outstanding reservations for \$257,046.00 and 37 loans have been purchased for \$1,432,697.21; of the \$2,000,000 of 6% setaside for first mortgages there remains \$310,256.79 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$10,499.00 in lendable funds available. The average CAP loan funded is \$905.00; the average loan purchased is \$38,722; the average household income is \$18,629.00; and the average household size is 2.0.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Dick Kain presented a two page summary of recycled mortgage program setasides as of October 13, 1993 to the Board. The first page is a summary of the setasides with a mortgage rate of 7%; totaling \$5,398,470 and include: Neighborhood Housing Services' two setaside programs totaling \$499,136 and the FHA 203(k) setaside which is \$4,899,334.

The second page of the summary include setasides with an mortgage rate of 6%; totaling \$4,917,057 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$310,257; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program, has submitted its first reservation for \$41,200, the remaining setaside available is \$558,800; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$10,315,527.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Dick Kain reported to the Board, as of October 13, 1993, on the Disabled Accessible Affordable Homeownership Program. A total of 87 applications have been received of the applications received 74 have been approved; 5 are in process; and 8 have been denied. The mortgage rate distribution is as follows: 30 loans at 2.75%; 16 loans at 3.75%; 13 loans at 4.75%; 10 loans at 5.75%; and 5 loans at 6.5%. Applications by area were also reviewed. Four loans have been reserved for a total of \$206,801; the average reservation amount is \$52,700; the average mortgage rate is 4.0%; the average income is \$14,355 and the average household size is 1.75. Of the four reservations three are for existing housing and one is for new construction. The Board was advised that the Governor's public service announcement about the Program continues to run and continues to generate a great deal of activity for the Program.

PROPOSED ENHANCEMENTS TO HOMEBUYERS CASH ASSISTANCE PROGRAM

Dick Kain advised the Board that the Homebuyers Cash Assistance Program is scheduled to expire on November 1, 1993 and presented for the Board's consideration enhancements to the existing program. The existing eligibility guidelines, terms and conditions were reviewed and it was noted that the current program has enough setaside to fund approximately 10 more loans. The Board also reviewed the proposed changes and enhancements to the program and following a brief discussion Gerry Hudson moved to extend the current Homebuyers Cash Assistance Program until December 31, 1993. The motion, following a second by Paul Bankhead, was unanimously approved.

REVERSE ANNUITY MORTGAGE PROGRAM

Janet Kunz reported to the Board on the status of the Reverse Annuity Mortgage (RAM) Loan Program as of October 12, 1993. Janet advised the Board that there are currently nine active loans assisting 12 senior Montanans. The average borrower age is 75.8 years old and the average household income is \$8,027. Three loans have prepaid and three loans are currently in process with two of those loans scheduled to close on October 21st. Since the Program was initiated 28 loan applications have been received. Janet reported that of the \$730,300 setaside there remains \$444,980 in available funding.

Janet advised the Board that a survey has been sent out to those individuals who have been through the application process and closed a RAM Loan in an attempt to gather more input about the Program. Janet explained that as the surveys are returned they will be analyzed and possible recommendations to enhance the Program made to the Board. Janet also advised the Board that she had attended the Governor's Conference on Aging the end of August and made two presentations about the RAM Program. Finally Janet advised the Board that the Tax Advisory Council for Property Ownership had requested that Board staff appear before the Council to explain the RAM Program to them and answer any questions. Board staff followed up the presentation with a call to Council staff and it was noted that the Council would not be recommending any changes regarding the RAM Program.

REVIEW OF MONTANA BOARD OF HOUSING ACTIVITY IN SIDNEY, GLASGOW, GLENDIVE, WOLF POINT AND SURROUNDING AREAS FROM JULY 1, 1989 THROUGH JULY 1, 1993

Dick Kain drew the Board's attention to the summary of Board activity in the Sidney area from July 1, 1989 through July 1, 1993. The summary reflects programs that have been utilized in the eastern part of the State in the past four years.

OTHER BUSINESS

Dick Kain shared with the Board a letter received by staff from the Environmental Quality Council (EQC) related to the residential energy efficient housing program and the Board's efforts toward implementation of a loan program. Following a brief discussion the Board directed staff to formally respond on the Board's behalf outlining in detail the Board's efforts to establish a residential energy efficient housing loan program.

The Board also briefly discussed House Bill 581 (HB581), as passed in the 1993 General Legislation Session, "An Act Creating a State Housing Task Force" and whether the Board should submit the name of one of the Board members to Governor Racicot for consideration. The consensus of the Board was to submit Paul Bankhead's name to Governor Racicot to be considered for an appointment to the State Housing Task Force. Dean Mart's motion was seconded by Bob Savage and was unanimously approved.

Paul Bankhead and Bill Oser briefly reported on their attendance to the NCSHA Annual Conference in San Francisco, noting several meetings that they

attended including meetings with Moody's, Standard and Poor's and the Federal Home Loan Bank. Discussion of the Conference concluded with the Board directing staff to invited Moody's to make a presentation to the Board at the November Board meeting.

SET NEXT MEETING DATE

The Board scheduled a goal setting session for Monday, November 22, 1993, at 4:00 p.m. in the Board's office. An Audit Committee meeting was scheduled for Tuesday, November 23, 1993 at 7:00 a.m. in the Board's office, to be followed by the Business meeting scheduled to begin at 8:30 a.m. in the Governor's Reception Room, State Capitol Building, Room 204, Helena, MT,.

The Board took a five minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - SIDNEY

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that as Chairman he has set a goal for the Board to increase the public's awareness of the Montana Board of Housing and the programs available to the public through the Board. To that end the Board will be conducting meetings in communities across the State to inform the public and to obtain input from the local housing providers. Bob then turned the meeting over to Dick Kain to act as facilitator. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Sidney area and comments relative to the Board's current programs.

Dick Jensen, Richland Opportunities Inc., expressed his appreciation of the Board's attendance of a tour of the Agetha Peer Group Home. Dick explained that the Agetha Peer Group Home is an adult intensive group home for the developmentally disabled. Dick explained that the existing group homes around the state are being utilized for persons coming out of institutions and the future trend will be for supported living programs in a non-group home settings that will tailor services to the individual who will either live with someone or independently. Dick noted that the Agetha Peer Group Home had not utilized any of the Board's programs because they were not aware of potential use, however the Milk River Group Home in Glasgow had applied for and received Low Income Housing Tax Credits to facilitate the completion of their Group Home.

Garth Kallevig, Richland Bank and Trust, noted from the summary of Board activity in Sidney and the surrounding areas that the Mortgage Credit Certificate (MCC) Program has not been utilized and asked the Board to respond. Dick Kain explained that the MCC Program targets the moderate income homebuyer and is not for everyone, Dick further explained that perhaps there was a greater need for Board staff to better communicate with the lending community about Board programs. Garth also noted that as the supply of existing housing is reduced many borrowers have looked at new construction. Garth explained that new construction costs are quite prohibitive and asked if there was funding available to assist with the renovation of existing homes. The Board explained that Board utilization of FHA's 203(k) Program provides funding for both the acquisition and rehabilitation of existing homes. Under this program a home can be purchased at a lower purchase price and the cost of renovation is incorporated into the loan amount. It was noted this could be a very viable program if there is a supply of housing in need of renovation, it was further noted that supply of this kind of housing has been used up in the more urban areas of Montana.

Betty McGuire, Beagle Properties, advised the Board that currently the housing market is good in Sidney. That conventional loan mortgage rates are low enough to be very competitive with the Board's programs and noted that the Homebuyers Cash Assistance Program is the most utilized program. It was

noted that the Board's homeownership programs for house purchase prices under \$40,000 are very good but over \$40,000 realtors and lenders are able to get a better deal from other secondary markets available to them. Betty noted that the demand for housing is very high and the supply of housing is dwindling. The typical purchase price for a 1,000 square foot, two bedroom home in the Sidney area would be between \$25,000 and \$40,000. Betty noted a real need for more affordable rental housing as well.

Paul Groshart, Richland County Housing Authority, advised the Board that in the past couple of years the Sidney area experienced a glut in the rental market with 20% to 30% vacancies because houses that could not be sold were rented. When the mortgage rates decreased, homes that were being rented could then be sold, thus reducing vacancies in the rental market. Paul advised the Board that the Housing Authority administers 86 public housing units and also administers 85 Section 8 vouchers for the area and explained that their typical tenant pays \$75 a month in rent plus utilities. Currently the Housing Authority has one vacant unit. The greatest need exists for 3 to 4 bedroom units, preferably scatter site duplexes versus 4-plexes.

John Beagle, Beagle Properties, explained that the Sidney real estate market has experienced a real turn around in the last year. In Sidney there are currently 25 homes on the market where a couple years ago there were approximately 150 and in Glendive there are still 100 homes on the market. John noted that in the last year and a half the purchase price of homes have increased from the low \$30,000 range to the mid \$40,000 range. John explained that several western Montana counties have been designated as targeted counties thus removing the Montana Board of Housing first-time homebuyer requirement and asked if it were possible for eastern Montana counties to be designated as targeted counties. Dick Kain explained that the Department of Housing and Urban Development (HUD) had made those designations in the late 1970's and early 1980's in difficult to develop areas and discontinued the process in the mid 1980's. It was further explained that HUD, to date, has not been responsive to requests to include additional areas as targeted. The Board offered its assistance and explained that with the reorganization of government and in particularly HUD perhaps more equitable designations can be obtained.

Representative Bob Gilbert, asked if HUD had been contacted regarding targeted areas and what kind of response had been received. It was explained that letters and documentation had been sent to HUD and have received no response. Representative Gilbert asked that he receive copies of all correspondence and documentation sent to HUD, which the Board indicated it would be glad to provide.

There was a general discussion of the under utilization of the Board's programs and what could be done. One suggestion centered on the education of lenders and realtors of available programs, the guidelines and limits of the programs, how to use the programs and making information more readily accessible. Another area of discussion was that smaller lenders, by their very nature, are required to do a little of everything and their available time is already stretched to its limits. Also smaller lenders with a limited staff are not able to do the servicing required with Board loans, it was suggested perhaps they could sell the servicing of Board loans to a larger lender thus eliminating the servicing concern.

Jim Carter, First Fidelity Bank, advised the Board that the restrictions on Board loans regarding assumptions have made working with Board loans very difficult, particularly in light of lower mortgage rates and refinancing. Jim explained First Fidelity's loan portfolio for Board loans has been reduced by 13 loans because of restrictions. Jim further noted that when the

mortgage rates on conventional loans and Board loans are within half a percent (.5%) they steer the borrower away from Board loans because there are fewer strings. Jim explained that Board loans have greater success when the mortgage rates are 1.0% to 1.5% below the conventional market. Another area of concern that Jim brought up are the restrictions on renting a home if the borrower moves. If a borrower moves and can not sell the home right away, they can't rent the home until it sells. Jim explained that several loans in this situation have had to be foreclosed. It was noted that many of the restrictions on Board loans are imposed by the Treasury as a result of the tax-exempt status of the bond issues and a possible solution would be a taxable bond issue. The Board asked which would be the greater issue, principal residence requirement or elimination of the first-time homebuyer restriction, the unanimous response was the first-time homebuyer restriction.

Vicki Lapp, Action for Eastern Montana, advised the Board that she was in attendance to learn about the Board of Housing and to gather information. Vicki also explained that Action for Eastern Montana has been designated an eligible CHODO and as such can apply for various funding sources including the HOME Program. Vicki indicated that they would be interested in assisting in anyway they can in developing housing programs.

Mary Alice Rehbein, Governor's Advisory Council on Aging, expressed a concern regarding the Board's Reverse Annuity Mortgage Loan Program and its limited use in eastern Montana. Mary Alice explained that it would be helpful for seniors to understand what is available to them and expressed the continual need to get the word out about the program.

Cheryl VanEvery, First United Bank, Sidney, advised the Board that they have most actively used the Homebuyers Cash Assistance Program. Cheryl advised the Board that the program works very well for them, but would be more beneficial if the income limit could be increased from the existing \$23,000 to \$25,000 or \$30,000. Cheryl also noted that when the program was first established the funds for the downpayment were received up front, now the funds are wired with the first mortgage funds which means that the lender is carrying the downpayment costs until the loan is purchased. It would be better for the lender to receive the downpayment funds up front.

Representative Bill Rehbein, Jr., advised the Board that before attending the meeting today he knew little about the Board of Housing and that he learned great deal. He explained that he felt the information would be of benefit to him when he returned to the legislature and thanked the Board for coming.

The Board thanked those individuals who attended the meeting and for their input on housing needs in the Sidney area and their comments on the Board's existing programs. There was no further business and the meeting adjourned.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - MILES CITY
MILES CITY COMMUNITY COLLEGE, ROOM 106
OCTOBER 19, 1993, 9:00 A.M.-11:00 A.M.

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that as Chairman he has set a goal for the Board to increase the public's awareness of the Montana Board of Housing and the programs available to the public through the Board. To that end the Board will be conducting meetings in communities across the State to inform the public and to obtain input from the local housing providers. Bob then turned the meeting over to Dick Kain to act as facilitator. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Miles City area and comments relative to the Board's current programs.

Charles Wendt, Garfield County Bank, Jordan, advised the Board that he was there to obtain more information about the Board, its programs and how the programs work.

Dorothy Armstrong, Real Estate Agent, advised the Board there is a great need for homes in the \$25,000 to \$40,000 purchase price range for first-time homebuyers and young families. The average sales price in the Miles City area ranges from \$35,000 to \$50,000.

Bob Nystuen, First Bank-Miles City, advised the Board that the construction being done in Miles City is mainly single family homes and duplexes and these are being built on existing housing sites where the existing structured has been demolished. Bob explained there is a tremendous need for multifamily housing due to an influx of low and moderate income people. There is currently nothing available for this influx of people and what multifamily housing there is in Miles City is not located near essential services. Linda Haker, First Interstate advised the Board that if the source of people coming into Miles City could be determined they could more readily plan for the housing needs. Not knowing the source has made it difficult to make any long term plans for developing housing.

Mr. Nystuen explained that one of the major problems for building homes in Miles City is the flood plain restrictions which exists throughout most of the city in very irregular patterns. If the present levy could be upgraded most of the flood plain restrictions could be eliminated. An additional complication to the flood plain problem, as noted by Representative Marian Hanson, is that the Tongue River Dam is unstable and is suppose to be rebuilt.

Bob further noted that land could be found for developing if an interested developer could be found. Bob indicated that First Bank would not be interested in holding a speculation loan of this nature because of its conservative nature. It was noted that the Miles City Housing Authority has been very successful in using Community Development Block Grants (CDBG) but have also had difficulties with the flood plain restrictions. The Board suggested that a partnership could be developed between the Board, local government and the lending community to develop an acceptable location for affordable housing.

Linda Haker advised the Board that the cost of new construction does not make building a viable option for most homebuyers even in the low interest rate market. Linda reiterated the need for affordable housing and advised the Board that because of Board restrictions and the cost of doing Board loans First Interstate is not doing Board loans. A spread of 2% between Board loans and conventional loans would make Board loans more attractive to lenders.

Bob Nystuen informed the Board that ground has recently been broken to build a new \$16,000,000 medical facility and that the old clinic, rest home and hospital will be available to be rehabilitated into affordable housing. The Board explained that they have the flexibility to work with local communities if they know the community needs and have a structured group to work with. The Board explained that the Multifamily Pilot Program is available to assist with a maximum loan amount of \$500,000 and the involvement of local lenders is critical.

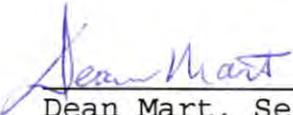
Charles Wendt advised the Board that he moved to Montana from Iowa and noted that the Board is doing more than what was being done in Iowa. He also advised the Board that when he moved to Jordan from Iowa there was no housing available. Representative Hanson also advised the Board that there is little

housing available in Broadus and further noted that while Broadus does have a 40 bed nursing home, many older citizens who would prefer to keep their homes have sold them and moved to Miles City to be closer to the medical services. This has allowed some housing to become available but is limited.

It was noted that first-time homebuyers need as few restrictions as possible and a reduction of costs such as elimination of the Board's 1% reservation fee would make it easier to work Board loans. Linda Haker also asked the Board if it were possible, in light of reduced mortgage rates and the number of refinancings, if the Board could offer a one time option on their loans where the borrower could buy down the mortgage rate for a fee. Linda indicated that this option would reduce the number of Board loans prepaying. It was explained to the Board that Miles City is an attractive area for people to move into because of the Community College, the medical facilities and the large number of governmental agencies provides a stable work environment. It was pointed out that the Community College turned away 50 students this fall because there was no affordable housing available to them. The college population is largely non-traditional in nature and require housing with two or three bedrooms for their families with a monthly rent of \$250.

Sharon Loss, Action for Eastern Montana explained that she is the area counselor for the Board's Reverse Annuity Mortgage Loan Program. Sharon advised the Board that there has not been a lot of interest in the program and expressed the need to keep selling the program and that perhaps if one or two loans could be closed in the area more seniors would get behind the program. Sharon explained that many older people want to retain something for their children and most often that is the home. Sharon also advised the Board that many seniors are quite proud and do not want to have to ask for assistance. Bob Nystuen advised the Board that First Bank had run an advertisement about the RAM Program and had not received much response. Linda Haker suggested that perhaps First Interstate could sponsor, in conjunction with Sharon, a presentation of the RAM Program at the senior center. First Interstate would be willing to sponsor a newspaper advertisement and Linda also offered the banks services in assisting with applications.

The Board thanked those individuals who attended the meeting and for giving their views on housing needs in the Miles City area and comments on the Board's existing programs. There was no further business and the meeting adjourned.



Dean Mart, Secretary

December 17, 1993
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
SEPTEMBER 24, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- August 20, 1993 Business Meeting
- III. GENERAL COUNSEL REPORT - Mike Mulroney
- IV. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Review of FY94 Transfer of Program Expenses
 - B. Review of Housing Trust Fund
 - C. Report on October 1, 1993 Bond Calls
 - D. Analysis of Alternative Rates for 1993 Bridge Recycling Program
- V. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber
- VI. FIRST INTERSTATE BANK OF DENVER, N.A. - Richard J. Sullivan, Vice President and Trust Officer
 - A. Overview of Montana Board of Housing Trustee Functions
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert D. Morgan
 - A. 1993 Bridge Recycling Program
 - B. Homebuyers Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setaside
 - D. Disabled Accessible Affordable Homeownership Program
 - E. Quarterly Delinquency Report - June 20, 1993
- VIII. MONTANA MANUFACTURED HOUSING ASSOCIATION - Stuart Doggett, Executive Director
 - A. Existing Manufactured Housing Program
- IX. HUD SECTION 203(k) REHABILITATION LOAN PROGRAM
Chris Kafentzis, Manager, Helena HUD Office
 - A. Program Review, Activity and Potential Alternatives

- X. MULTIFAMILY HOUSING PROGRAM
 - A. Overview of Proposals Received in August 30, 1993 Application Round - Maureen J. Rude
 - B. Presentation of Staff Approved Proposals By Applicants
 - 1. Housing Authority of Billings - Lucy Brown, Executive Director
 - 2. City of Kalispell/Northwest Human Resources Development Council - Susan Moyer, Housing Division Manager, City of Kalispell
 - 3. City of Kalispell/Flathead Industries for the Handicapped - Susan Moyer, Housing Division Manager, City of Kalispell

XI. OTHER BUSINESS

- A. Bond Counsel Services
- B. Review of Results of Public Meeting in Hamilton

XII. SET NEXT MEETING DATE

XIII. ADJOURN

9/9/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
SEPTEMBER 24, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF:

Richard A. Kain, Administrator
Maureen Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Karen Wynne, Comptroller
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS:

Peter Nolden, Paine Webber Inc.
Gene Huntington, Dain Bosworth
Mark Semmens, D.A. Davidson
Gordon Hoven, Piper Jaffray Inc.

OTHERS:

Stuart Doggett, MT Manufactured Housing Association
Charlie Rehbein, Office on Aging
Richard J. Sullivan, First Interstate Bank-Denver
Sandra Shupe, First Interstate Bank-Denver
Chris Kafentzis, Federal Housing Administration
Lyle Konkol, Federal Housing Administration
John Grant, Jackson, Murdo, Grant & McFarland, P.C.
Susan Moyer, City of Kalispell
Lawerence Gallagher, City of Kalispell
Lucy Brown, Housing Authority of Billings

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the August 20, 1993 Business Meeting were approved as presented.

GENERAL COUNSEL REPORT

Mike Mulrone, Luxan and Murfitt, advised the Board that he had researched the issue of right of re-entry when a property was sold as a possible consideration by the Board in the future. Mike explained that the Montana Health Facility Authority first approached this subject as a way to ensure that bond funds secured by a mortgage intended for the modification of homes for disabled persons continued to be utilized for that purpose. Montana Health Facility Authority took what is known as right of re-entry, if the home is funded with state monies and not used for the purposes for which it is intended then the agency had the right to re-enter the home and take possession. A primary concern centered around the right of re-entry jeopardizing a first mortgagee position, which would in turn could jeopardize bond security. This concern was addressed by subordinating the right of re-entry to the first mortgagee position on any mortgages and all bond documents reflected the subordination of the right of re-entry. Mike felt that a right of re-entry should be considered and included in loan documents as appropriate.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF FY94 TRANSFER OF PROGRAM EXPENSES

Karen Wynne, Comptroller, reviewed with the Board the prospective transfer of program expenses to the Housing Authority Enterprise Fund (HAEF) within the state treasury as required by House Bill 2. Karen reviewed the amounts transferred from each trustee and trust indenture for the Single Family Program and the Multifamily Program. Karen then reviewed the transfers for the Low Income Housing Tax Credit Program and the Mortgage Credit Certificate Program. It was noted that the residual balance of \$86,757, per indenture requirement calculations, from the Single Family Indentures III through X will be transferred on April 1, 1994.

Staff advised the Board that the rating agencies have been advised, via letters, of the prospective transfer of program expenses as required by House Bill 2. As the letters were mailed earlier this week, staff has not yet received a response from the rating agencies.

REVIEW OF HOUSING TRUST FUND

Karen Wynne reviewed with the Board the transfer of the Housing Trust Fund to the HAEF within the state treasury per Board action taken at the June Board meeting in the form of Board Resolution No. 93-0624-S2. It was noted that all transfers to the state treasury have been completed as instructed by Board action. The Board inquired into the specifics of how the Board accounts were set up with the state treasury. Karen explained that four accounts have been established with the state treasury, to maintain separation of funds from each trustee. The Board was also advised that the staff authority to transfer funds from those accounts rests with Karen as Comptroller of the Board.

REPORT ON OCTOBER 1, 1993 BOND CALLS

Karen Wynne reported that the Board will call \$3,615,000 in bonds on October 1, 1993 from the Single Family I (SFI) Indenture (1987 Series A, 1987 Series B and 1988 Series A). SFI requires that bonds be called every April 1st and October 1st from mortgage prepayments. The bonds being called include \$900,000 from 1987A, \$1,775,000 from 1987B and \$940,000 from 1988A, for a total of \$3,615,000.

Karen further reported that bonds will be called from Single Family III through Single Family X Indentures (1988 Series B, 1989 Series A, 1990 Series A, 1990 Series B, 1990 Series C, 1991 Series A, 1991 Series B and 1992 Series A) and explained that with these Indentures the trustee is required to analyze the Revenue Account 45 days prior to April 1st and

October 1st of each year to determine if a mandatory call will be required to meet asset requirements, if there is excess revenues or if there are unexpended proceeds. Karen explained that based on the analysis bonds will be called in the amounts of \$1,550,000 from 1988B, \$1,785,000 from 1989A, \$1,475,000 from 1990A, \$1,690,000 from 1990B, \$1,830,000 from 1990C, \$965,000 from 1991A, \$1,040,000 from 1991B and \$2,145,000 from 1992A, for a total of \$12,480,000.

ANALYSIS OF ALTERNATIVE RATES FOR 1993 BRIDGE RECYCLING PROGRAM

Karen Wynne advised the Board that the 1993 Bridge Recycling Program was made available on July 1, 1993 at mortgage rate of 7.0%. Based on Board direction at the August 20th Board meeting to determine the feasibility of reducing the mortgage rate to 6.5%, cashflows were run utilizing a mortgage rate of 6.5% and also using a mortgage rate of 6.25%. Karen explained that an analysis of the mortgage rate at 6.5% produced positive cashflows and covered average rates on bonds outstanding, further analysis of reducing the mortgage rate to 6.25% continued to yield positive cashflows, however average rates on bonds outstanding would not be covered.

Bob Thomas, introduced Lieutenant Governor Dennis Rehberg to the Board members and those attending the meeting. Lt. Governor Rehberg thanked the Board and explained that he and Governor Racicot are trying to make themselves more readily available to the Boards. Lt. Governor Rehberg, asked that if the Board had any questions of the administration or would like to discuss any issues and would like the administrations prospective to please give either Governor Racicot or himself a call. Lt. Governor Rehberg again thanked the Board for letting him say a few words and that he would be available to answer any questions from the Board.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber, Inc., updated the Board on market activity since the extension of Mortgage Revenue Bonds by Congress, noting that several Housing Finance Authorities have recently entered the market. Peter advised the Board that interest rates have dropped significantly. The long term treasury is 6.04% and if the Board were to pursue a bond issue today the mortgage rate would translate to 6%. Peter noted that treasury bond rates are expected to continue downward.

Peter explained, for example if an issuance were done at a mortgage rate of 6% and combining that with funds from a refunding the mortgage rate could possibly be as low as 5%. It would also be possible to develop subsets within the issue and stratify the mortgage rates to structure programs using the same bond issue at different mortgage rates. Peter advised the Board that he has compiled data for a bond issue structured in this manner and forwarded the information to bond counsel to review for compliance with new arbitrage regulations. Peter advised the Board that they would like to give bond counsel the opportunity to review the material before bringing a proposal to the Board. Peter then asked the Board for their input to give him a sense regarding the direction the Board would like to pursue. The discussion that followed included further explanation of combining new money with refunded monies, opposition to structuring any bond issue at this time and structuring a taxable bond issue for higher income homes similar to a program currently available in Wyoming. Peter was instructed by the Board to continue his bond issuance research, keep the Board updated, obtain information about the Wyoming program and present it to the Board at the next meeting.

FIRST INTERSTATE BANK OF DENVER, N.A.

Richard J. Sullivan, Vice President and Trust Officer, thanked the Board for the opportunity to appear before the Board and explained that he has worked

on the Board's account since it was assigned to First Interstate Bank of Denver in 1986. Rick introduced Sandy Shupe, who is the administrator of the Board's account and works with the day-to-day activities. Rick advised the Board that of it's \$580,000,000 in outstanding bonds, First Interstate is trustee for \$491,000,000 or 80% of all bonds outstanding. Rick provided the Board with a feel for the average volume of transactions conducted monthly. In August, 260 separate investments were made representing \$76,200,000 (mainly from the Single Family II Indenture) and 655 receipts were processed for all accounts. Rick advised the Board that First Interstate has a staff of 19 people in Corporate Trust, also on staff is an in-house counsel that is available to review trust indentures and to evaluate any problem situation that may arise. The duties of trustee include review of documents for the bond closing, the trustee receives the funds at closing and invests them per the terms of the indenture. The trustee sets up internal accounts and monitors those accounts to ensure transfers are made properly. Reviews the different kinds of bonds that are held, monitors the timing of bond calls and makes sure original documents are recorded. Rick advised the Board that one of the key functions of the trustee is administration in which the trustee receives and properly applies the bond proceeds at closing, tracks with Board staff to make sure mortgages are funded within the acquisition period, carefully monitors bond redemptions, monitors investment restrictions, maintains reserve funds, produces monthly statements and issues various reports, interacts with bondholders regarding questions on bond calls and works closely with Board staff. Rick also advised the Board that the trustee reviews the default provisions within indentures and makes sure that they are suitable.

SINGLE FAMILY PROGRAM REPORT
1993 BRIDGE RECYCLING PROGRAM

Robert D. Morgan, Single Family Program Officer, advised the Board that of the \$10,000,000 in available 7.0% 30 year term setaside the Board has nine reservations outstanding for \$307,233 and has purchased five loans for \$209,989. The average purchase amount is \$41,997 and the average gross annual income is \$26,133. The location of purchases by area and lender were then reviewed. At this time the Board re-addressed the issue of reducing the 7.0% mortgage rate to 6.5% and Dean Mart moved that the mortgage rate for the 1993 Bridge Recycling Program be reduced from 7.0% to 6.5% effective immediately, the motion was seconded by Mike McKee. The motion was approved with five Board members supporting the action and one Board member opposed.

Bob advised the Board that, effective August 25, 1993 the Department of Housing and Urban Development (HUD) has increased the maximum mortgage limit for Flathead County from \$75,500 to \$89,300. The Board was advised that action would need to be taken if they choose to increase the Board's purchase price limit to coincide with HUD's increase. Following a brief discussion Gerry Hudson moved to increase the Board's purchase price limit for Flathead County from \$75,500 to \$89,300 in keeping with HUD's maximum mortgage limit. The motion was seconded by Bob Savage and unanimously approved.

Bob shared with the Board a mortgagee letter from HUD explaining that effective October 24, 1993 all new single family construction, to be insured by FHA, must comply with or exceed the 1992 Model Energy Codes. Bob explained that HUD has also modified the borrowers debt ratios for new construction, no more than 31% of the total income can be used toward the house payment, an increase from the previous 29% and total debt payments can not exceed more than 43%, an increase from 41%.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob reported that as of September 17, 1993, there are eight outstanding

reservations for \$257,605.00 and 33 loans have been purchased for \$1,327,699.21; of the \$2,000,000 of 6% setaside for first mortgages there remains \$414,695.79 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$12,386.00 in lendable funds available. The average CAP loan funded is \$929.00; the average loan purchased is \$40,233; the average household income is \$18,728.00; and the average household size is 2.1. It was noted that most of the activity is in Billings.

Bob presented the status of loan activity and delinquencies for both the CAP I and CAP II Programs. The total loans closed for the two programs is 138, of which 10 mortgages have prepaid, leaving 128 active loans. Eleven of the cash assistance loans have prepaid, of which two have been repaid at an amount less than what was owed on the loan for an combined loss of \$822.28. Bob explained that this Program established a first mortgage loan with a second loan to assist with certain closing costs. In the terms for the cash assistance (the second) loan, the loan becomes payable at the time the home is sold or the mortgage loan is paid in full. If, at the time the home is sold, the cash due the borrower is less than twice the amount of the cash assistance loan, it is released upon payment of half of the amount of the cash due the borrower. For example the cash assistance loan was \$800 and upon selling the home the cash due the borrower was \$1,400 (less than twice the loan amount or \$1,600), the loan would be released upon payment of \$700 (half the amount due the borrower). It was further noted that the cash assistance loan accrues simple interest at 7.0%. The Board discussed the CAP II Program expiring in November, 1993, and Gerry Hudson moved that staff be directed to proceed with a proposal for a Homebuyers Cash Assistance III Program for presentation at the October Board meeting. The motion was unanimously approved after being seconded by Paul Bankhead. Bob concluded by reporting that of the 128 active loans two loans are 30 days delinquent, one loan is 90 days delinquent and one loan is in foreclosure.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented to the Board a two page summary of recycled mortgage program setasides as of September 17, 1993. The first page is a summary of the setasides with a mortgage rate of 7%; totaling \$9,948,566 and include: Neighborhood Housing Services' two setaside programs totaling \$549,232, the FHA 203(k) setaside which is \$4,899,334 and the Manufactured Housing setaside which is \$4,500,000.

The second page of the summary include setasides with an mortgage rate of 6%; totaling \$5,062,696 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$414,696; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$15,011,262.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Bob Morgan reported to the Board regarding the Disabled Accessible Affordable Homeownership Program as of September 21, 1993. A total of 80 applications have been received of the applications received 63 have been approved; 11 are in process; and 6 have been denied. The average income of approved applications is \$14,280; the mortgage rate distribution is as follows: 23 loans at 2.75%; 13 loans at 3.75%; 12 loans at 4.75%; 10 loans at 5.75%; and 5 loans at 6.5%. Applications by area were reviewed and it was noted that the Board has achieved a good distribution of loan applications from across the state. Bob advised the Board that the first loan using this Program is scheduled to close today in Missoula. Paul Bankhead inquired into why the 6 applications were denied and it was

explained that the applications were denied based on not meeting the eligibility requirements of the Program (i.e. prior ownership, income, etc.). The Independent Living Centers have screened out more applications than have been seen by Board staff. Bob also advised the Board that the Governor's public service announcement about the Program continues to run and continues to generate a great deal of activity for the Program both in the Board's office and at the Independent Living Centers.

QUARTERLY DELINQUENCY REPORT - JUNE 20, 1993

Bob Morgan, presented the Board's delinquency statistics, as of June 20, 1993. There are currently 9,491 loans outstanding with 2.49% in a delinquent status, and .30% in a foreclosure status. These figures, however, compare favorably with delinquency rates for Montana of 2.96%; the Mountain Region of 3.69%; and National rates of 4.15%. There are 28 loans in possible foreclosure. The higher concentration of delinquencies are in the bond series which have higher mortgage rates. Bob also presented a distribution of delinquencies per servicer.

MONTANA MANUFACTURED HOUSING ASSOCIATION

Stuart Doggett, Executive Director, Montana Manufactured Housing Association (MMHA), addressed the Board regarding the current Montana Manufactured Housing setaside. Stuart explained that in 1991 he approached the Board about the possibility of making funds available for Montanans to purchase manufactured homes for placement on leased land and discovered, that specific issue needed to be addressed via federal legislation. Stuart continued discussions with Dick Kain, Administrator, to establish a program for manufactured homes placed on a permanent foundation and the Program that was developed became available in September, 1992.

Stuart explained that since the Board established a setaside for manufactured homes the Program has run into several difficulties including increased competition from out of state lenders moving into the Montana market, declining interest rates and the annual income requirement of \$25,000. Stuart noted that shipments of manufactured homes into Montana has increased 42% over last years shipments and that the last legislative session approved a bill to make it unlawful for zoning ordinances to discriminate against manufactured homes on a permanent foundation. The Board assisted with developing a brochure to explain the Program and MMHA has developed advertisements designed to enhance the image of manufactured homes. Stuart advised the Board that his Board of Directors is disappointed there has been no loan activity and appreciates all of the time and work that has been devoted to promoting this Program. It is their hope that if it is the decision of the Board to discontinue this setaside at this time, that the doors of communication will remain open for the future development of programs for manufactured homes. The Board briefly discussed the setaside and the Program expiration date, after which Gerry Hudson moved to discontinue the Montana Manufactured Housing Setaside at this time, the motion was approved after a second by Bill Oser. The Board advised Stuart that they would be receptive to future proposals and thanked Stuart for his assistance with the Program.

The Board briefly discussed the setaside and directed staff to recycle the funds into the 1993 Bridge Recycling Program.

HUD SECTION 203(k) REHABILITATION LOAN PROGRAM

Chris Kafentzis, Manager, Helena HUD Office and Lyle Konkol, Helena HUD Office, appeared before the Board to discuss the available options to stimulate activity in the 203(k) Rehabilitation Loan Program. Lyle advised the Board that from January 1, 1990 to September 14, 1993, FHA has insured 58 loans under the 203(k) Program for an insured value of \$3,750,000 or

approximately \$65,000 per loan. Twelve (12) loans were insured in 1990, 22 loans were insured in 1991, 20 loans were insured in 1992 and to date in 1993, 4 loans have been insured with 4 loans in process. Lyle advised the Board that the paperwork is quite involved and many of the applications that have been received have cancelled. Lyle explained that the 203(k) Program allows the borrower to obtain one loan for the purpose of purchasing and rehabilitating a home. The Program requires two appraisals, one prior to rehabilitation and one upon completion. Once the loan has closed the rehabilitation begins, the rehabilitation loan is held in escrow and a total of four draw requests can be made for payment of work completed. Inspections are required to confirm the completed work. Lyle explained that one of the current difficulties with this program is the short supply of housing inventory that would qualify.

The Program does involve a great deal of time and monitoring on the part of the lender, who does not currently have the time to oversee the loan. It was noted that the Board can not purchase a loan until the rehabilitation has been completed and many lenders are not willing or able to hold the loan for six or eight months until the repairs are completed. The concept of warehousing loans for the rehabilitation period, then being purchased by the Board was discussed. The lender would close the loan, send it to the warehouse for the rehabilitation period, after which it would be sold to the Board. The main obstacle would be in locating a lender to do the warehousing.

Lyle explained to the Board that the 203(k) Program has been targeted by the Department of Housing and Urban Development (HUD) for reform and that Washington D.C. is seeking input into restructuring the Program to make it less cumbersome. Any suggestions that the Board could make would be forwarded to Washington for consideration. One suggestion made was to make the process for certification by an engineer of a home requiring foundation rehabilitation less difficult, perhaps by using the local inspector. Lyle noted that after the Program is restructured its availability will be promoted to the public and perhaps some hands on training could be conducted. The setaside expiration date is December, 1993, the Board tabled this issue until further information was available to them.

Lyle shared with the Board a handout designed by the Montana HUD Office to give guidance to the housing industry regarding HUD property eligibility guidelines, problems encountered daily and possible solutions.

OTHER BUSINESS

BOND COUNSEL SERVICES

Richard A. Kain, Administrator advised the Board that the contract for bond counsel services expires November 1, 1993. Dick explained that Kutak Rock was selected as bond counsel in 1989 following a Request For Proposal process. The contract was for a period of two years, which was re-authorized in 1991 for another two years. Kutak Rock has expressed interest in continuing its relationship with the Board. Board action would be required, followed by a Department of Commerce review and final review by the Legal Services Review Committee. Dick presented the proposed form of the contract and advised the Board that the terms and conditions of the proposed contract are similar to the existing contract with an expiration of November 1, 1995. Dean Mart moved to authorize the contract for bond counsel for a period of two years, the motion was seconded by Paul Bankhead. Following the discussion that ensued Dean Mart amended his motion to include that Section 17, Indemnification, of the contract reflect proof of indemnification and to review Section 7, Independent Contractor Status, as Section 2, Compensation, applies to it. The amended motion was seconded by Paul Bankhead and the motion was approved as amended.

Dick shared with the he Board a news release summary received from National Council of State Housing Agencies (NCSHA). Noted were that Rhode Island Housing approved \$1.6 million for the purchase and rehabilitation of apartment complexes. South Carolina State Housing Authority was award \$6.5 million in federal grants under the HOME Program. South Dakota Housing Development Authority continues to make available downpayment and closing cost assistance. Washington State Housing Finance Commission completed a \$12 million bond financing for a continuing care retirement community and has also completed a \$4.6 million bond financing to construct rental units for the elderly.

Dick drew the Board's attention to a letter from the Office of the President to John McEvoy, Executive Director of NCSHA expressing the President's continued support of the permanent extension of Mortgage Revenue Bonds and Low Income Housing Tax Credits.

REVIEW RESULTS OF PUBLIC MEETING IN HAMILTON

Bob Thomas advised the Board that the Hamilton Board meeting was well attend, particularly by the legislators from the area. The meeting received quite a bit of coverage with articles in the newspapers in Hamilton, Missoula, Stevensville and Spokane and that a housing focus group is being formed. Bob indicated that he would like the next Board meeting to be held on two days, the first day would be spent in Sidney and the second day spent in Miles City. Bob expressed the importance of personally inviting legislators to the meeting.

Bob also advised the Board he would like to hold a meeting, possibly in November, for the purpose of conducting long range planning.

SET NEXT MEETING DATE

The next meeting was set for Monday, October 18, 1993, at 8:30 a.m. in Sidney, at the Sidney City Hall, 115 2nd Street S.E., with a public meeting to follow. The Board also set a public meeting in Miles City, for Tuesday, October 19, 1993, at 9:00 a.m. in Room 106, Main Building, Mile City Community College, 2600 Dickinson.

MULTIFAMILY HOUSING PROGRAM

OVERVIEW OF PROPOSALS RECEIVED IN AUGUST 30, 1993 APPLICATION ROUND

Maureen Rude, reviewed with the Board the four Multifamily proposals which have received preliminary commitments and updated the Board on the status of each. Maureen shared with the Board a card sent from John Plummer of Bozeman Interfaith Housing regarding the status of their project.

Maureen advised the Board the third application round for the Multifamily Pilot Program for Rental Housing was August 29th. The Program was briefly reviewed, noting that \$2,500,000 in lendable funds were available to governmental units and non-profit entities for 30 to 40 year mortgages, with a mortgage rate of 6.0%; and a 75% maximum loan to value. Maureen further explained that the Program also has a small pilot rental subsidy program incorporated into the Request For Proposal for which entities can also apply. The Program can subsidize approximately 20 units with an average rent subsidy of \$120 per unit, the subsidy would allow sponsors to charge lower actual rents for a percentage of the units and would be treated as a zero interest deferred second loan. The subsidies are based on an agreement with the Department of Housing and Urban Development (HUD), and can only be provided for families below 50% of median income.

Maureen explained that preliminary commitments are for a period of 90 days in which time substantial progress on the project must be made. The preliminary commitment by the Board gives projects greater creditability as the entities apply for other sources of funding.

Maureen presented a summary of third round proposals received, noting that four proposals were received. The proposal from Neighborhood Housing Services (NHS), Inc., Great Falls, was deemed ineligible due to funds availability for non-profit entities. Maureen drew the Board's attention to a letter from Nancy Stephenson, Executive Director, NHS, encouraging the Board's continued efforts in the multifamily program area. The remaining three proposals were below the 75% loan to value requirement, were eligible based on the terms and conditions, met the soundness and completeness criteria and the financial feasibility analysis.

Maureen briefly reviewed the remaining funds available if the three proposals presented today are approved for preliminary commitment. Of the \$500,000 Non-Profit Allocation there would remain \$145,000; of the \$2,000,000 Governmental Allocation there would remain \$538,189; of the \$300,000 Cash or Insured Loan Asset Requirement there would remain \$8,358. Maureen noted that 4 additional units of subsidy would be needed if the preliminary commitments for the three proposals were approved. Maureen advised the Board that additional funding for the four additional units of subsidy was available from savings due to the refunding. Gerry Hudson moved that the Board approve an additional four units of subsidy for the Multifamily Pilot Program, seconded by Bob Savage the motion was unanimously approved.

PRESENTATION OF STAFF APPROVED PROPOSALS BY APPLICANTS

Maureen advised the Board the Lucy Brown, Executive Director, Housing Authority of Billings has had a flight delay but would be here shortly to make their presentation. Maureen then introduced Lawrence Gallagher and Susan Moyer to present the proposals for the City of Kalispell.

CITY OF KALISPELL/NORTHWEST HUMAN RESOURCES

Lawrence Gallagher, Plant Director, Planning, Economic and Community Development, and Susan Moyer, Housing Division Manager, City of Kalispell, presented for the Board's consideration a new construction project of 32 units of family rental housing, noting that this proposal is requesting financing for only 16 of the units. Permanent loan financing of \$271,000 is requested for those 16 units for a term of 30 years. The other 16 units will be financed from other sources and will be used as transitional housing for displaced homemakers with the goal of providing job training and assistance for a 18 to 24 month period at which time the occupants would be in a position to move into a permanent residence. Lawrence explained to the Board that the City of Kalispell will own the project and the Northwest Human Resources (HRDC) will manage the units. In the past the City has, using various financing vehicles, remodeled 282 homes in the area. At this time the City is moving into the new construction arena. The City will be providing the infrastructure for the 32 unit project, the zoning is in place and a local lender is providing the construction financing. The project rent schedule was reviewed and it was noted that four of the units will be wheelchair accessible and the remaining 12 units will be of universal design.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$271,000 be extended. The preliminary commitment is to be contingent upon the award of other sources of funding (i.e, HOME Program and CDBG Program). Bob Savage moved that the Board, adopt the City of Kalispell/Northwest Human Resources Multifamily Rental Housing Pilot Program proposal as recommended by staff. Dean Mart seconded the motion which was unanimously passed.

CITY OF KALISPELL/FLATHEAD INDUSTRIES FOR THE HANDICAPPED

Lawrence Gallagher and Susan Moyer presented for the Board's consideration

a second proposal for the new construction of 16 units of rental housing. Permanent loan financing of \$350,000 is requested for a term of 40 years. Lawrence explained to the Board that the City of Kalispell will own the project and the Flathead Industries for the Handicapped (FIFTH) will manage the units. The 16 unit complex will be targeted to the developmentally disadvantaged. Another eight units will be constructed as a group home with a resident manager. The City will be providing the land acquisition, site clearance and infrastructure for the project and a local lender is providing the construction financing. It was noted that the proposed site location will be within walking distance of the rehabilitation/habilitation center and the local businesses hiring the developmentally disadvantaged. The project is also requesting eight units of subsidy to assist in lowering the rents and the project rent schedule was reviewed.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that they be given the authority to make a preliminary commitment up to \$350,000 after site control is obtained, if obtained within 45 days. The preliminary commitment is to be contingent upon the award of other sources of funding (i.e, CDBG Program and Affordable Housing Program). Staff also recommends that the Board approve the eight units of subsidy requested. Mike McKee moved that the Board, adopt the City of Kalispell/Flathead Industries for the Handicapped Multifamily Rental Housing Pilot Program proposal as recommended by staff. Dean Mart seconded the motion which was unanimously passed.

The Board took a 45 minutes recess to wait the arrival of Lucy Brown and reconvened at 12:50 p.m.

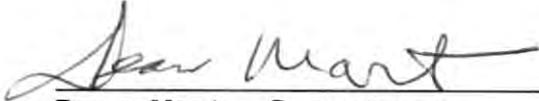
HOUSING AUTHORITY OF BILLINGS

Lucy Brown, Executive Director, Housing Authority of Billings thanked the Board for their patience and presented for their consideration a proposal for the new construction of eight units of family rental housing with four units of subsidy for a term of 30 years. Lucy explained that to deal with Billings' increased housing shortage the Housing Authority has begun to investigate programs beyond the traditional Federal programs. Lucy explained that the Housing Authority is seeking to serve those people at 50% to 60% of median income. Lucy explained that the Housing Authority of Billings applied for multifamily loans funds from the Board in the first round but withdrew when one of the sources of funding was not awarded and another source was not available. Therefore, the Housing Authority has prepared two budget proposals for consideration by the Board. The first proposal is requesting a loan amount of \$300,811 from the Board and includes a grant from the Federal Home Loan Bank (FHLB) in the amount of \$40,000. The second proposal requests a loan amount of \$340,811 from the Board, subject to not receiving the FHLB grant. It was noted that the total project cost does not change, just the loan amount requested of the Board. The Housing Authority is requesting the \$340,811 loan amount, however, if the FHLB grant is awarded the Housing Authority will only require a loan amount of \$300,811. Lucy reviewed the project rents and explained that construction will be for two 4-plexes, half of which will be designed to meet American Disabilities Act (ADA) requirements, the Housing Authority has requested rent subsidies for four of the units and although construction is scheduled to begin in May, 1994, they have not yet committed to a site location.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that they be given the authority to make a preliminary commitment up to \$340,811 for a term of 30 years, after site control is obtained, if obtained within 45 days. The preliminary commitment is to be contingent upon the award of other sources of funding (i.e, HOME

Program and Affordable Housing Program) and maintaining site control. Staff also recommends that the Board approve the four units of subsidy requested. Dean Mart moved that the Board, adopt the Housing Authority of Billings Multifamily Rental Housing Pilot Program proposal as recommended by staff. Bill Oser seconded the motion which was unanimously passed.

There was no further business, and the meeting adjourned.



Dean Mart, Secretary

October 18, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

September 23, 1993

The Audit Committee of the Montana Board of Housing will hold a meeting on Thursday, September 23, 1993 at 4:00 p.m., in the Board office, 2001 11th Avenue, Helena, Montana.

9/10/93



MONTANA BOARD OF HOUSING

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Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, September 23, 1993 at 4:00 p.m in the Board's office. Participating were: Dean Mart, Chairman of the Audit Committee; Committee Members Bob Thomas, Paul Bankhead, Gerry Hudson, and Bill Oser; Jim Woy, Anderson ZurMuehlen and Company; and staff Dick Kain and Karen Wynne.

Jim Woy presented the Board's recently completed audited financial statements for year ending June 30 1993, and advised the Committee that the auditing firm issued an unqualified opinion. Jim informed the Committee that an exit conference was held with management on September 14th, at which time the report was reviewed with staff. Jim indicated that there had been no significant changes in accounting policies and that there were no adjustments by the auditors or disagreements with management.

The Committee reviewed the Balance Sheet, Income Statement and Statement of Cash Flows. Changes in the report presentation were also discussed. Variances between FY92 and FY93 numbers were reviewed and the reasons for the variance were addressed. Also reviewed were the footnote disclosures.

Auditor's reports that were reviewed were: the Compliance Report which showed that no items of noncompliance with laws or regulations were noted; the Internal Control Report which indicated that no material weaknesses were found during the audit; and the Audit Opinion which reported that an unqualified opinion was issued by the auditors.

Jim Woy advised the Committee that the Board had complied with both findings from the FY92 audit and further advised the Board that there were no findings in the current year's audit.

Staff updated the Audit Committee on the status of servicer reviews and following a brief discussion staff was directed to conduct a follow up with each servicer review and report to the Audit Committee.

There was no further discussion, and the meeting adjourned at 6:45 p.m.

A handwritten signature in cursive script, appearing to read "Dean Mart", written over a horizontal line.

Dean Mart, Chairman

October 18, 1993

Dated



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AGENDA

MONTANA BOARD OF HOUSING
CITY COUNCIL CHAMBERS
223 SOUTH SECOND
HAMILTON, MONTANA
AUGUST 20, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- July 23, 1993 Business Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Quarterly Budget Status Report - June 30, 1993
 - B. Report on FY94 Transfer of Program Expenses
 - C. Review of FY93 Mortgage Prepayments
- IV. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber
- V. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
 - A. 1993 Bridge Recycling Program
 - B. Homebuyers Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setaside
 - D. Disabled Accessible Affordable Homeownership Program
 - E. Review Request of Montana Manufactured Housing Association to Change Income Limits
- VI. LOW INCOME HOUSING TAX CREDIT UPDATE - Maureen Rude
 - A. Final Allocation Plan for 1993
- VII. REVIEW OF MONTANA BOARD OF HOUSING ACTIVITY IN HAMILTON AND STEVENSVILLE FROM JULY 1, 1989 THROUGH JULY 1, 1993
- VIII. OTHER BUSINESS
 - A. Review Programs Brochure
- IX. SET NEXT MEETING DATE
SET AUDIT COMMITTEE MEETING DATE
- X. MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS (10:30 AM - 12:30 PM)
- XI. ADJOURN

8/9/93



MONTANA BOARD OF HOUSING

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MONTANA BOARD OF HOUSING
CITY COUNCIL CHAMBERS
223 SOUTH SECOND
HAMILTON, MONTANA
AUGUST 20, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Peter Nolden, Paine Webber

OTHERS: Representative Gary Mason
Representative Wayne Stanford
Steve Powell, Ravalli County Commissioner
Greg Lakes, Missoulian
Ray Karr, VFW, Stevensville
Bonnie Radth, Bitterroot Star, Stevensville
Don Williamson, City Manager, City of Hamilton
Merna Martelle, First State Bank, Stevensville
Bob Scott, Hamilton
George Kuspa, Kuspa Construction
Jim Morton, Human Resource Council, District XI
Emil Erhardt, Citizens State Bank, Hamilton
Rosemary Griffin, Citizens State Bank, Hamilton
Paul Geisel, Mental Health Center
Larry Lund, Coldwell Banker
Thomas L. Lund, Coldwell Banker
Mike Chaffin, Ravalli Services Corp.
David Franz, First State Bank, Stevensville
Thomas, R. Jordan, Jordan Real Estate, Missoula
James R. Teslow, CPA, Burnt Fork Manor
Senator Terry Klampe
Vivian Yang, Hamilton City Council

Laurel Hegstad, Mayor, City of Hamilton
Collette Maxwell, First Federal Savings & Loan, Hamilton
Herb Kester, Hamilton City Council
Senator Bernie Swift

The meeting was called to order at 8:30 a.m., by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the July 23, 1993 Business Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

QUARTERLY BUDGET STATUS REPORT - JUNE 30, 1993

Richard A. Kain, Administrator, advised the Board that because of commitments in the office Karen was unable to attend the Board meeting and that he would be presenting the Accounting and Reporting Update. Dick presented for the Board's review the Quarterly Budget Status Report as of June 30, 1993. The Board has spent \$1,145,949 or 58% of the \$1,981,444 appropriation for fiscal year 1993, leaving a balance of \$835,495. Items of note were reviewed with the Board, it was noted that foreclosure expenses are the lowest they have been in the past several years.

REPORT ON FY94 TRANSFER OF PROGRAM EXPENSES

Dick Kain reviewed with the Board the status of the prospective transfer of program expenses for FY94 as required by House Bill 2. Dick advised the Board that all permitted transfers should be completed by August 31st, explaining that it has taken longer than expected to set up the entities within the State accounting system to preserve the segregation of funds and maintain accountability as required by the trustees. It was also explained that the funds would be maintained with the State Treasurer until they were spent for appropriate operating expenses. It was noted that any remaining unspent balance at the end of the fiscal year retains its identity as indentured funds and will be netted against the transfer for the FY95 legislative appropriation.

Dick explained to the Board that staff and counsel have been waiting until the transfers were complete to formally notify the rating agencies and expressed a concern regarding what the rating agencies reaction will be. Dick also advised the Board that the transferred funds were being invested by the Board of Investments and explained the allowed investments under the indentures and those investments not allowed.

REVIEW OF FY93 MORTGAGE PREPAYMENTS

Dick Kain presented a report to the Board illustrating mortgage loan prepayments and purchases for fiscal year 1993. Dick explained there was an increased trend for prepayments within the past year, noting that 1,778 loans have prepaid for a total of \$76,490,855. The Board was advised that the bond series' with the highest percentages of prepayments were generally those series with higher mortgage rates. Four hundred ninety seven (497) loans were purchased in FY93 for a total of \$23,660,867. The total number of outstanding loans as of June 30, 1993 is 9,515 for a total of \$378,227,948.

Dick briefly reviewed with the Board the bonds called from mortgage prepayments during FY93, noting that the Board has the option, in most cases, with funds from prepayments to either call bonds or to recycle the funds into new Board programs if it would makes sense to do so, given the prepaid loan mortgage rates. The bonds called for FY93 total \$74,136,572.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber, reviewed with the Board a handout that explained to the Board that Paine Webber is a national investment brokerage/banking firm with a retail presence in Montana. Paine Webber has 36 employees in Montana with its main office in Billings. Nationally they have 5,400 retail brokers and have capital assets of approximately \$2 billion. Peter reviewed the downward trend of interest rates noting that as of August 19th, 30 year treasury bonds were at 6.19% and that the Revenue Bond Index for municipal bonds was at 5.61%. Peter explained that if the Board were to sell a single family bond issue in the current low interest rate market that they could expect a mortgage rate in the area of 6.20% to 6.25%. Peter further explained that issuers of tax-exempt bonds generally achieve a better spread between their mortgage rates and conventional mortgage rates in markets where the interest rates are rising. It is expected that interest rates over the next six months will continued on a slightly lower trend.

Peter explained to the Board the negative arbitrage condition that exists in the market is caused by a sharply upward sloping yield curve and reviewed with the Board two ways that Paine Webber has dealt with negative arbitrage in the past including a mortgage warehousing program in which the mortgage lenders or a third party, as loans were originated, agreed to carry the loans for a certain time period up to 42 months. This would allow the Board to invest for a longer period of time thus enabling them move up the yield curve and reducing the negative arbitrage. Another option would be sell bonds on a forward delivery basis. With this concept the Board would sell bonds or enter into a purchase contract with an investor who would guarantee an interest rate today but the bonds would not be delivered or paid for until a future date.

Peter shared with the Board a chart that shows from 1988 through 1993 the top 25 Montana issuers of municipal bonds and the Board of Housing in relationship to other municipal bond issuers within the State of Montana and the Board ranked fourth in principal amount of bonds issued and was ranked first in the number of issues.

Peter advised the Board that he spent Wednesday, August 18th, in the Board's office going over a variety of issues with staff including financials, House Bill 2, reviewing current programs, updating cashflow programs and multifamily issues. Peter also advised the Board that he met with two of the investment banking team co-managers and discussed how business will be conducted among themselves. Peter advised the Board that as a result of the meetings Paine Webber has a better understanding of the Board, the direction they wish to pursue and is looking forward to working with them.

SINGLE FAMILY PROGRAM UPDATE

1993 BRIDGE RECYCLING PROGRAM

Dick Kain advised the Board that Bob Morgan was unable to attend the Board meeting and that he would be presenting the Single Family Program Update. Dick explained that the Bridge Recycling Program is the Board's current homeownership program and it became available on July 1, 1993. The Board normally issues bonds to fund programs and that ability has been subject to Congressional approval on an annual basis. The Board's ability to issue bonds was sunset on June 30, 1992. The recent Budget Bill that was signed by President Clinton permanently extended the

legislation giving the Board the permanent ability to issue bonds to advance homeownership. The Bridge Recycling Program was established to bridge the period of time when the Board could not issue bonds. Mortgage prepayments are being recycled at a 7.0% rate into new 30 year mortgage loans.

Dick reported that of the \$10,000,000 in setaside, eight reservations for \$313,900 have been received, the average reservation amount is \$39,237.50 the average gross annual income is \$28,384.00 with an average household size of 2.50. Dick reviewed the location of reservations by area and the 84 lenders that have signed up to participate in the program. Dick shared with the Board copies of advertisements that were placed in four major dailies across the State and ran Sunday, August 15th. Staff will continue to promote the program. The Board briefly discussed the mortgage rate of the Bridge Recycling Program and directed to staff to run cashflows to determine if it would be feasible to reduce the mortgage rate to 6.5%.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Dick Kain explained that the Homebuyers Cash Assistance Program (CAP) was developed as a result of the input received from a public meeting and that the program is designed to assist those individuals and families who could financially make a mortgage payment but were not able to accumulate enough funds for a downpayment. Dick reported that as of August 13, 1993, there are 9 outstanding reservation for \$314,019.00 and 28 loans have been purchased for \$1,118,810.72; of the \$2,000,000 of 6% setaside for first mortgages there remains \$567,170.28 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$16,258.00 in lendable funds available. The average CAP loan funded is \$925.00; the average loan purchased is \$39,957; the average household income is \$18,466.00; and the average household size is 2.1. It was noted that most of the activity is in Billings.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Dick Kain presented to the Board a two page summary of recycled mortgage program setasides as of August 13, 1993. The first page is a summary of the setasides with an mortgage rate of 7%; totaling \$9,948,566 and include: Neighborhood Housing Services' two setaside programs totaling \$549,232, the FHA 203(k) setaside which is \$4,899,334. It was noted that the 203(k) is a difficult program for lenders to work with and it was explained that the 203(k) program allows a buyer to obtain a loan to both purchase a home and rehabilitate it to meet FHA standards. It was suggested that FHA be invited to a future Board meeting to discuss possible changes to the program to make it more attractive to the lending community. The Manufactured Housing setaside which is the last setaside with a mortgage rate of 7% is \$4,500,000, it was noted that the program has had no activity.

The second page of the summary include setasides with an mortgage rate of 6%; totaling \$5,215,710 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$567,170; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. Dick explained that the last three Programs noted are also to receive HOME Program grants. The total setaside for all programs is \$15,163,736.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Dick Kain reported that the Board, as of August 13, 1993, has received 53 applications for the Disabled Accessible Affordable Homeownership Program which became available July 1, 1993. Of the 53 applications received 47 have been approved; 1 is in process; and 6 have been denied. It was explained that the applications were approved by the Board in regards to meeting the eligibility requirements, the Board sets the mortgage rate and the applicant then needs to meet the lenders loan qualifications. The average income of approved applications is \$14,220; the mortgage rate distribution is as follows: 19 loans at 2.75%; 7 loans at 3.75%; 9 loans at 4.75%; 7 loans at 5.75%; and 5 loans at 6.5%. Dick reviewed the applications by area noting the wide distribution across the State. Dick also advised the Board that 74 lenders have signed up to participate in the Program. Dick further explained that loans could be made either to individuals or non-profit entities and suggested that staff needed to begin working with non-profit entities to utilize the program. Dick advised the Board that the Governor has done a public service announcement on the availability of the Program which has been sent to television stations. The announcement, which is approximately a minute and a half, advises Montana's disabled population that the program is available.

REVIEW REQUEST OF MONTANA MANUFACTURED HOUSING ASSOCIATION TO CHANGE INCOME LIMITS

Dick Kain drew the Board's attention to a letter dated July 26, 1993 from Stuart Doggett, Executive Director, Montana Manufactured Housing Association requesting that the Board increase the income limit from \$25,000 to \$30,000 for the setaside for the Manufactured Housing Program. After a brief discussion in which the Board considered the concerns they have regarding the program and obstacles that they have become aware of since the setaside was established, including FHA inspection requirements and FHA's inability to insure the home if it has been moved more than once, reviewed the request and examined options available to them. Upon further discussion Mike McKee moved that the income limits not be increased as requested by Montana Manufactured Housing Association and that the program remain intact until further discussions with the Association. Bob Savage seconded the motion. The motion was amended by Bill Oser and seconded by Dean Mart to ask the Montana Manufactured Housing Association back to discuss the Program. The motion was approved with five Board members voting for the motion and one Board member opposing the motion.

LOW INCOME HOUSING TAX CREDIT UPDATE FINAL ALLOCATION PLAN FOR 1993

Maureen J. Rude, Multifamily Program Officer, presented for Board action the final allocation plan for the Low Income Housing Tax Credit (LIHTC) Program. Maureen explained that the LIHTC Program received permanent extension in the Budget Bill recently signed by President Clinton and presented a list of all the tax credits allocated since the program was initiated in 1987. Maureen explained that at the January, 1993 Board meeting the Board approved a Draft Allocation Plan for the LIHTC Program and that today the Board has before them the Final Allocation Plan for the LIHTC Program with changes based on the extension in the Budget Bill. Maureen briefly reviewed the LIHTC Program with the Board explaining that this is a Federal tax credit program set out in Internal Revenue Code Section 42, project owners must meet certain requirements, that only rental housing can qualify, however it can be either

rehabilitated or new construction housing and that the amount of credit allocated is dependent on the kind of financing the project has. Maureen noted that before the Allocation Plan can be distributed that it must be approved by the Board and approved and signed by the Governor. Maureen recommended that because the Program was extended so close to the end of the year that the Board for the 1993 Allocation Plan eliminate the language that requires approved projects to provide evidence the project is progressing within 90 days. Maureen also recommended that the September 1, 1993 Application Submission Round be eliminated, noting that the time-frame between Board approval, the Governor's approval and distribution would not allow a significant amount of time to prepare an application. Following a brief discussion Gerry Hudson moved that the Board approve the Allocation Plan as recommended by staff, Paul Bankhead seconded the motion which was unanimously approved.

Maureen advised the Board that she conducted a compliance site visit of the 30 unit elderly/handicapped Tax Credit project in Stevensville on Thursday, August 19, 1993. She explained that the compliance monitoring requirements direct that a site visit be conducted every three years and that tenant certificates of eligibility be reviewed every year. Maureen advised the Board that the project is well taken care of and that it is a nice project. Maureen also noted that it is a very good example of how the program can work in the provision of needed and affordable housing.

REVIEW OF MONTANA BOARD OF HOUSING ACTIVITY IN HAMILTON AND STEVENSVILLE FROM JULY 1, 1989 THROUGH JULY 1, 1993

Dick Kain briefly reviewed with the Board the program activity in the Hamilton and Stevensville areas from June 30, 1989 through June 30, 1993. Dick noted that in Hamilton the Board through the Single Family Bond Program has assisted 31 homebuyers, through the Mortgage Credit Certificate (MCC) Program 5 homebuyers have been assisted and 1 homeowner has been assisted with the Reverse Annuity Mortgage Program. In Stevensville 22 homebuyers have been assisted through the Single Family Bond Program, 3 through the MCC Program and 1 project which constructed 30 low income rental units has been completed using Low Income Housing Tax Credits.

OTHER BUSINESS

REVIEW PROGRAMS BROCHURE

Dick Kain directed the Board's attention to a new program brochure and explained that the brochure lists the Board's active programs. The brochure was briefly reviewed with the Board.

Dick shared with the Board an article from Policy Review regarding transitional/homeless housing. This article specifically relates one person's efforts to help homeless women with children become self-reliant.

SET NEXT MEETING DATE

The next meeting was set for Friday, September 24, 1993, at 8:30 a.m., in the Governor's Reception Room, Room 204, State Capitol, Helena, MT.

SET AUDIT COMMITTEE MEETING DATE

The Audit Committee scheduled a meeting to be held on September 23, 1993, at 4:00 p.m. in the Board's office.

The Board took a ten minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that as Chairman he has set a goal for the Board to increase the public's awareness of the Montana Board of Housing and the programs available to the public through the Board. To that end the Board will be conducting meetings in communities across the State to inform the public and to obtain input from the local housing providers. Bob then turned the meeting over to Dick Kain to act as facilitator. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Bitterroot Valley and comments relative to the Board's current programs.

Mike Chaffin, President, Ravalli Services Corporation, advised the Board that his organization works with the developmentally disabled. Mike explained that within the past several years there has been a move away from the traditional group home setting and more of an emphasis on placing clients into individual homes. Mike explained that it is a challenge for them to find housing with rent controls which are affordable to their clients and noted that they would like to develop rental housing and maintain rent control over the project. Mike also commented on the Disabled Accessible Affordable Homeownership Program, asking that the Board consider expanding the eligibility of the program or to create another program to include other kinds of disabilities, noting clients that would qualify for the program except that they are not physically impaired. Mike advised the Board that the State offers very few programs with an interest rate low enough to make the housing affordable, explaining that rents would need to be less than \$200 per month to be affordable to his clients. Mike stressed the acute need for low income housing in the Bitterroot area and for a local focus on those needs.

Bernie Swift, Montana State Senator, explained that with the increase of home values in the area that locally there is more of a rental problem and a real need for multiple unit rental facilities. Senator Swift suggested that perhaps the Board could shift some of their financing more toward an emphasis for rental facilities. The Senator agreed with the Board's decision to review the requirements for the Manufactured Housing Program and noted that the review could be used as an opportunity to make the program more workable for people in western Montana. Senator Swift commended the Board for their visits to communities around the State and to inform the public of available programs, noting that it is a service to the communities for the Board to gather local information and get a better understanding of what housing is available and needed across the State.

Herb Kester, Hamilton City Council, advised the Board there is a need for more mobile home rental spaces in the area. Herb explained that if a mobile home were purchased that there is no place to move the mobile home. Herb also explained to the Board that there is a great demand for subsidized rental housing in the valley and cited one example of a two page waiting list. Dick Kain explained that across the State there is a tremendous need for rental assisted housing and explained that it would be helpful for the Board to know what kind of needs the people on the waiting list had, if the need was for one bedroom, two bedroom, three bedroom or larger. Mike McKee noted that for the very low income, in order to get housing started there needs to be a governmental or non-

profit entity to direct and channel activity and funds. There needs to be a partnership to research housing needs and develop programs, to work with local lenders and for the Board to work with to develop programs.

Emil Erhardt, President, Chamber of Commerce and President, Citizens State Bank, Hamilton, explained that the Chamber had attempted to organize into an entity to deal with housing but with the size of the county's population, limited availability of reasonably priced land and various zoning ordinances it is very difficult for the communities to get together. Dick advised Emil that the Board of Housing's expertise and resources are available to act as a facilitator to assist in putting together an entity to deal with the issue of housing.

Jim Morton, Human Resource Council, explained that they have had an application approved recently for the Board's Multifamily Rental Housing Pilot Program. Jim expressed concern with regulations that make it difficult to access monies such as Community Development Block Grants (CDBG), along with the difficulties of obtaining money to pay for the expertise needed for the first couple of years of start up. Jim explained that they are at a point where they need technical assistance, they need to know who to contact and where they can go and that it would be helpful to obtain technical support from the Board. Jim noted that his agency runs the Section 8 housing program for Ravalli County which has a total of 50 vouchers/certificates for subsidized housing. Currently there are between 200 and 300 people on the waiting list, the average wait is anywhere from 18 months to four years and that the greatest need is for three or more bedroom rental housing. Jim asked that the Board consider a permanent Multifamily Program to provide much needed funds, with perhaps mixed income projects.

Rosemary Griffin, Citizens State Bank, advised the Board there has been a reduction in requests for Board loans because mortgage rates have decreased and that often times the additional FHA mortgage insurance premium will throw off the ratios for loan approval. Rosemary also noted that the purchase price of homes in the area has increased substantially and currently range in the high \$70,000 and low \$80,000. While the prices of homes have increased, income levels have not increased proportionately, leaving many people unable to afford a home. Rosemary explained that the increased purchase price of homes has caused a significant lack of available homes for purchase in the \$35,000 to \$40,000 price range. Rosemary also noted that the while Manufactured Housing Program is a good program, locally there is the problem of where to put the home once it is purchased. It was noted that Board staff could meet with local lenders, realtors, builders to discuss the Board providing a financing vehicle for the permanent construction of affordable homes to target a specific group of individuals but that input on prices and affordability levels would need to be obtained from the local community. It was noted that Ravalli County lacks a comprehensive zoning plan, building codes and a whole range of other issues that need to be addressed as the area becomes an active player in affordable housing.

Bob Scott, resident of Hamilton, reiterated the critical need for housing in the area and the large number of individuals who can not afford a home. Bob suggested that in order for programs to assist certain low income sectors that the Board may have to reassess the financial vehicles that it currently has in place. Bob suggested that

one possibility would be some kind of direct subsidy to bring down the cost of a new home to around \$40,000.

Ray Karr, VFW, Stevensville, advised the Board that he represented the veterans. Ray applauded the Board for visiting the communities to determine local needs. Ray explained to the Board that two-thirds of all veterans are veterans of World War II and live on a fixed income, the other one-third of veterans are veterans of either Korea or Vietnam. More and more veterans qualify as low income, many are homeless or move around a great deal and because of stress related injuries they need assistance but have a lot of pride and don't want to ask for the help. Ray suggested that for these veterans it would be necessary to seek a way to get the programs to them. Ray also asked that if a group is organized to deal with the issues of housing that the veterans would like to be represented.

Herb Kester expressed a concern with individuals classified as low income using FHA guidelines displacing those individuals with very low income from subsidized housing. Herb also stressed the need for construction of more low income rental units.

Jim Teslow, CPA, Burnt Fork Manor, advised the Board that through his work at the Burnt Fork Manor he has worked with the Low Income Housing Tax Credit Program. He voiced his concern at the amount of paperwork and time that is involved and that the program suggests a 40 year commitment on an investment from investors who were use to investing for shorter period of time. Jim also noted that there was a great deal of federal regulation involved and a lot of time is required to make sure that all facets of the project are in compliance. Jim noted that requirements of Farmers Home Administration are different from the Tax Credit Program and being in compliance with one does not mean compliance with the other. It was asked if it would be possible for the State to issue tax credits to private investors for the provision of low income rental housing versus using the federal program.

Larry Lund, Coldwell Banker, noted the housing market in the Bitterroot Valley is extremely strong, explaining that the market which would include low income housing has appreciated in value faster then the high end housing market causing a greater demand for the lower priced housing. What is happening is that more and more people are not qualifying for loans because their income is not increasing proportionately to the purchase price of the housing. Larry also advised the Board that because of the increased regulations involved the last loan that a realtor will typically put together is a FHA loan. Several areas of difficulties were discussed including acreage limitations, obtaining comparable appraisals, getting an appraisal on a log home and road maintenance agreements.

Merna Martelle, First State Bank, Stevensville, explained that many of the problems that she sees have already been discussed.

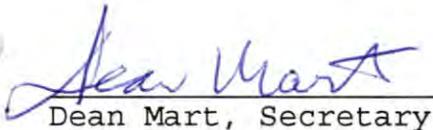
Tom Jordan, Jordan Real Estate, Missoula, commented that his observation is that the meeting is dealing with concerns for low income housing to address the needs of several different constituencies and each group has its own separate requirements. Tom felt that there have been a number of excellent ideas including donated resources, increased subsidies, decreased regulations and increased involvement of other groups. Tom

also expressed the long term need to increase jobs and payrolls via increased business activity encouraging the development of new business and relocation of existing businesses. Tom commended the Board for the outstanding work that they have done toward solving housing problems. Tom also suggested that State and local government agencies be consolidated in regards to all of the constituencies to determine what is needed and then develop an overall plan to address the needs.

Laurel Hegstad, Mayor, Hamilton, commented on a complex survey that she had received requesting information about housing in the area that we had recently sent out, noting that it was very difficult to answer the questions. Mayor Hegstad was advised that the survey was probably distributed by another agency within state government as the Board had no outstanding surveys. Mayor Hegstad indicated that it was regarding Comprehensive Housing Affordability Strategy (CHAS). It was noted by the Board that a major problem with housing in Montana is that several state agencies deal with housing issues. The Board also noted that there is a great deal of duplication on all levels from the state level down to local levels and often the result is different agencies working at cross purposes.

Terry Klampe, Montana State Senator, noted that he would be interested in pursuing a state tax credit program primarily if the first people to be considered under the program would be the elderly and the disabled.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

September 24, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF INVESTMENT BANKERS COMMITTEE MEETING

August 12, 1993

The Montana Board of Housing will hold an Investment Bankers Committee meeting on Thursday, August 19, 1993, beginning at 2:00 p.m., in the office of Bob Thomas, Board Chairman, in Stevensville, to review the guidelines for the functioning of the investment banking team.

8/12/93



MONTANA BOARD OF HOUSING

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Notice having been given, the Investment Bankers Committee of the Montana Board of Housing met on Thursday, August 19, 1993 at 2:00 p.m in the office of Bob Thomas, Board Chairman, in Stevensville. Participating were: Gerry Hudson, Chairman of the Investment Bankers Committee; Committee Members Bob Thomas, Bill Oser, Paul Bankhead; Board Member Mike McKee; Peter Nolden, Paine Webber; Gordon Hoven, Piper Jaffray; Gene Huntington, Dain Bosworth; and staff Dick Kain.

The Investment Bankers Committee presented and reviewed the guidelines for the functioning of the investment banking team. Extensive discussion dealt with the Montana Municipal Market, past experience with bonds being sold within Montana and the achievement of the optimum mortgage rates.

There was no further discussion and the meeting adjourned at 3:10 p.m.

Dated



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AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JULY 23, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - June 24, 1993 Business Meeting
 - June 24, 1993 Audit Committee Meeting
- III. INVESTMENT BANKERS COMMITTEE REPORT - Gerry Hudson
- IV. GENERAL COUNSEL REPORT - Mike Mulroney
- V. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Review of 1992 Series A Escrow Deposit
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1992 Series A
 - B. 1993 Bridge Recycling Program
 - C. Homebuyers Cash Assistance Program
 - D. Status of Recycled Mortgage Program Setaside
 - E. Disabled Accessible Affordable Homeownership Program
- VII. FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM - James Holzler, Farmers Home Administration
 - A. Status of Program
- VIII. MONTANA BUILDING INDUSTRY ASSOCIATION - Nancy Griffin, Executive Director
 - A. Energy Efficient New Construction
- IX. MULTIFAMILY HOUSING PROGRAM
 - A. Overview of Proposals Received In June 28, 1993 Application Round - Maureen Rude
 - B. Presentation of Staff Approved Proposals by Applicants
 1. Bozeman Interfaith Housing Inc. - John Plummer, Pastor, First Baptist Church
 2. Helena Housing Authority/City of Helena - Sherron Massman, Executive Director, Helena Housing Authority; Lynn Moon, Grants Administrator, City of Helena
 3. Ronan Housing Authority - Billie Lee, Executive Director

- X. NORWEST BANK MINNESOTA, N.A. - Thomas Kraack, Vice President -
Corporate Trust
 - A. Overview of Montana Board of Housing Trustee Functions
- XI. OTHER BUSINESS
- XII. SET NEXT MEETING DATE
- XIII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

7/8/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JULY 23, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead, (Present)
Mike McKee, (Present)
Bill Oser, (Present)
Bob Savage, (Absent)

STAFF:

Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Sue Mannix, Accountant
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulrone, Board Counsel
Luxan & Murfitt
John Wagner, Bond Counsel
Kutak Rock

OTHERS:

Lynn Moon, City of Helena
Sherron Massman, Helena Housing Authority
John Grant, Jackson, Murdo, Grant and McFarland
Charlie Rehbein, Office on Aging
Thomas A. Kraack, Norwest Banks
Gene Huntington, Dain Bosworth
David Notkin, Bear Stearns
Lance Clark, Montana Association of Realtors
Nancy Griffin, Montana Building Industry Association
James Holzler, Farmers Home Administration
John Plummer, Bozeman Interfaith Housing Inc.
Maggie Newman, Ronan Housing Authority

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

After a brief discussion of the Annual Income Limit Review portion of the June 24, 1993 Business Meeting minutes, Dean Mart moved that the minutes be amended to include Mike McKee's comments as outlined in Mike's letter dated July 19, 1993, Mike McKee seconded the motion which was unanimously passed. The June 24, 1993 Audit Committee minutes were approved as presented.

INVESTMENT BANKERS COMMITTEE REPORT

Gerry Hudson, Chairman of the Investment Bankers Committee, advised the Board that the Committee met on July 7th in Billings and reviewed eleven proposals, the Committee cut the number of firms to be interviewed to seven and interviewed those firms on July 22nd. Gerry first moved that the Board adopt a policy, based on the Committee's recommendation, that the Investment Bankers Committee, on an annual basis, review and report to the Board the performance of the investment banking team, Bill Oser seconded the motion, which was unanimously approved. Gerry, based on the Committee's recommendation, moved that Paine Webber be named Senior Manager of the investment banking team. Paul Bankhead seconded the motion and the motion was unanimously approved. Gerry then, based on the Committee's recommendation, moved that Merrill Lynch, D.A. Davidson, Dain Bosworth and Piper Jaffray be named Co-Managers of the investment banking team. The motion was unanimously approved after a second by Bill Oser.

GENERAL COUNSEL REPORT

Mike Mulrone, Luxan and Murfitt, explained, per Board instruction at the June 24, 1993 Board meeting, that staff with aid of counsel has completed the necessary steps to implement the provisions of House Bill 2 (HB2). Mike noted that the meeting packets included copies of letters sent by staff to the Trustees asking what they would require to transfer funds from the indentures prospectively to pay appropriate FY94 program expenses in conformance with HB2. Mike advised the Board that the Trustees have been very diligent and all have responded, copies of the letters are in the meeting packets, notifying the Board that funds can be transferred prospectively by providing them with an Officer's Certificate which specifies that funds are to be used to pay appropriate FY94 program expenses, that funds be segregated in separate accounting entities and not co-mingled and that the Board report to them on expenditures paid and remaining funds. Staff and counsel will continue to work with the Trustees on the transfer of the prospective program expenses as required by HB2.

Mike also reviewed two resolutions with the Board, resulting from Board action at the June 24, 1993 meeting, and recommended the Board adopt the Board Resolutions. The first resolution would release \$78,000 from the Housing Trust Fund which is no longer required by the rating agency Standard and Poor's as additional security to maintain a "AA" bond rating on the Montana Board of Housing's 1988 Series B, 1989 Series A, 1990 Series A, 1990 Series B and 1990 Series C. Dean Mart moved that the Board adopt Resolution 93-0624-S1 terminating the pledge of \$78,000 as additional security to Standard and Poor's, seconded by Gerry Hudson the motion was unanimously approved. The second resolution would release all available funds in the Housing Trust Fund secured by the Fifth Supplemental Trust Indenture dated May 1, 1993. Mike McKee moved that the Board adopt Resolution 93-0624-S2 releasing all available monies in the Housing Trust Fund secured by the Fifth Supplemental Trust Indenture dated May 1, 1993, for deposit with the State Treasurer. The motion was seconded by Dean Mart which was unanimously approved.

ACCOUNTING AND REPORTING UPDATE

Karen M. Wynne, Comptroller, presented to the Board a comparison of loan and escrow deposit information for the bond Series' 1992A, 1991B and 1991A. Karen advised the Board that each bond issue was in the amount of \$25,000,000. Karen reviewed the number of loans originated for each issue, the duration of loan origination and the balance of non-originated loan proceeds. Karen noted that Series 1992 A loan acquisition period expired on June 30, 1993 and the remaining balance of \$2,042,034 will be used to call bonds. It was explained that escrow deposits were required for each issue (1992A, 1991B, and 1991A) because the reinvestment rates of the acquisition funds were less than the bond yield rates. Cashflows were run to determine the spread and the amount of monies to be placed in an escrow deposit account that may be needed to cover the spread. Monies from the Housing Trust Fund were pledged as escrow deposits to satisfy the rating agencies and maintain the Board's "Aa" bond rating. Karen noted that the escrow deposits for 1991B and 1991A were not needed, however the entire escrow deposit of \$200,000 for Series 1992 A will be required. Karen explained that the transfer of \$200,000 of the 1992A escrow deposit will take place on August 2, 1993.

SINGLE FAMILY PROGRAM UPDATE

1992 SERIES A

Robert D. Morgan, Single Family Program Officer, presented a graph showing a comparison of loans purchased for Series 1991 A, Series 1991 B and Series 1992 A. The graph illustrated the rate at which funds were purchased for each issue.

Bob presented the Series Allocation Summary Report for the 1992 Series A bond issue, which expired June 30, 1993. Of the \$23,167,106.39 in available proceeds the Board purchased 431 loans for \$21,125,071.69. The average purchase amount was \$49,014.08, the average gross annual income was \$27,704.31. Bob advised the Board that there remained \$2,042,034.70 in unexpended proceeds and those funds will be used to call bonds. The Board reviewed the major users of the Program and the Housing Profile comparing the average loan amounts between counties with the largest number of loans. Of the 431 loans purchased 399 were FHA insured, 26 were VA guaranteed and 6 were FmHA guaranteed.

A comparison of FHA/VA mortgage quotes as of July 19, 1993, was presented and it was noted that based on the quotes the market looks to be at 7.00% with 2 points.

1993 BRIDGE RECYCLING PROGRAM

Bob Morgan advised the Board that the 1993 Bridge Recycling Program became available on July 1, 1993 and explained that \$10,000,000 of 7.0%, 30 year term funds were set aside. Four reservations have been received for \$165,200, the average reservation amount is \$41,300, the average gross annual income is \$30,162 with an average household size of 2.75. Bob explained that as of July 19, 1993 30 lenders have signed up to participate in the program.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan, reported on the Homebuyers Cash Assistance Program (CAP) as of July 19, 1993. There are 12 outstanding reservations and 24 loans have been purchased; of the \$2,000,000 of 6% set aside for first mortgages there remains \$618,755.28 in lendable funds and of the \$50,000 in set aside for downpayment assistance there remains \$17,053 in lendable funds available. The average CAP loan funded is \$924, the average loan purchased is \$39,171 with an average household income of \$18,394 and an average household size of 2.1 persons.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented to the Board a two page summary of recycled mortgage program setasides as of July 19, 1993. The first page is a summary of the setasides with an mortgage rate of 7½%; totaling \$9,989,657 and include: Neighborhood Housing Services' two setaside programs totaling \$590,323, the 203(k), an FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. Bob was asked what is the status of the Manufactured Housing Program and Bob advised the Board that although no reservations have been received, he is still receiving inquiries about the Program and that he has talked with the Executive Director who told him that they are still working on promoting the Program and it will take time. Dean Mart noted that a problem he has seen is that the borrowers when told about the FHA construction/site plan requirements don't know what to do and perhaps this is an area that the Manufactured Housing dealers can address. Mike McKee also noted that currently the financing rate for manufactured homes through the dealerships is approximately 8% which is very competitive.

The second page of the summary include setasides with an mortgage rate of 6½%; totaling \$5,266,755 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$618,755; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. Bob explained that the last three Programs noted are tied to HOME Program grants which should be distributed in late August or early September. The total setaside for all programs is \$15,256,412.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Bob Morgan reported to the Board that the Disabled Accessible Affordable Homeownership Program became available July 1, 1993 and that there has been a very good response to the Program. As of July 20, 1993, the Board has received 19 applications: 12 have been approved; 5 are in process; and 2 have been denied. The average income of approved applications is \$13,808; the mortgage rate distribution is as follows: 4 loans at 2.75%; 1 loan at 3.75%; 3 loans at 4.75%; 3 loans at 5.75%; and 1 loan at 6.5%. Bob shared with the Board a list, as of July 19th, of 14 lenders that have signed up to participate in the Program.

FmHA GUARANTEED RURAL HOUSING LOAN PROGRAM

STATUS OF PROGRAM

James Holzler, Chief of Housing, Farmers Home Administration (FmHA), Bozeman, explained that FmHA is a branch of the Department of Agriculture and receives their funding through the Congressional Budget process. Jim explained each state receives an allocation for the Guaranteed Rural Housing Loan Program and because Montana's program was moving rather slowly they had been in danger of losing their allocation to other states. Jim did advise the Board that the allocation has been reinstated and of the original allocation of \$1,700,000 there remains available approximately \$500,000 available for loans. Jim noted that since October of 1992, approximately \$680,000 in loans have been made. Loans in process total \$550,000.

Jim also advised the Board that since Montana was not involved with the pilot program they are still trying to establish a network with lenders and realtors throughout the state. A listing of lenders participating in the Program was shared with the Board, it was noted that State Bank of Townsend and Valley Bank in Glasgow are the most active lenders. Jim explained that the Guaranteed Rural Home Loan Program was designed for moderate income families, the maximum purchase price is \$75,500 and that

only rural communities (incorporated towns with populations less than 20,000) can be served by the Program. The property must have direct access to a public road, be on one acre or less and FmHA is in the process of working with Board staff to provide loans on Native America Reservations. Jim reviewed with the Board the loan process and advised them that lenders can loan up to the appraised value of the property and some closing costs can be incorporated into the loan amount. Jim noted that the real estate community has been quite receptive, Lance Clark, Montana Realtors Association, advised Jim that he would see to including information about the Program in their next publication if he could get him some information. Jim concluded by advising the Board that the Program is to be re-evaluated in mid-August and funding may be pooled to other states if it is determined that the Montana Program is not active enough.

Staff advised the Board that six loans have been purchased for \$265,000, the average purchase price is \$44,166, the average household income is \$29,577 and the average household size is 4 persons. The loans purchased by area were reviewed as were the loans in process.

MONTANA BUILDING INDUSTRY ASSOCIATION
ENERGY EFFICIENT NEW CONSTRUCTION

Nancy Griffin, Executive Director, Montana Building Industry Association (MBIA), advised the Board that the MBIA has approximately 1,000 members across the state and they are quite concerned about housing issues. Nancy explained that in January she was before the Board and assisted in the presentation, for the Board's consideration, of the Energy Efficient Mortgage Program, which was approved at that time. Nancy then reviewed the background of the Program. Over the last six legislative sessions there have been lengthy discussions between the homebuilders and the energy/utility companies and some environmental groups. The discussions centered on building codes, the utility companies maintaining that codes should be at Super Good Sense Energy Conservation levels and the homebuilders and home consumers maintaining that while everyone would like a home built to those standards there was a cost factor involved that would eliminate many potential homebuyers. The Environmental Quality Council facilitated a collaborative effort of all parties involved in housing to find a solution to providing cost effective, energy efficient housing with a low downpayment. The group agreed that all decisions made had to be unanimous or they would not be accepted. The program that was developed required legislative action on two issues. The first issue was to appropriate funds from the Department of Natural Resource and Conservation to match utility company contributions to set up an insurance pool for the difference between the maximum FHA insured purchase price (\$75,500) and the Program's maximum purchase price (\$95,000).

The second issue involved changing the building codes, revising the codes to a higher level than they currently are but not quite to the level of MCS standards. This also included in lieu of a statewide building codes enforcement program, a builder self-certification program which would mean that all new homes built in Montana regardless of funding would be required to have a label on the breaker box listing the energy features and components of the home. Both pieces of legislation were finally approved by the legislature, however, the Program development is currently on hold until Congress extends Mortgage Revenue Bonds.

Nancy briefly explained that this Program will fill a gap in the housing market not currently being addressed and feels that the demand for the first bond issue of this Program will cause an immediately sell out.

Nancy ended by noting that as the Program becomes available it will be refined and asked that the Board consider possible programs for homeowners who are looking to move up from their first home into a second home, which in turn will free up homes for first time homebuyers.

MULTIFAMILY HOUSING PROGRAM

OVERVIEW OF PROPOSALS RECEIVED IN JUNE 28, 1993 APPLICATION ROUND

Maureen Rude, advised the Board the second application round for the Multifamily Pilot Program for Rental Housing was June 28th. Maureen briefly reviewed the Program noting that \$2,500,000 in lendable funds were available to governmental units and non-profit entities for 30 to 40 year mortgages, with a mortgage rate of 6.0%; and a 75% maximum loan to value. Maureen further explained that the Program also has a small pilot subsidy program incorporated into the RFP for which entities can also apply. The Program can subsidize approximately 20 units with an average rent of \$120 per unit, the subsidy would allow sponsors to charge lower actual rents for a percentage of the units and would be treated as a zero interest deferred second loan. The subsidies are based on an agreement with the Department of Housing and Urban Development (HUD), and can only be provided for families below 50% of median income.

Maureen explained that preliminary commitments are for a period of 90 days in which time substantial progress on the project must be made. The preliminary commitment by the Board gives projects greater creditability as the entities apply for other sources of funding.

Maureen briefly reviewed the remaining funds available if the three proposals presented today are approved for preliminary commitment. Of the \$500,000 Non-Profit Allocation there would remain \$145,000; of the \$2,000,000 Governmental Allocation there would remain \$1,500,000; of the \$300,000 Cash or Insured Loan Asset Requirement there would remain \$8,358; and of the Subsidy Program's 20 units, 8 units would remain available.

Maureen presented a summary of second round proposals received, noting that three proposals were received, all of the proposed projects were below the 75% loan to value requirement, were eligible based on the terms and conditions, met the soundness and completeness criteria and the financial feasibility analysis.

PRESENTATION OF STAFF APPROVED PROPOSALS BY APPLICANTS

BOZEMAN INTERFAITH HOUSING INC.

John Plummer, Pastor, First Baptist Church, explained to the Board that Bozeman Interfaith Housing Inc. is a non-profit group formed by several local churches to address the need for low income housing in Bozeman and it is the intent of their proposal to construct, own and manage nine units of housing with a total estimated cost of \$603,840. Pastor Plummer explained that members of the congregations (i.e. architects, attorneys, consultants, etc.) have donated their services to put the project together. Pastor Plummer explained that in addition to making application to the Board, Bozeman Interfaith has taken their proposed building design to the Bozeman Design Review Board for approval, they have selected a site and put earnest monies on the property, they are seeking additional funding through grants and have meet with county and community officials and they are injecting \$49,000 of the financing needed for the project, of which they have already raised \$12,000.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$335,000 of permanent loan financing for a term of 30 years be extended

to Bozeman Interfaith Housing contingent upon them finding a local lender to participate as construction lender or as administrator of the construction loan, applying for and receiving a HOME Program grant and raising the remainder of the \$49,000 in local campaign. Staff also recommends that the Board approve the three units of subsidy requested. The Board expressed a concern that an appraisal of the completed project be done to ensure that the loan to value ratio is maintained on all projects receiving funds for Multifamily Rental Housing. Mike McKee moved that the Board, based on the proposal presented and staff recommendation, extend to Bozeman Interfaith Housing Inc., a preliminary commitment of \$355,000, for a term of 30 years, contingent upon Bozeman Interfaith finding a local lender to participate as construction lender or as administrator of the construction loan, making application to and being awarded a HOME Program grant and raising the remainder of the \$49,000 in local campaign and also approve the three units of requested subsidy. Dean Mart seconded the motion which was unanimously passed.

HELENA HOUSING AUTHORITY/CITY OF HELENA

Sherron Massman, Executive Director, Helena Housing Authority and Lynn Moon, Grants Administrator, City of Helena presented for the Board's consideration a proposal for the new construction of 20 units of family rental housing. Sherron explained that to deal with Helena's increased housing shortage the Helena Housing Task Force was formed to consider ideas to provide housing including the proposal before the Board. Sherron explained that the project will be owned and managed by the Helena Housing Authority, they have applied for and received a Challenge Grant through American Federal Savings Bank to fund the preliminary planning process. The project will be permanent low income housing, four units will be one bedroom, 12 units will be two bedroom and four units will be three bedroom, the estimated cost of the project is \$1,400,000 and funding will come from several sources including the Board of Housing, Home Program, Community Development Block Grant (CDBG), Affordable Housing Grant and Community Investment Program funding through the Federal Home Loan Bank. Construction is slated to begin in April, 1994 and will target very low income families with 50% of the median income or below and 20% of the units will be targeted to handicapped persons. Rents will be based on the HOME Program rent structure.

Lynn Moon explained the process of site selection to the Board. Lynn explained that site selection and control is a priority, that any contract entered into must be a long term option because CDBG funds will be used to finance the acquisition and site improvement on the property. These funds will be granted in December, 1993 but will not be released until April, 1994. Therefore they have looked first to publicly owned properties. Lynn advised the Board that they are ready to sign an agreement to purchase a property which will provide four of the 20 units next to Helena Industries (a Helena business that hires the developmentally disabled). The site selection process for the other 16 units is nearing completion and Lynn advised the Board that they must have property commitments within the next 30 days for CDBG requirements.

Lynn extended her appreciation to Maureen for all of her assistance and cooperation in working with the Housing Task Force to put the proposal together.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that they be given the authority to make a preliminary commitment up to \$500,000 of construction and permanent loan financing for a term of 30 years after site control is obtained, if it is obtained within 30 days, to Helena Housing

Authority/City of Helena. The preliminary commitment be contingent upon the award of other sources of funding (i.e, CDBG Program and HOME Program) and maintaining site control. Staff also recommends that the Board approve the six units of subsidy requested. Gerry Hudson moved that the Board, adopt the Helena Housing Authority/City of Helena Multifamily Rental Housing Pilot Program proposal as recommended by staff. Paul Bankhead seconded the motion which was unanimously passed.

RONAN HOUSING AUTHORITY

Maggie Newman, Chairperson, Ronan Housing Authority, explained to the Board that the Ronan Housing Authority was started in September, 1992 and is the newest Housing Authority in the country. The area of responsibility for the Housing Authority is a ten mile radius surrounding Ronan, this includes the towns of Pablo and Charlo. Maggie explained that Pablo is the tribal headquarters for the Salish and Kootenai tribes. The Salish-Kootenai Tribal Authority is one of the most successful Housing Authorities in the nation, however they are only obligated to serve the needs of their members. The Ronan Authority was started to address the needs of all citizens of the community and has received a great deal of support from the Salish-Kootenai Authority as they are not able to serve the needs of all of their members.

Maggie advised the Board that their proposed project will be in two phases and will include new construction for two four-plexes, a duplex and rehabilitation of an existing duplex. The proposed sites will be scattered around the area, are close to all services and they have an option on a property to build the two four-plexes. The first phase of the project for six units, before the Board, will build one of the four-plexes and purchase and rehabilitate the existing duplex. Maggie explained that they have received a financing commitment from the Federal Home Loan Bank and are in discussions for a financing commitment with the Salish-Kootenai Tribal Authority. The Salish-Kootenai Authority Board of Commissioners has directed their Executive Director to work with the Ronan Authority regarding a \$50,000 no interest loan. The balance of financing for the first phase is being asked from the Board of Housing. Second phase financing will be achieved through application to CDBG and HOME Programs. Construction will begin as soon as funds are received.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$185,642 of permanent loan financing for a term of 30 years be extended to Ronan Housing Authority subject to application for FHA 203(b) insurance on each building and the Salish-Kootenai commitment of funds. Staff also recommends that the Board approve the three units of subsidy requested. Dean Mart moved that the Board, based on the proposal presented and staff recommendation, extend to Ronan Housing Authority, a preliminary commitment of \$185,642, for a term of 30 years, subject to application for FHA 203(b) insurance and receiving a commitment of funds from the Salish-Kootenai Tribal Authority and also to approve the three units of requested subsidy. Mike McKee seconded the motion which was unanimously passed.

NORWEST BANK MINNESOTA, N.A.

Thomas A. Kraack, Vice President, Corporate Trust, explained that Norwest Bank has been a trustee for the Board of Housing since 1977 and continues as trustee for several bond issues today. Tom thanked the Board for the opportunity to meet with them to talk about common interests and issues, the relationship between the Board and trustees and trends.

Tom first explained to the Board, that each of the Board's three trustees have independently rendered an opinion via a letter regarding HB2 and the prospective transfer of program expenses to the State Treasurer. In Norwest Bank's opinion the transfer is acceptable given certain contingencies and limitations. Tom explained that the documents are very explicit that the use of funds be expended for the purposes of operations and that it is imperative that funds not be co-mingled, either with other trustee funds or with other State funds. Tom explained that a central responsibility of trustees is to the bondholder and to the funds pledged to the bondholders, while trying to maintain a co-operative working relationship with the Board and their needs.

Tom shared with the Board a handout that explained the functions of a trustee noting that the trustee works with the bond documents at bond closings to ensure that investment language is clear and up to date and that there is consistency in language across all documents. Tom explained that the trustee works with staff after the bond closing on daily issues and further explained that there are four major areas of responsibility for a trustee. First the trustee invests, maintains the records and reports on bond proceeds and cashflows. Secondly, the trustee is involved in the maintenance and preservation of collateral and covenant compliance, which is primarily an issue for multifamily projects. The next area of responsibility is the area people most associate with a trustee function, that is processing principal and interest payments, transferring securities and bondholder recordkeeping. This area is highly regulated by the Securities and Exchange Commission. Lastly, trustees represent bondholders in default or workout situations.

Tom briefly touched on several current trends and issues. One issue caused by the lower interest rates is in the area of mortgage refinancing, which in turn is producing a large number of prepayments. Another issue concerning agencies today is the demand for middle income financing and mentioned a program that was designed as a lease to buy program where the homebuyer would lease a property for a period of time, locking into today's interest rate, building up the downpayment in escrow and at the end of the lease period be in a position to buy. Finally, Tom mentioned that an area where trustees can be of greater value is in the area of creating new technology to help better manage agencies and their assets.

OTHER BUSINESS

Richard A. Kain, Administrator shared with the Board a report compiled by staff outlining affordable housing production and identifiable economic benefits through September 1, 1992. It was suggested if the Board was interested in pursuing the idea of a identifying economic benefits to the State from Board involvement that persons with more expertise be involved in interpreting the data.

Dick next introduced Lance Clark, Montana Association of Realtors (MAR), to discuss with the Board the Mortgage Revenue Bond (MRB) extension. Lance advised the Board that every Congressional session it appears that the enactment of favorable legislation will have the effect of stabilizing the housing industry. Current House legislation permanently extends the MRBs while the Senate version extends the program for only two years. MAR continues to be actively involved in making MRB's permanent. Dick thanked Lance and shared with the Board several letters on the issue of permanent extension of MRB's

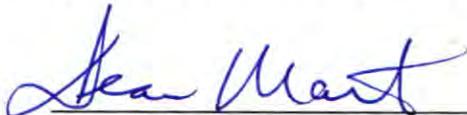
Bob Thomas advised the Board that if members were interested in attending the National Council of State Housing Agencies Annual Conference in San Francisco in October that Board action must be taken.

Following a brief discussion Dean Mart moved that up to four Board members and two staff be authorized to attend the Conference, Paul Bankhead seconded the motion which was unanimously approved.

SET NEXT MEETING DATE

The next meeting was set for August 20, 1993, at 8:30 a.m., to be held in Hamilton, with a public meeting to follow the meeting.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

August 20, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

July 19, 1993

The Montana Board of Housing will hold investment banker interviews on Thursday, July 22, 1993, beginning at 7:30 a.m. through 5:00 p.m., in the Downstairs Conference Room of the Department of Commerce, 1424 9th Avenue, Helena, MT.

7/19/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

June 29, 1993

The Montana Board of Housing's Investment Bankers Committee will hold a meeting on Wednesday, July 7, 1993, at 8:00 a.m., M.D.T., in the offices of Intermountain Mortgage Company, 3333 2nd Avenue North, Suite 250, Billings, MT, to review Investment Banker proposals and develop a list of Investment Bankers to be interviewed.

6/29/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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Notice having been given, the Audit Committee of the Montana Board of Housing met on Wednesday, June 23, 1993 at 12:30 p.m. in the Downstairs Conference Room of the Department of Commerce. Participating were: Dean Mart, Chairman of the Audit Committee; Committee Members Paul Bankhead, Mike McKee, Bill Oser, Bob Savage and Bob Thomas; Jim Woy, Anderson ZurMuehlen and Company; and staff Dick Kain, Administrator and Karen Wynne, Comptroller.

The meeting began with a discussion of the three (3) loan servicer reviews performed by Anderson ZurMuehlen in late April and early May. Noted exceptions included: hazard insurance policies that did not name Montana Board of Housing as the loss payee in the mortgagee clause; loan assumptions that were not acknowledged to the Board; Montana Board of Housing not identified on custodial accounts as the funds being held in trust for the Montana Board of Housing; and balances held in excess of \$100,000. Staff was directed to formally follow up with the three individual servicers on the identified servicing exceptions so as to resolve the exceptions.

Jim Woy, Anderson ZurMuehlen and Company, reviewed with the Committee the proposed scope of the FY93 audit. Jim noted based on discussions with staff and the Legislative Auditor's Office the scope of the audit will remain the same as previous years. Jim advised the Committee that the audit is scheduled to begin on August 2, 1993 and preliminary report expected by September 7, 1993. Discussion ensued regarding the reporting on the FY93 Financial Statements of the transfer of \$500,000 from the Housing Trust Fund to the State Treasurer.

Jim explained to the Committee the issue of related party transactions for Board members and staff and that the issue would again be reviewed since it is a necessary audit procedure and must be disclosed in the footnotes to the audited financial statements.

There was no further discussion, and the meeting adjourned.

A handwritten signature in blue ink, appearing to read "Dean Mart".

Dean Mart, Chairman

7-23-93

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JUNE 24, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- May 21, 1993 Business Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Budget Status Report - May 31, 1993
 - B. Review of April 30, 1993 Consolidated Financial Statements
 - C. Review of Biennium Budget for Fiscal Years 1994 and 1995
- IV. GENERAL COUNSEL REPORT - Mike Mulroney
 - A. Status of Pending Litigation
 - B. Update on Board Resolution of August 21, 1992 - Housing Trust Fund
 - C. Update on Board Resolution of February 22, 1991 - Standard and Poor's Corporation
 - D. Board Officers - Facsimile Signatures
- V. REVERSE ANNUITY MORTGAGE PROGRAM - Janet Kunz
 - A. Status of Program Changes
- VI. NEIGHBORHOOD HOUSING SERVICES (NHS), INC. OF GREAT FALLS
Nancy Stephenson, Executive Director
 - A. Update on Existing NHS/MBOH Programs
 - B. Request to Extend Affordable Housing II Setaside
- VII. MISSOULA HOUSING TASK FORCE - Nancy Leifer, Coordinator
 - A. Update on Housing Task Force Activities and Current or Future MBOH Involvement
- VIII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Richard Kain
 - A. Status of Program Implementation

(continued)

- IX. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1992 Series A
 - B. Status of Recycled Mortgage Program Setaside
 - C. Homebuyers Cash Assistance Program
 - D. Annual Income Limit Review
 - E. Mortgage Revenue Bond (MRB) Bridge Recycling Program
- X. OTHER BUSINESS
 - A. Moody's May 1993 Report on MBOH and Single Family Bonds
- XI. ADJOURN***

*** Audit Committee meeting to follow Business meeting.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

6/7/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JUNE 24, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Absent)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt
Board Counsel

UNDERWRITER: Mark Semmens, D. A. Davidson
Gordon Hoven, Piper Jaffray Inc.

OTHER: Charles Rehbein, Office on Aging
Jim Woy, Anderson ZurMuehlen and Co., P.C.
John Grant, Jackson, Murdo, Grant and McFarland
Gene Huntington, Dain Bosworth

The meeting was called to order at 8:30 a.m., by Chairman Bob Thomas.

Bob Thomas introduced a new Board member Mike McKee and asked Mike to tell the Board a little about himself. Mike explained that he is from Hamilton and is president of First Federal Savings and Loan Association of Montana. Mike noted that he was previously a Board member and his term ended two years ago.

APPROVAL OF MINUTES

The minutes of the May 21, 1993 Business Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

BUDGET STATUS REPORT- MAY 31, 1993

Karen Wynne, Comptroller, presented the Board's budget status, as of May 31, 1993. The Board has spent \$937,110 or 46% of the \$2,022,421 appropriation for fiscal year 1993, leaving a balance of \$1,085,311. Karen reviewed items of note with the Board and specifically noted an appropriation transfer made by the Department of Commerce.

REVIEW OF APRIL 30, 1993 CONSOLIDATED FINANCIAL STATEMENTS

Karen Wynne, presented the Board's unaudited consolidated financial statements for the period ending April 30, 1993 and April 30, 1992 and reviewed significant changes between 1992 and 1993, particularly in the area of extraordinary expenses related to optional bond redemptions.

REVIEW OF BIENNIUM BUDGET FOR FISCAL YEARS 1994 AND 1995

Karen Wynne, presented for the Board's review the Biennium Budget for Fiscal Years 1994 and 1995. Also presented was Fiscal Year 1993's budget and Fiscal Year 1993's actual expense as a comparison. Karen explained that the budgets for FY94 and FY95 represent 26% to 29% overall reductions from Fiscal Year 1993, due mainly to a decrease in budgeted foreclosure expenses. This reduction is in response to the lower number of delinquencies and actual foreclosures.

GENERAL COUNSEL REPORT

STATUS OF PENDING LITIGATION

Mike Mulrone, Luxan and Murfitt, advised the Board that there are two cases pending in which the Montana Board of Housing is named as a defendant. Mike briefly explained the substance of each case to the Board and further noted that the Board was named because the mortgage loans were purchased by the Montana Board of Housing and Mike did not feel that the Board had any liability in either case.

UPDATE ON BOARD RESOLUTION OF AUGUST 21, 1992 - HOUSING TRUST FUND

Mike Mulrone explained to the Board that Resolution 92-0821-S1 directed staff and counsel to amend the Board's trust indentures to pledge as additional security to bondholders the Housing Trust Fund. Mike advised the Board that actions taken to effect Resolution 92-0821-S1 have been completed through the execution of the Fifth Amending Supplemental Trust Indenture, dated May 1, 1993.

UPDATE ON BOARD RESOLUTION OF FEBRUARY 22, 1991 - STANDARD AND POOR'S CORPORATION

Mike Mulrone advised the Board that in February, 1991 Standard and Poor's (S&P) Corporation, as a result of a downgrading in Citibank, N.A. rating, placed Montana Board of Housing's 1988 Series B, 1989 Series A, 1990 Series A, 1990 Series B and 1990 Series C bond issues on CreditWatch and required a pledge of \$78,000 as additional security to maintain the "AA" bond rating. The Board through Resolution 91-2-22-S2 pledged \$78,000 from the Housing Trust Fund as additional security and the "AA" bond rating has been maintained. Mike informed the Board that S&P as a result of reviewing the Board's performance and cashflows that the five bond issues have been removed from CreditWatch, that the "AA" rating has been affirmed on each of the five issues involved and the Board has been notified that the pledge of \$78,000 is no longer needed to maintain the "AA" ratings. Counsel recommends that the Board adopt a resolution noting that the Board understands it is released from the pledge and directing staff to take such action as to secure the release of the pledged funds. Dean Mart moved that the Board adopt a resolution to secure the release of the \$78,000 pledged as additional security to maintain the "AA" rating of 1988 Series B, 1989 Series A, 1990 Series A,

1990 Series B and 1990 Series C bond issues and further directed staff to take such action as required to secure said release. Bill Oser seconded the motion which was unanimously passed.

Mike advised the Board that staff was recently informed by the Department of Commerce that HB2, which was passed by the legislature and signed by the Governor, as amended requires the Montana Board of Housing to deposit funds at the beginning of each fiscal year with the State Treasurer for that year's legislative spending authority appropriation. Staff and counsel have had discussions with two of the three trustees of the Board's indentures on HB2, one of which has informally agreed to forward funds to the Board to be deposited with the State Treasurer. Based on discussions held with the Department of Commerce and the Trustees it is counsel's recommendation to inform the trustees of the amount of funds needed for FY94 expenses, that if appropriate and permitted, those funds be forwarded to the State Treasurer's office.

Dean Mart moved that the Board adopt a resolution directing staff with aid of counsel to inform the trustees of the funds required to pay expenses for FY94 and to ask the trustees to transfer those funds, if appropriate and permitted, to be deposited with the State Treasurer to pay FY94 expenses. Bill seconded the motion, which was unanimously approved.

Discussion then ensued regarding potential release of available monies in the Housing Trust Fund from the 5th Supplemental Indenture dated May 1, 1993, as previously reviewed by Mike. Following the discussion Mike advised the Board that this could be accomplished through the adoption of a resolution. Mike McKee moved that the Board adopt a resolution releasing all available Housing Trust Fund monies secured by the 5th Supplemental Indenture and directed staff with aid of counsel to undertake the appropriate steps for release and deposit with the State Treasurer, seconded by Dean Mart the motion was unanimously passed.

BOARD OFFICERS - FACSIMILE SIGNATURES

Mike Mulrone advised the Board that with the appointment of new Board members and the election of new Board officers that facsimile signatures of the new officers must be obtained, notarized and filed with the Secretary of State. Signatures were obtained and Mike advised the Board he would see to the filing with the Secretary of State.

REVERSE ANNUITY MORTGAGE (RAM) PROGRAM STATUS OF PROGRAM CHANGES

Janet Kunz, Administrative Assistant, updated the Board on the status of the Administrative Rule changes for the RAM Program by giving a little background for the recommended changes, which include increasing the income limits for a single person household from \$9,500 to \$10,500; for a two person household from \$10,900 to \$13,800 and for three or more persons from \$12,250 to \$15,500 and increasing the lump sum for closing costs from \$600 to \$800. Janet also reviewed with the Board the process for achieving the Administrative Rule changes. Janet noted that the Administrative Rule changes to the RAM Program that the Board approved at their February, 1993 Board meeting became effective June 11, 1993.

In conjunction with the Rule changes becoming effective a new brochure and fact sheet, in a new color, was prepared to reflect the new income limits and lump sum for closing costs. These were completed on June 11th. A mailing was prepared to advise counselors and closing agents that the changes were now in effect and to send them new Program information. A mailing was also sent to lenders participating in the

Board's bond programs letting them know of the availability of the RAM Program and that it may be of benefit to some of their customers. Janet noted that we have already had a response from a local lender requesting additional fact sheets to be included in a mailing being done to their senior customers.

Janet advised the Board that she was asked to speak about the RAM Program at a recent workshop in Circle and it was attended by people from the surrounding area. Continued outreach for the Program includes a mailing to senior newsletters, attending the Governor's Conference on Aging, working with the Office on Aging in conducting more workshops and training. Janet briefly updated the Board on the status of the Program, 12 loans have been closed, 2 loans have prepaid, 1 loan is in process and there remains \$482,520 in available funds.

NEIGHBORHOOD HOUSING SERVICES (NHS), INC. OF GREAT FALLS

UPDATE ON EXISTING NHS/MBOH PROGRAMS

Nancy Stephenson, Executive Director, explained that Neighborhood Housing Services (NHS) is part of a national non-profit organization that deals with primarily with housing issues. The Great Falls NHS has two primary goals, first to revitalize neighborhoods including code enforcement, clean-up efforts and whatever needs to be done to revitalize a neighborhood. The second goal is to encourage homeownership. NHS has established a Homebuyers Club which teaches new homeowners how to be homeowners and what is involved. Nancy advised the Board that many of NHS's homeownership programs that are or have been available were made possible through the working partnership NHS has with the Board of Housing. Several of the Programs that NHS and the Board have worked together on include the Affordable Housing Programs I and II, Owners in Partnership Programs I and II and the NHS Downpayment Program, in all of which the Board provided the permanent financing. Nancy advised the Board that recently, the 100th mortgage loan, using Board of Housing funds, was closed. Nancy noted that the Great Falls NHS was recently selected to participate in a national Homeownership Pilot Program whose goal is to put 10,000 families into homes in the next five years. Nancy closed in saying that NHS is currently trying to put together a multi-family proposal for a 20 unit project to submit for funding under the Montana Board of Housing Multi-Family Rental Housing Pilot Program

REQUEST TO EXTEND AFFORDABLE HOUSING PROGRAM II SETASIDE

Nancy Stephenson, formally requested that the Board extend for one year the Affordable Housing Program II setaside. Nancy explained that there is a great deal of interest in the program and the applicant pool is extensive however, the reason for the decelerated use of the program is the current shortage of homes for sale in Great Falls. Nancy explained that NHS felt sure that the remainder of the setaside, \$381,891, would be expended within a one year timeframe. Dean Mart advised the Board that he would abstain from any action taken as he is on the Board of NHS. Mike McKee moved to extend the NHS Affordable Housing Program II setaside for one year to June, 1994, Paul Bankhead seconded the motion with four Board members voting for extension and one Board member abstaining.

MISSOULA HOUSING TASK FORCE

UPDATE ON HOUSING TASK FORCE ACTIVITIES AND CURRENT OR FUTURE MBOH INVOLVEMENT

Nancy Leifer, Coordinator, Missoula Housing Task Force presented to the Board a brief background of how the Task Force began. The Task Force is comprised of representatives from the City, County, University, business

and lending communities. The Task Force commissioned a housing study of the Missoula area, which indicated that Missoula is losing its middle and lower-middle income families, jobs in the lumber industry are being replaced by lower paying service industry jobs. The median income in Missoula is \$25,000, that coupled with the housing shortage has caused a permanent housing problem. Nancy explained that the Task Force would like to institute a broad based counseling program for homeownership and is attempting to address the affordability issue. Nancy did indicate most of what has been accomplished thus far is a result of the Task Force programs that have been developed with the involvement of the Board of Housing including the Missoula City-County Affordable Housing Program, the Multi-Family Rental Housing Pilot Program remodeling of two homes into duplexes and assisting in the development of a Co-op Mobile Home Court. Nancy explained that it is the intent of the Task Force to develop throughout Missoula neighborhoods of mixed demographics. Future considerations that are currently being developed include a Land Trust Program in which the land would be owned by the City/County and leased to the homeowner. Nancy also asked the Board to look into the possibility of creating more liquid funding sources to provide short term, one to two year, loans to non-profit or governmental entities to purchase land available now for development of affordable housing in the future and to create a better secondary market for for-profit developers of low income multi-family rental housing.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM
STATUS OF PROGRAM IMPLEMENTATION

Richard A. Kain, Administrator, updated the Board on the status of implementing the Disabled Accessible Affordable Homeownership Program. Dick explained that the Program concept came from the Summit Independent Living Center as a result of the October, 1992 Board meeting in Missoula. Dick reviewed with the Board the Program Description which includes the Terms and Conditions particularly noting the definition of permanent physical disability with mobility impairment explaining that the definition evolved with the help of the four Independent Living Centers. Dick also reviewed the Steps and Procedures document, which was designed to assist the lenders and counselors. Dick advised the Board that staff held a meeting with local lenders to get their input regarding the program and to see if the procedures, as outlined, would work smoothly for the lending community. Further the eligibility of non-profit entities as mortgagors was reviewed, noting that in working with the non-profits the Program will be able to make housing most affordable to those with the lowest income. Dick shared with the Board the Network Counseling List and explained that the Program, much like the RAM Program, will require all applicants to go through counseling process to ensure that applicants fully understand the Program and to determine Program eligibility.

Dick advised the Board that a mailing was set to the Independent Living Centers early this week. Mailings will be done the week of June 28th, to the lending community and to private individuals who have already inquired about the Program. Dick noted that there has already been a tremendous positive reaction to the Program. The Program will be available July 1, 1993.

SINGLE FAMILY PROGRAM UPDATE
SERIES 1992 A

Robert D. Morgan, Single Family Program Officer, presented a graph showing a comparison of loans purchased for the three most recent bond series (Series 1991 A, Series 1991 B and Series 1992 A). The graph illustrated that as of the 10th purchase, 95% of the funds for 1991A had

been purchased, 77% of the funds for 1991B had been purchased and 47% of the funds for 1992A had been purchased. Bob noted that the decreased market interest rate is the major reason for the slowness of loan origination and purchase for the 1992A issue.

Bob presented the Series Allocation Summary Report for the 1992 Series A bond issue as of June 23, 1993. Of the \$22,844,550.00 in available proceeds the Board has purchased 424 loans for \$20,862,393.27 and has 11 reservations outstanding for \$514,280.00. The average purchase amount is \$49,203.75, the average gross annual income is \$27,767.05. There remains \$1,467,876.73 in lendable proceeds. Bob advised the Board that the Program will expire on June 30th and any unexpended proceeds will be used to call bonds. The Board reviewed the major users of the Program and the Housing Profile comparing the average loan amounts between counties with the largest number of loans. Of the 424 loans purchased 393 have been FHA insured, 26 have been VA guaranteed and 5 have been FmHA guaranteed.

A comparison of FHA/VA mortgage quotes as of June 18, 1993, was presented and it was noted that the quotes at 7.25% are the most comparable to the Board's.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented to the Board a two page summary of recycled mortgage program setasides as of June 18, 1993. The first page is a summary of the setasides with an mortgage rate of 7 $\frac{1}{4}$ %; totaling \$9,949,990 and include: Neighborhood Housing Services' two setaside programs totaling \$550,656, the 203(k), an FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. The second page of the summary include setasides with an mortgage rate of 6 $\frac{1}{2}$ %; totaling \$5,537,528 and include: the Board's Homebuyers Cash Assistance Program II setaside totaling \$889,528; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$15,487,518.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan, reported on the Homebuyers Cash Assistance Program (CAP) as of June 18, 1993. There are 9 outstanding reservations and 19 loans have been purchased; of the \$2,000,000 of 6 $\frac{1}{2}$ % setaside for first mortgages there remains \$889,528 in lendable funds and of the \$50,000 in setaside for down payment assistance there remains \$23,715 in lendable funds available. The average CAP loan funded is \$920, the average loan purchased is \$39,073 with an average household income of \$18,594 and an average household size of 2.1 persons.

ANNUAL INCOME LIMIT REVIEW

As required by the Administrative Rules of the Board, Bob Morgan presented updated information on the Federally imposed maximum income limits allowed by Treasury regulations. Bob reported that the maximum income limit is based on family size and location of the property in the state. Bob reviewed the method of calculating the maximum limits and presented a comparison of the income limits for 1992 and 1993.

During the discussion of the income limits, Mike McKee stated that he was opposed to increasing the limits based on the differences between the targeted and non-targeted areas. Mike advised the Board that, in his opinion, the differentiation was unfair to the majority of counties in the state, as it gave preferential treatment to residents of the targeted areas, amounting to discrimination against the residents of

non-targeted counties. Mike noted that the targeted areas had been established in the late 1970's and early 1980's based on the economic conditions which were prevalent in the state at that time and had not been changed since. Mike used several examples to illustrate how the economy had improved in the targeted areas and how it had deteriorated in other non-targeted areas, however that targeted areas continued to receive preferential treatment with respect to home ownership using Montana Board of Housing programs. Mike suggested that the Board consider an alternative method of establishing income limits, such as using the maximum limit for non-targeted areas statewide. Mike stated that he did not wish to delay or obstruct the implementation of current Board programs by tabling further discussion until the next meeting, however he wanted the Board to consider his points during the next year and to give serious consideration to making changes prior to approving new income limits in 1994.

After further discussion of the income limits, Mike McKee moved to increase the income limits to correspond with the Federally imposed maximum income limits allowed by Treasury regulations, effective July, 1, 1993, Bob Savage seconded the motion with four Board members voting in favor of the motion and one Board member voting against the motion.

MORTGAGE REVENUE BOND (MRB) BRIDGE RECYCLING PROGRAM

Bob briefly reviewed with the Board the Mortgage Revenue Bond (MRB) Bridge Recycling Program. Bob explained that \$10,000,000 of 7% recycled funds has been set aside for the Program, which will have Terms and Conditions similar to the Series 1992 A Program, except that Recapture Tax provisions will not apply. Loans will be purchased at par, insured or guaranteed by FHA, FmHA or VA and the newly approved income limits will go into effect July 1, 1993 with this Program.

OTHER BUSINESS

MOODY'S MAY 1993 REPORT ON MBOH AND SINGLE FAMILY BONDS

Dick Kain, shared with the Board a report from Moody's regarding the review of housing bond issuers nationally. Dick noted that the rating given to Montana Board of Housing's issues reflect the highest rating available. It was noted that the narrative pertaining to the Montana Board of Housing reflected concern with legislative action regarding the transfer of Board funds and while bond ratings are currently unaffected, Moody's will be closely monitoring any further activity of this type.

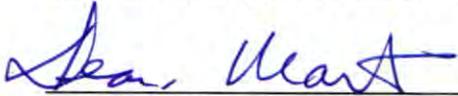
Dick advised the Board of a National Council of State Housing Agencies (NCSHA) update regarding legislation extending Mortgage Revenue Bonds (MRB) and the Low Income Housing Tax Credit (LIHTC) Program. The House passed legislation permanently extending both Programs. The Senate bill contains a permanent extension of the LIHTC Program and a one year extension of the MRB Program. Dick noted that Senator Baucus has signed on as co-sponsor for both extensions and Representative Williams has signed on as co-sponsor for the MRB legislation.

Dick shared with the Board a news release summary received from NCSHA. Noted were an agreement between Idaho, Oregon and Washington to exchange information on energy efficient issues. Connecticut has \$109 million in available 30 year home funding at a mortgage rate of 6.6%. Maine has a new Statewide Housing Acquisition and Rehab Program to provide low cost loans to purchase rehabilitate small scale apartment properties. Rhode Island Housing has \$1.4 million in available funding for home repair, with mortgage rates of either 4.25% or 6.75%. Finally, South Dakota has a \$5 million available for a Step Rate Loan Program, also announced was that \$114,950 in grants have been awarded to non-profit organizations under South Dakota's Emergency Shelter Grant Program.

It was noted that the next meeting was scheduled for Friday July 23, 1993 at 8:30 a.m., in Downstairs Conference Room of the Department of Commerce.

Bob Thomas advised the Board that NCSHA's 23rd Annual Conference will be held in October 3-5, 1993 in San Francisco. Bob encouraged Board members to consider attending the Conference, as more details become available the Board will be advised.

There was no further business, and the meeting adjourned.



Dean Mart, Secretary

8/20/93

Dated

RESOLUTION NO. 93-0624-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING
TERMINATING THE PLEDGE OF CERTAIN ASSETS OF THE CORPUS
OF THE HOUSING TRUST FUND AND PROVIDING OTHER MATTERS
PROPERLY RELATED THERETO.

BE IT RESOLVED BY THE CHAIRMAN AND MEMBERS OF THE MONTANA
BOARD OF HOUSING, as follows:

WHEREAS, on February 22, 1991 at the request of Standard &
Poor's Corporation ("S & P") the Board adopted Resolution No. 91-
2-22-S2 under which the Board pledged \$78,000.00 of the Housing
Trust Fund as additional security for certain of the Board's
outstanding bonds to preserve the rating thereof; and

WHEREAS, the Board has been notified by letter dated May 21,
1993 from V. A. Tillman of S & P that such pledge is no longer
required to secure such rating.

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED,
as follows:

The pledge of \$78,000.00 of funds comprising the Housing
Trust Fund as set forth in Board Resolution No. 91-2-22-S2
adopted on February 22, 1991 is hereby terminated.

ADOPTED by the Montana Board of Housing this 24th day of
June, 1993.

MONTANA BOARD OF HOUSING

BY: Bob Thomas

Chairman

ATTEST:

Sean J. Went
Secretary

RESOLUTION NO. 93-0624-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING RELEASING ALL AVAILABLE MONIES IN THE HOUSING TRUST FUND SECURED BY THE FIFTH SUPPLEMENTAL TRUST INDENTURE DATED AS OF MAY 1, 1993 AND PROVIDING OTHER MATTERS PROPERLY RELATED THERETO.

BE IT RESOLVED BY THE CHAIRMAN AND MEMBERS OF THE MONTANA BOARD OF HOUSING, as follows:

WHEREAS, on August 21, 1992 the Board adopted Board Resolution No. 92-0821-S1 to pledge certain moneys and funds held in the Housing Trust Fund to provide additional security to holders of bonds outstanding and to be issued in the future by the Board; and

WHEREAS, on May 1, 1993 the Board entered into a Fifth Supplemental Trust Indenture with First Interstate Bank of Denver, N.A. as Successor Trustee under which available funds contained in the Housing Trust Fund and to be placed in such fund in the future were transferred to the Successor Trustee to provide additional security to holders of bonds outstanding and to be issued in the future by the Board.

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED, as follows:

1. All available monies in the Housing Trust Fund are hereby released from the Fifth Supplemental Trust Indenture dated as of May 1, 1993.

2. The Successor Trustee, First Interstate Bank of Denver, N.A., is directed to transmit all such available monies comprising the Housing Trust Fund from the Fifth Supplemental Trust Indenture to the state treasurer

3. The Board's staff with the aid of counsel is authorized and directed to take such steps and actions necessary to cause the purpose and content of this resolution to be consummated in a timely manner.

ADOPTED by the Montana Board of Housing this 24th day of June, 1993.

MONTANA BOARD OF HOUSING

BY: Bob Thomas
Chairman

ATTEST:

Sean J. Mart
Secretary



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
MAY 21, 1993

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. INTRODUCTION OF NEW BOARD MEMBERS - Chairman Bob Thomas
- III. APPROVAL OF MINUTES - Chairman Bob Thomas
- April 16, 1993 Business Meeting
- IV. AUDIT COMMITTEE REPORT - Chairman Bob Thomas
 - A. Approval of the April 16, 1993 Audit Committee Meeting Minutes
- V. REVIEW OF CURRENT STRUCTURE OF AND APPOINTMENTS TO AUDIT AND INVESTMENT COMMITTEES - Chairman Bob Thomas
- VI. INVESTMENT BANKER COMMITTEE REPORT - Gerry Hudson
- VII. ACCOUNTING AND REPORTING UPDATE - Richard Kain
 - A. Review of March 31, 1993 Consolidated Financial Statements
 - B. Quarterly Budget Status Report - March 31, 1993
 - C. Report on June 1, 1993 Bond Calls
- VIII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Richard Kain
 - A. Status of Program Implementation
- IX. LEGISLATIVE UPDATE - Richard Kain
- X. STATUS OF MORTGAGE REVENUE BOND AND LOW INCOME HOUSING TAX CREDIT EXTENSIONS - Richard Kain
- XI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1992 Series A
 - B. Status of Recycled Mortgage Program Setaside
 - C. Mortgage Revenue Bond (MRB) Bridge Recycling Program
 - D. Homebuyers Cash Assistance Program II
 - E. Quarterly Delinquency Report - March 20, 1993

XII. REVIEW OF REAL ESTATE OWNED - Maureen Rude

XIII. MULTIFAMILY HOUSING PROGRAM

- A. Overview of Request for Proposal and of Proposals Received in April 26, 1993 Application Round - Maureen Rude
- B. Presentation of Staff Approved Proposals by Applicants
 - 1. Housing Authority of Billings - Lucy Brown, Executive Director
 - 2. District XI Human Resources Development Council, Inc., Missoula - James Morton, Executive Director

XIV. OTHER BUSINESS

- A. Schedule June Audit Committee Meeting
- B. National Council of State Housing Agencies

XV. SET NEXT MEETING DATE

XVI. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

5/14/93



MONTANA BOARD OF HOUSING

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5/4/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

MONTANA BOARD OF HOUSING
SAM W. MITCHELL BUILDING
ROOM 160
HELENA, MONTANA
MAY 21, 1993

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Paul Bankhead (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Michael McKee (Absent)
William Oser (Present)
Robert Savage (Present)

TAFF:

Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Officer
Robert D. Morgan, Single Family Program Officer
Karen Wynne, Comptroller
Lynn Rolland, Accountant
Janet Kunz, Administrative Assistant

UNDERWRITERS:

Gordon Hoven, Piper, Jaffray
Mark Semmens, D. A. Davidson and Co.
Dick Spalding, Merrill Lynch

COUNSEL:

Mike Mulroney, Luxan & Murfitt
Board Counsel

OTHER:

Lance Clark, Montana Association of Realtors
Chris Kafentzis, Department of Housing and Urban Development
Charles Rehbein, Governor's Office
John Grant, Jackson, Murdo, Grant and McFarland
Jim Morton, Missoula Human Resources Council
Diane Lenington, Missoula Human Resources Council
Leon Stalcup, Missoula Human Resources Council

The meeting was called to order at 8:30 a.m., by Chairman Bob Thomas.

INTRODUCTION OF NEW BOARD MEMBERS

Bob Thomas, Chairman, asked each of the Board members to introduce themselves and briefly give a little of their background. Paul Bankhead of Heron, explained that he is a retired real estate broker and is currently raising hogs. Bob Savage of Sidney, explained that he is an attorney and has lived in Sidney for approximately 10 years. Bill Oser of Billings, is retired from

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the insurance business but is involved in retail business through the Rimrock Mall. Dean Mart of Great Falls, is with United Savings Bank. Gerry Hudson of Billings, is a principal investor in Intermountain Mortgage Company and a licensed real estate broker and Bob Thomas of Stevensville, is involved in the insurance business.

Bob briefly explained some of the goals he would like the Board to strive for during his tenure as Chairman. First, he would like to see more information disbursed to the public about the Board of Housing and the kinds of programs available so Montanans will be better informed. Secondly, Bob expressed a desire to hold more meetings in various areas around the state whether they are Board meetings or meetings of staff with lenders, realtors and housing providers and lastly he would like to reinstitute goal setting sessions for the Board.

APPROVAL OF MINUTES

The minutes of the April 16, 1993 Business Meeting were approved as presented.

AUDIT COMMITTEE REPORT

Bob Thomas, reported the Audit Committee met with Jim Woy and Marilyn Dusenberry of Anderson ZurMuehlen on April 16th after the regular business meeting. Bob explained that Jim presented the proposal for conducting the FY93 audit and reviewed the scope of the audit. It was explained that Anderson ZurMuehlen would conduct three servicer reviews the end of April. The Committee was also updated on the compliance status of servicer reviews completed in December, 1992. Richard A. Kain, Administrator, explained that Anderson ZurMuehlen, in working with the Audit Committee have been conducting reviews of the 80 lending institutions that service the Board's loans. During these reviews the accounting firm reviews several things as required by Servicing Agreements including, but not limited to, whether or not the loans have hazard insurance, which all loans should have, and if the Board is named as First Mortgagee or Loss Payee on the policy. The accounting firm also looks to see that Board and mortgagor funds are held in custodial accounts which show the Board's and mortgagor's interest in those funds and that they are FDIC insured. As a result of the reviews in December, it was found that one servicer did not have funds held in a custodial account and that Board funds were co-mingled with other funds. Staff has worked with the institution and to date have not been able to obtain assurances that the servicer is in compliance with the Servicing Agreement. Staff has further worked with the general counsel in sending an explicit letter to the servicer outlining that they need to become in compliance with the Servicing Agreement or the Board will have no option but to revoke servicing. Gerry Hudson moved that the Audit Committee minutes be approved as presented, Dean Mart seconded that motion which was approved unanimously.

REVIEW OF CURRENT STRUCTURE AND APPOINTMENTS TO AUDIT AND INVESTMENT COMMITTEES

Bob Thomas appointed Gerry Hudson as Chairman of the Investment Committee and Dean Mart as Chairman of the Audit Committee. Bob further noted his preference that all Board members serve as members of both Committees, noting the importance of receiving information first-hand rather than through a summary presented to the Board as a whole. It was noted that a motion was needed to amend the current membership structure of the Committees from three Board members to the Board as a whole. It was also explained that the Audit Committee is important to bond rating agencies and that Montana is one of the few state housing finance agencies to have an Audit Committee. Dean Mart moved to amend the membership structure of both the Audit Committee and the Investment Committee from having only three Board members serve on each Committee to the Board as a whole serve as members of each Committee. Gerry Hudson seconded the motion, which was unanimously passed.

INVESTMENT BANKER COMMITTEE REPORT

Gerry Hudson, Chairman of the Committee, reviewed with the Board the current investment banking team, which consists of Goldman Sachs as Senior Manager; W.A. Davidson; Piper Jaffray; and Merrill Lynch as Co-Managers. Gerry further explained that it is the responsibility of the Investment Banker Committee to periodically review the current banking team and the management of Board's bond sales. It was explained that at a Board meeting in May, 1991 in Billings, several investment brokers expressed a desire to become co-managers and the Board took action to look into the procedures and initiate the process to review the investment banking team. At the Board meeting in December, 1992 an Investment Banker Committee was appointed, staff prepared a memorandum to be mailed to 13 investment banking firms informing them that the Board was seeking Requests for Proposals (RFP) for Investment Bankers. Eleven firms responded. At the January, 1993 Board meeting the RFP process was forestalled based on a request from the legislature to table any action until after the legislative session. It was noted that if it is decided to proceed with the RFP process that a letter should be sent to the 11 responding firms that the Board is proceeding with the RFP and asking them, if they wish, to review and update their RFP and send it to the Board office within 30 days. Gerry moved that the RFP for Investment Bankers be resumed and a letter be sent to the 11 responding investment banking firms noting the resumption of the RFP process, seconded by Paul Bankhead the motion was unanimously passed.

Gerry advised Bob Thomas that another member was needed on the Committee due to new Board member appointments. Bob appointed Bob Savage to the Committee. It was explained that the process for RFP's would proceed in the following manner, letters will be sent to the 11 responding firms asking for a response within 30 days, those responses will be screened to a short list of the firms who will then be interviewed by the Board as a whole. The interviews will be a full day and would be held in conjunction with a future Board meeting.

ACCOUNTING AND REPORTING UPDATE

REVIEW OF MARCH 31, 1993 CONSOLIDATED FINANCIAL STATEMENTS

Richard A. Kain, Administrator, presented the Board's unaudited consolidated financial statements for the period ending March 31, 1993 and March 31, 1992. Dick reviewed significant changes between 1992 and 1993 and highlighted areas of particular interest to the Board.

QUARTERLY BUDGET STATUS REPORT - MARCH 31, 1993

Dick Kain, presented the Board's budget status, as of March 31, 1993. Dick explained that while the Board is self-funding the legislature authorizes the amount the Board can spend for each fiscal year. The Board has spent \$793,978 or 39% of the \$2,022,421 in spending authority for fiscal year 1993, leaving a balance of \$1,228,443. It was noted that the Board's spending authority has been reduced by \$48,000, which was transferred by the Department of Commerce.

REPORT ON JUNE 1, 1993 BOND CALLS

Dick Kain, reported that the Board will call \$22,553,722.20 in bonds on June 1, 1993 from the Single Family II Indenture. The bonds called will be from mortgage prepayments. Dick explained that the Single Family II Indenture is structured giving the Board two options in dealing with the proceeds of prepayments. The Board can recycle the funds into new mortgages and programs targeting a specific group or they can call bonds. Generally, with the bond issues that have higher mortgage rates the bonds are called. It was also explained that all bond calls from prepayments are called at par. The bonds being called include \$1,130,000 from 1983A, \$2,510,000 from 1983B, \$6,340,000 from 1983C, \$6,770,000 from 1984A, \$2,880,000 from 1985A and \$2,923,722.20 from 1985B. Dick explained that the 1985B issue contains zero coupon bonds

which are Capital Appreciation Bonds and have to be called at their accreted value.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM
STATUS OF PROGRAM IMPLEMENTATION

Dick Kain, advised the Board that at the March, 1993 Board meeting the Board approved the structure and implementation of the Disabled Accessible Affordable Homeownership Pilot Program. Dick reviewed the framework of the Program with the Board and noted that staff has been working with the Independent Living Centers across the State, in regards to establishing a network to assist in pre-qualifying applicants for the Program. Dick reviewed the Draft-Steps and Procedures, which explains how the Program will work and who will be responsible for what steps in the application process and when they need to be completed. Dick noted that staff will be meeting with the lending community to obtain their input regarding the process. Dick explained that since this is virtually the first program of this type for the physically disabled and there is a great deal of anticipation for the availability of the Program.

LEGISLATIVE UPDATE

Dick Kain, reviewed with the Board final status of legislation that would have an impact upon the Board of Housing. HB10, providing Oil Overcharge money for programs administered by the State, \$300,000 of which will be appropriated for companion bill SB340, the Energy Efficient Mortgage Reserve Account. HB10 appropriates the \$300,000 to the Department of Natural Resources and Conservation to be used as part of a self-insurance pool for second mortgages, the other part of the self-insurance pool will come from utility companies and the borrowers. The self-insurance pool concept was developed to be used in conjunction with a Montana Board of Housing program for new construction of energy efficient affordable housing. The program was developed in cooperation with the Working Group of the Environmental Quality Council and the Montana Building Industry Association. HB10 was passed and signed by the Governor, becoming effective July 1, 1993. HB188, provided that Board members would serve at the pleasure of the Governor and was tabled in Senate Administration and not passed. HB375, prohibiting zoning regulations that discriminate between manufactured and site-built housing, was passed and signed by the Governor becoming effective October 1, 1993. HB425, merging Board of Housing into State Revenue Bond Authority, was tabled in Senate Finance and Claims and not passed. HB581, creating a State Housing Task Force, was passed and signed by the Governor becoming effective October 1, 1993. SB215, which would allow a county or municipality to donate tax-deed land to non-profits for low income housing was passed and signed by the Governor effective immediately. SB244, allowing a county or a municipality to issue revenue bonds to finance treatment facilities for the developmentally disabled, was passed and signed by the Governor becoming effective October 1, 1993. SB340, the companion bill to HB10, regarding residential energy efficiency provisions was passed and signed by the Governor, becoming effective October 1, 1993. SB436, imposing a 1% realty transfer tax on transaction amounts over \$50,000 and depositing the tax into the School Equalization Account, was tabled in House Taxation and not passed. Finally, SR13, provides for the new appointments to the Board of Housing, which was approved.

STATUS OF MORTGAGE REVENUE BOND AND LOW INCOME HOUSING TAX CREDIT EXTENSIONS

Dick Kain, explained to the Board that continuing authorization for these programs is granted by Congress and comes in two forms, legislation on Mortgage Revenue Bonds (MRB) and legislation on Low Income Housing Tax Credits (LIHTC). The original legislation for these two programs, was for a period of three years, since that time legislation, particularly for MRB's, has been extended numerous times with ensuing expiration dates, the most

recent legislation expired June 30, 1992. While it has been advocated, there has not been a permanent extension of either Program, however, President Clinton's current tax proposal, which has passed the House and been forwarded to the Senate, does include permanent extension of both MRBs and LIHTCs. Wick noted that Senator Baucus has signed on as co-sponsor for both bills and Representative Williams has signed on as co-sponsor for the MRB legislation. Gerry Hudson suggested that all Board members contact Senator Burns individually to stress the importance of the bills and urge his co-sponsorship of both bills.

SINGLE FAMILY PROGRAM UPDATE

1992 SERIES A

Robert D. Morgan, Single Family Program Officer, presented the Series Allocation Summary Report for 1992 Series A, dated May 17, 1993. Bob advised the Board that of the \$22,844,550 in available proceeds the Board has 21 reservations outstanding for \$1,037,237.00 and has purchased 411 loans for \$20,260,472.90. The average purchase amount is \$49,295.55 and the average annual borrower income is \$27,815.04. Bob advised the Board that there remained \$1,546,840 in available funds. The Bond Series Allocation Analysis, showing the most active users of the Program, and the Housing Profile, comparing average loan amount and average income for the areas with the largest purchases, were reviewed. Of the 411 loans purchased 381 have been FHA, 26 have been VA and 4 were FmHA.

A comparison of FHA/VA mortgage quotes as of May 17, 1993, was presented and it was noted that the quotes at 7.5% are the most comparable to the Board's.

Bob explained that in early 1992 the Board began working with the Farmers Home Administration (FmHA) in regards to FmHA guaranteeing mortgage loans in much the same manner as FHA and VA, using their Guaranteed Rural Housing Loan Program. At the September, 1992 Board meeting the Board authorized the purchase of mortgage loans that were FmHA guaranteed and the 4 loans purchased are a result of that effort. Staff received a memo from the National Council of State Housing Agencies advising Housing Finance Agencies that FmHA has rescinded the commitment authority for their Guaranteed Rural Housing Loan Program. Bob advised the Board that there are currently 7 mortgage loans in process, not yet received by the Board. Jim Holzler, Chief, Rural Housing, FmHA in Bozeman is currently trying to get commitment authority for the seven loans in process, so that they may be submitted to the Board for purchase.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDE

Bob Morgan presented to the Board a two page summary of recycled mortgage program setasides as of May 17, 1993. The first page is a summary of the setasides with an mortgage rate of 7%; totaling \$9,993,339 and include: Neighborhood Housing Services' three setaside programs totaling \$594,005, the 203(k), an FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. Bob advised the Board that staff has received numerous calls regarding the Manufactured Housing Program, but there are no applications currently in process. The second page of the summary include setasides with an mortgage rate of 6%; totaling \$5,823,131 and include: the Board's Homebuyers Cash Assistance Program II setaside which is \$1,175,131; Neighborhood Housing Services' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The last three setasides have been awarded the HOME Program grants for which they had applied and funds should be disbursed in late August. The total setaside for all programs is \$15,816,470.

Bob drew the Board's attention to a Quick Reference Guide to Recycled Single Family Mortgage Programs included in their packets. The Guide indicates the eligibility requirements of the programs receiving a setaside from recycled mortgage proceeds and will be sent to the lenders participating in the Board's programs.

MORTGAGE REVENUE BOND (MRB) BRIDGE RECYCLING PROGRAM

Bob Morgan advised the Board the Series 1992 A Bond Program will expire on June 30, 1993 and until Congress passes and the President signs legislation to extend the MRB's the Board does not have the authority to issue new bonds. Bob reviewed with the Board the MRB Bridge Recycling Program noting that the Board will charge a reservation fee of 1%; the lenders may charge an origination fee of 1% and a discount fee of ½%; the terms and conditions will be the same as the expiring Series 1992 A, with the exception that the Recapture Tax Provisions will not apply and that the loans will be purchased at par instead of 99%. Bob explained that the Bridge Recycling Program was initially approved by the Board at the January, 1993, Board meeting and that the Program would be implemented on July 1, 1993, however since January mortgage rates have decreased and staff would recommend decreasing the mortgage rate from the previously approved 7% to 7.0%. Following a brief discussion Dean Mart moved to accept the MRB Bridge Recycling Program with the Board charging a 1% reservation fee, lenders charging a origination fee of 1% and a discount fee of ½%; with the terms and conditions as the Series 1992 A Bond Program and with a mortgage rate of 7.0%, Bob Savage seconded the motion which was unanimously approved.

HOMEBUYERS CASH ASSISTANCE PROGRAM II

Bob Morgan explained to the Board that the Homebuyers Cash Assistance Program (CAP) is designed to assist individuals and families who may be able to afford a house payment but have not been able to accumulate enough funds for the required downpayment and closing costs. The CAP Program assists in providing funds, up to \$1,000 in the form of a second mortgage, for downpayment and closing costs, no loan payments are made on the second mortgage until the property is sold or the mortgage prepaid. Bob reported, as of May 17, 1993, the CAP Program has seven (7) outstanding reservations for \$281,627 and fourteen (14) loans have been purchased for \$543,242; of the \$2,000,000 6% setaside for first mortgages there remains \$1,175,131 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$30,289 in lendable funds available. The average CAP loan funded is \$916, the average loan purchased is \$38,803 and the average borrower income is \$18,367. The most active area is Billings with 17 of the 21 reservations/loans.

QUARTERLY DELINQUENCY REPORT - MARCH 20, 1993

Bob Morgan, presented the Board's delinquency statistics, as of March 20, 1993. There are currently 10,085 loans outstanding with 2.52% in a delinquent status, and .25% in a foreclosure status. These figures, however, compare favorably with delinquency rates for Montana of 3.47%; the Mountain Region of 4.21%; and National rates of 4.61%. There are 25 loans in possible foreclosure with the highest concentration in the bond series which have higher mortgage rates. Bob also presented a distribution of delinquencies per servicer.

REVIEW OF REAL ESTATE OWNED

Maureen J. Rude, Multifamily Program Officer, advised the Board that there is one real estate owned (REO) property in inventory and presented an analysis of REO properties received and sold from 1/1/93 through 5/1/93, which showed that there were two VA trustee sales, no VA REO properties were received and no REO's were sold.

Maureen advised the Board that staff does have an offer on the property currently in inventory in Billings and that it is scheduled to close in June. Maureen also shared with the Board the sales listing of the property that is sent to realtors advising them of the REO for sale.

MULTIFAMILY HOUSING PROGRAM

OVERVIEW OF REQUEST FOR PROPOSAL AND OF PROPOSALS RECEIVED IN APRIL 26, 1993 APPLICATION ROUND

Maureen Rude, advised the Board the first application round for Request for Proposals (RFP) for the Multifamily Pilot Program for Rental Housing was April 26th. Maureen reviewed the Program noting that \$2,500,000 in lendable funds were available to governmental units and non-profit entities for 30 to 40 year mortgages, with a mortgage rate of 6.0%; and a 75% maximum loan to value. Maureen further explained that the Program is intended to provide mortgage funds for affordable rental housing for low income Montanans.

The Pilot Program also has a small pilot subsidy program incorporated into RFP for which entities can also apply. The program can subsidize approximately 20 units with an average rent of \$120 per unit, the subsidy would allow sponsors to charge lower actual rents for a percentage of the units. The subsidies would be five year contracts renewable for a maximum of 30 years and, based on an agreement with the Department of Housing and Urban Development (HUD), can only be provided for families below 50% of median income.

Maureen lastly explained that there will be a two step commitment process, the preliminary commitment will be for a period of 90 days, during which time the sponsors must make substantial progress in developing the project. The final commitment will be made when the project is ready to proceed.

Maureen presented a summary of first round proposals received, noting that four proposals were received, all proposed projects were below the 75% loan to value requirement, all proposals were eligible based on the terms and conditions and two of the proposals met the soundness and completeness criteria and the financial feasibility analysis.

PRESENTATION OF STAFF APPROVED PROPOSALS BY APPLICANTS

HOUSING AUTHORITY OF BILLINGS

Maureen Rude advised the Board that the Housing Authority of Billings withdrew, on May 20th, their proposal for this application round. Per a letter sent by Mike Hennessy and included in the meeting packets, one source of funding will not be forthcoming and the Housing Authority needs to reassess their proposal.

DISTRICT XI HUMAN RESOURCES COUNCIL, INC., MISSOULA

Maureen Rude introduced James Morton, Executive Director, District XI Human Resource Council (HRC), Inc., Missoula and turned the presentation of their proposal to Jim. Jim introduced Diane Lenington, who will be directly involved with the project and Leon Stalcup, Chairman of the Board of Directors for the Missoula HRC. Jim explained that the proposed project will be the rehabilitation of two structures available through the HUD Family Properties for the Homeless. HUD will sell the homes in an "as is condition" for 90% of the appraised value to the HRC. As a condition of the HUD sale, the housing must be rented to low income families. The homes, one in Missoula and one in East Missoula, will each be converted into a duplex and will be made available to individuals and families who are able to obtain Section 8 vouchers but unable to find adequate housing. Rent will be based on 30% of the family income. Jim explained that the project has the support of the Missoula Housing Task Force and the local lending community, which is providing the construction financing.

HRC is proposing injecting 35% of the financing needed for the rehabilitation from HRC corporate funds and is asking the Board for a preliminary commitment of \$106,000 in permanent financing for both houses, or 65% of the loan to value. The proposal requested a loan term of 20 years, however staff recommended a term of 30 years.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$106,000 for a term of 30 years and insured by FHA's 203(b) Program, be extended to the District XI Human Resource Council (HRC), Inc., Missoula. Gerry Hudson moved that the Board, based on the proposal presented and staff recommendation, extend to the District XI Human Resource Council (HRC), Inc., a preliminary commitment of \$106,000, insured by FHA for a term of 30 years, Dean Mart seconded the motion. The motion was unanimously passed.

Dean Mart commended the HRC and the Missoula Housing Task Force on the efforts that they have made to bring this proposal to the Board and encouraged their continued efforts.

OTHER BUSINESS

Dean Mart raised the issue of election of Board officers and moved to confirm Bob Thomas as Chairman of the Board and further nominated Gerry Hudson to serve as Vice Chairman of the Board, Bob Savage seconded the motion which was unanimously approved. Gerry Hudson then nominated Dean Mart to serve as Secretary, the nomination was seconded by Bill Oser and passed unanimously.

SCHEDULE JUNE AUDIT COMMITTEE MEETING

A discussion was held regarding the scheduling of the June Audit Committee meeting and it was decided to schedule it in conjunction with the June Board meeting. The June Board meeting was scheduled to meet at 8:30 a.m. in Helena on Thursday June 24th with the Audit Committee to meet immediately following the regular business meeting. It was noted that Jim Woy of Anderson and ZurMuehlen will be at the Audit Committee meeting to discuss the servicer reviews conducted in late April and will also conduct the entrance conference for the annual audit.

Gerry Hudson asked that the July Board meeting be scheduled to coordinate the interviews for Investment Bankers. Following a brief discussion it was decided the Investment Banker Committee will meet on July 7th to screen the proposals and arrive at an interview list. It was agreed to meet in Helena on July 22nd to conduct the interviews and to hold the regular business meeting on July 23rd at 8:30 a.m.

NATIONAL COUNCIL OF STATE HOUSING AGENCIES

Dick shared with the Board a news release summary received from National Council of State Housing Agencies (NCSHA). Noted were that Idaho has \$16.5 million in available 30 year home funding at a mortgage rate of 6.65%. Kentucky has \$15 million in available funding for 30 year-term loans at a mortgage rate of 6.70%. Nevada also has \$16.5 million in available funding at a mortgage rate of 6.24% for 30 year-term loans. Rhode Island has announced a program using tiered mortgage rates corresponding to household income, mortgage rates vary from 4.25% to 6.75%. Finally, South Carolina has an all-time low mortgage rate of 6.75%.

Dick also shared with the Board NCSHA's annual report, which reviews its accomplishments for 1992.

Dick drew the Board attention to an article that was in the Montana Building Industry Association's May, 1993 newsletter. The article explains that the Montana Board of Housing in cooperation with the Working Group of the Environmental Quality Council and the Montana Building Industry Association

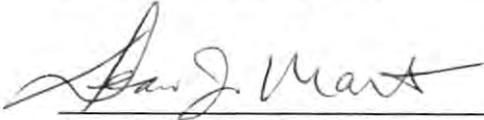
assisted in the development of a program for the new construction for energy efficient affordable homes. The maximum loan amount is \$100,000 which will be insured to the FHA insurance limit and the balance of the loan amount will be in the form of a second mortgage and insured using a self-insurance pool. A portion of the self-insurance pool is an appropriation of \$300,000 to the Department of Natural Resources and Conservation for use in conjunction with this program, the remaining balance of funds for the self-insurance pool will come from utility companies and the borrowers.

An article regarding the North Dakota Housing Finance Agency and the conviction of one of its staff members for accepting monies from developers to direct federal monies into their projects was shared with the Board.

The last item Dick shared with the Board was a letter dated May 14, 1993, from Moody's Investors Service noting that Moody's has reviewed and affirms the Board's "Aa" bond rating on all 23 of the outstanding Single Family bond issues. It was noted that the "Aa" rating is the highest rating available to the Board.

SET NEXT MEETING DATE

The next meeting was scheduled for June 24, 1993, at 8:30 a.m., the Audit Committee will meet on June 24, 1993 immediately following the regular Business meeting.



Dean Mart, Secretary

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

May 18, 1993

The Montana Board of Housing will hold an orientation meeting on Thursday, May 20, 1993, at 2:00 p.m., M.D.T., to familiarize new Board members with the Montana Board of Housing and its Programs.

5/18/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on April 16, 1993 immediately following the Business Meeting of the Board in the Downstairs Conference Room of the Department of Commerce to review a proposal by Anderson ZurMuehlen and Co., P.C. to conduct the FY93 annual audit.

4/7/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, April 16, 1993 at 11:40 a.m in the Downstairs Conference Room of the Department of Commerce. Participating were: George McCallum, Chairman of the Audit Committee; Committee Members Gerry Hudson and Bob Thomas; Board Members Joe Gerbase and Dean Mart; Jim Woy and Marilyn Dusenberry, Anderson ZurMuehlen and Company; and staff Dick Kain, Karen Wynne and Lynn Rolland.

Jim Woy, Anderson ZurMuehlen and Company, presented to the Board a proposal for conducting the FY93 audit. Jim advised the Board that based on discussions with staff and the Legislative Auditor's Office the scope of the audit will be expanded slightly, however the fee of \$17,500 will remain the same as for FY92's audit. Bob Thomas moved that the proposal for the FY93 audit be approved as presented, Gerry Hudson seconded the motion which was passed unanimously.

Jim advised the Board that three (3) loan servicing institution reviews are scheduled for the end of April and he will be in a position to report preliminary findings to the Committee at the May Board meeting. The Committee agreed to schedule a meeting to discuss the reviews after the regular business meeting of the Board on May 21st.

The Committee was updated on the compliance status of servicer reviews conducted in December, 1992. The Committee briefly discussed alternatives open to the Board with servicers in non-compliance with the findings. The Committee was also advised that their concern regarding servicing that had previously been transferred out-of-state will, by the end of May, have been assigned to a servicer within the state.

There was no further discussion, and the meeting adjourned at 12:20 p.m.

A handwritten signature in blue ink that reads "Bob Thomas".

Bob Thomas, Chairman

May 21, 1993
Dated



MONTANA BOARD OF HOUSING

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AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
APRIL 16, 1993

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- March 19, 1993 Business Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
A. Approval of the March 19, 1993 Audit Committee Meeting Minutes
- IV. REVERSE ANNUITY MORTGAGE PROGRAM - Janet Kunz
A. Status of Program Changes
- V. MULTIFAMILY HOUSING PROGRAM - Maureen Rude
A. Status of Pilot Program
- VI. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
A. Status of Program
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Richard Kain
A. Status of Program
- VIII. GENERAL COUNSEL REPORT - Mike Mulroney
- IX. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
A. 1992 Series A
B. Homebuyers Cash Assistance Program II
C. Status of Recycled Mortgage Program Setaside
D. New Lender Application - Montana Mortgage Company
- X. LEGISLATIVE UPDATE - Richard Kain
- XI. OTHER BUSINESS

XII. SET NEXT MEETING DATE

XIII. ADJOURN**

**Audit Committee Meeting to follow Business Meeting

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

4/7/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
APRIL 16, 1993

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen Rude, Multifamily Program Officer
Lynn Rolland, Accountant
Janet Kunz, Administrative Assistant

UNDERWRITERS: Gordon Hoven, Piper Jaffray Inc.

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

John Wagner, Bond Counsel
Kutak Rock

OTHERS: Bob Bartholomew, Governor's Office on Aging
Jim Woy, Anderson ZurMuehlen & Co., P.C.
Marilyn Dusenberry, Anderson ZurMuehlen & Co., P.C.
John Grant, Jackson, Murdo, Grant and McFarland

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

Dick introduced the Board to Karen Wynne, who has taken the position of Comptroller for the Board and to Bob Bartholomew representing Charlie Rehbein, Aging Coordinator, from the Governor's Office on Aging.

APPROVAL OF MINUTES

The minutes of the March 19, 1993 Business Meeting were approved as presented.

AUDIT COMMITTEE REPORT

George McCallum, Chairman of the Audit Committee reported to the Board that the Audit Committee met with Marilyn Dusenberry of Anderson ZurMuehlen and Co., P.C., on March 19th after the regular business meeting. George explained that the Audit Committee discussed and approved a proposal for the upcoming review of three loan servicing institutions in late April or early May. The scope of the reviews will remain the same as previous reviews and that the fees per review will be less than in previous reviews. It was noted that the Committee feels the reviews are very worthwhile and should be continued as the findings the reviews have uncovered have been helpful in determining how the Board's loans are serviced.

The Audit Committee will meet with Jim Woy and Marilyn Dusenberry, after the regular business meeting today, April 16th, to discuss the proposal for conducting the FY93 audit. George McCallum moved that the Audit Committee report and minutes be adopted as presented, Joe Gerbase seconded the motion which passed unanimously.

REVERSE ANNUITY MORTGAGE (RAM) PROGRAM

Status of Program Changes

Janet Kunz, Administrative Assistant, updated the Board on the status of the Proposed Administrative Rule Changes for the RAM Program, as approved by the Board in February, which include increasing the income limits for a single person household from \$9,500 to \$10,500; for a two person household from \$10,900 to \$13,800 and for three or more persons from \$12,250 to \$15,500 and increase the lump sum for closing costs from \$600 to \$800. A time line was reviewed and it was explained that if no comments are received the earliest that the changes would take effect is June 11, 1993.

Janet also reviewed with the Board some of the events/promotion that has been planned for the RAM Program including: attending conferences and seminars; putting on training sessions in conjunction with the Governor's Office on Aging; printing new brochures with the proposed Administrative Rule changes; and doing mailings to various constituents.

Lastly, Janet briefly reviewed with the Board the status of the RAM Program, noting that 12 loans have closed, 10 loans are currently outstanding, two loans have prepaid and there is one loan in process. Currently there remains \$482,520 in funds available for allocation.

Bob Bartholomew, Governor's Office on Aging, noted that he appreciated Janet working with his office in outreach efforts and noted training will include such things as tax advise, energy assistance and weatherization and help with Medicare and Medicaid.

MULTIFAMILY HOUSING PROGRAM

Status of Pilot Program

Maureen Rude, Multifamily Program Officer, reported to the Board that the first round submission deadline for the Request for Proposal (RFP) for the Pilot Program for Multifamily Rental Housing is April 26th. Maureen explained that although she has not yet received any proposals she is expecting several. Maureen included a list of names, who have received a proposal, and highlighted those she has worked with and expects to submit a proposal.

Maureen further noted that she has had meetings recently with the Housing Authority of Billings and the Helena Area Housing Task Force, related to the Multifamily Program and the Pilot Program and expects to receive proposals from them. Maureen also advised the Board that she is

expecting to receive a proposal from the Ronan Housing Authority which was established six months ago on non-tribal lands.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Status of Program

Maureen Rude updated the Board on the IRS ruling regarding use of 1992 carryover allocations for Low Income Housing Tax Credits. Several Senators including Senator Baucus had co-written a letter to Secretary of the Treasury Lloyd Bentsen noting the concerns expressed by some state housing credit agencies that because the credit expired June 30, 1992, no part of the unused credits would be eligible for carryover to 1993. Secretary Bentsen responded that he understood the disagreement with the ruling that many had expressed, however, the original opinion of the IRS would remain in effect.

Maureen also reported to the Board the status of Tax Credit projects approved by the Board in 1992. Of the seven (7) projects one (1) is up and running with five of the six units rented; one (1) broke ground the first week in April; three (3) are hoping to begin construction in May; one (1) is expecting to complete construction in May, 1993; and one (1) anticipates breaking ground in June. Maureen also shared with the Board a newspaper article that was printed about the completed project which is a group home in Glasgow. Maureen noted that the article is very complimentary and mentions that the project was completed using tax credits obtained from the Board of Housing.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Status of Program

Richard A. Kain, Administrator advised and reviewed with the Board a memo that was sent on April 5th to the four Independent Living Centers (ILC) and to Bob Maffit, ADA Independent Living Coordinator, Social and Rehabilitation Services (SRS) on the Disabled Accessible Affordable Homeownership Program. At the last Board meeting the Board approved the Program with one change which incorporates the rehabilitation of a home whose owner becomes disabled after the house is purchased. There are two program definitions that staff has requested assistance with for the Program (i.e. "Medical/Vocational/Independent Living Expenses" and "Permanent Physical Disability With Mobility Impairment"). ILC staff and Bob Maffit are currently working on those definitions. Assistance has also been requested for the establishment of a network and input regarding what would be involved for screening, qualifying and assisting applicants. Attached to the memo are the Terms and Conditions of the Program, noting the areas that have changed or need clarification. One area Dick noted was that loans would have to be insured and would still have to meet the FHA 203(b) or 203(k) downpayment requirements. Dick advised the Board that it is hoped the Program will be in place in mid to late May.

Dick directed the Board attention to a memo from Jerry Hoover, Administrator of the Montana Health Facility Authority (MHFA), another state agency, noting that over the past three years MHFA has been using tax-exempt bonding to provide financing for group homes for the developmentally disabled and in the last three years have provided \$10 million in bonds for 22 group homes. They also have an established network system with SRS. Dick explained that staff will work with MHFA to develop programs for group homes to the degree that programs are not being duplicated.

Finally Dick explained that the groundwork for SB244, which has been recently signed by the Governor, allowing a county or municipality to

bond for community-based facilities for the developmentally disabled, was done by MHFA.

GENERAL COUNSEL REPORT

Mike Mulrone, Board Counsel, updated the Board on the finalization process for the Board Resolution #92-0821-S1, pledging funds in the Housing Trust Fund. The Board felt it critical that the finalization be concluded and communicated to both the Administration and Legislative Agencies.

SINGLE FAMILY PROGRAM UPDATE

1992 Series A

Dick Kain, presented the Series Allocation Summary Report for 1992 Series A, dated April 14, 1993. Dick advised the Board that of the \$22,844,550 in available proceeds the Board has 35 reservations outstanding for \$1,773,695.00 and has purchased 392 loans for \$19,354,876.17. The average purchase amount is \$49,374.68 and the average annual borrower income is \$27,836.26. Dick advised the Board that as of yesterday (4/15) there remained \$1,646,000 in available funds. The Bond Series Allocation Analysis, showing the most active users of the Program, and the Housing Profile, comparing average loan amount and average income for the areas with the largest purchases, were reviewed. Of the 392 loans purchased 363 have been FHA, 25 have been VA and 4 were FmHA.

Dick advised the Board that as a result of action at the March Board meeting and upon receiving approval of Moody's Investors Service and bond counsel, staff did a mailing advising participating lenders that the VA downpayment requirement was being waived on the remaining \$1,646,000 in lendable funds. Staff has not yet seen an increase in VA reservations, based on that mailing.

Dick presented a comparison of FHA/VA mortgage quotes as of April 12, 1993, reporting that the quotes at 7.5% are the most comparable to the Board's. Dick further noted that the Board's rates are right on top of the market's and advised the Board that staff continue to run cashflow scenarios to determine if additional funds would be required from the Board if lendable funds were not completely originated by the end of the acquisition period.

Homebuyers Cash Assistance Program II

Dick Kain, reported on the Cash Assistance Program (CAP) II as of April 12, 1993. There are seven (7) outstanding reservations for \$245,267 and nine (9) loans has been purchased for \$356,358; of the \$2,000,000 6 7/8% setaside for first mortgages there remains \$1,398,375 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$35,132 in lendable funds available. The average CAP loan funded is \$915, the average loan purchased is \$39,595 and the average borrower income is \$18,197. The most active area is Billings with 14 of the 16 reservations/loans. Those 14 loans are distributed among three or four lenders in Billings.

Status of Recycled Mortgage Program Setaside

Dick Kain presented to the Board a two page summary of recycled mortgage program setasides as of April 12, 1993. The first page is a summary of the setasides with an interest rate of 7 3/4%; totaling \$10,275,461 and include: Neighborhood Housing Services' three setaside programs totaling \$707,928, the 203(k), an FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. Dick indicated that a brochure for the Manufactured Housing Program has been completed.

Stuart Doggett, Executive Director, Montana Manufactured Housing Association, indicated that he feels the brochure will make the difference in getting the program going. Staff completed a mailing to participating Board lenders and have received several calls about the program. Dick also mentioned legislation that has gone to the Governor for signature, making it unlawful for zoning ordinances to discriminate against manufactured homes. It is felt that this will also assist the manufactured housing industry and therefore the program.

The second page of the summary include setasides with an interest rate of 6 $\frac{7}{8}$ %; totaling \$6,046,375 and include: the Board's Cash Assistance Program II setaside which is \$1,398,375; Neighborhood Housing Services' setaside which is \$448,000; the City of Havre First-Time Homebuyer Program which is \$600,000; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The last three setasides are subject to HOME Program grants. The total setaside for all programs is \$16,153,637.

New Lender Application - Montana Mortgage Company

Dick Kain advised the Board that Montana Mortgage Company, with its main office in Kalispell, initiated in late December 1992 the application process to become an approved lender in the Board's bond programs. As of today, we have pulled everything together for a qualifying lender, except the servicing of loans sold to the Board. Montana Mortgage is not at this time interested in servicing and is attempting to work out an arrangement with an existing MBOH servicer to service the loans that would be sold to the Board. Dick drew the Board's attention to an April 14th letter received from Terry Falk, Chief Operations Officer for Montana Mortgage Company, asking the Board to table their application at this time until the matter of servicing can be resolved, the Board so agreed.

LEGISLATIVE UPDATE

Dick Kain, updated the Board on proposed legislation that may have an impact on the Board and Board Programs. The first bill, HB10, provides Oil Overcharge money for programs administered by the State, \$300,000 of which will be appropriated for companion bill SB340, the Energy Efficient Mortgage Reserve Account. HB10 appropriates the \$300,000 to the Department of Natural Resources and Conservation to be used as part of a self-insurance pool for second mortgages, the other part of the self-insurance pool to come from the borrowers, for a program developed in cooperation with the Working Group of the Environmental Quality Council and the Montana Homebuilders Association. HB10 has passed both the House and Senate. HB188, provides that Board members would serve at the pleasure of the Governor, is still tabled in Senate Administration. HB425, merging Board of Housing into State Revenue Bond Authority, is still tabled in Senate Finance and Claims. HB581, creating a State Housing Task Force, has passed both the House and Senate and is currently in the Free Conference Committee on Senate Amendments. Dick reviewed amendments to this bill, noting a new termination date and additional committee members named to the Task Force. SB215, which would allow a county or municipality to donate tax-deed land for housing has been transmitted to the Governor. SB340, regarding residential energy efficiency provisions has also been transmitted to the Governor. Finally SB436, imposing a 1% realty transfer tax on transaction amounts over \$50,000 and depositing tax into the School Equalization Account, was tabled in House Taxation.

OTHER BUSINESS

Dick shared with the Board an update from NCSHA on Congressional legislation relating to extension of MRB's and Tax Credits. It is expected that legislation will be forthcoming by July 4th, however, it has been difficult to get co-sponsorship in both the House and the Senate this time around. Dick noted that so far only Senator Baucus from Montana has signed on as co-sponsor for both bills. A primary question is whether or not the legislation will permanently extend both programs.

Dick also shared with the Board was a news release from the Connecticut Housing Finance Authority, it was noted that Connecticut is releasing \$40 million in 6.7% mortgage funds.

Dick briefly reviewed with the Board a news release summary received from NCSHA. Noted were that New Mexico which found itself in a rebate situation has forgiven debt for 387 of their mortgagors. South Dakota has \$32 million in available funding at an interest rate of 6.65% for a 30 year-term. Utah also has \$26 million in available funding for 30 year-term loans at an interest rate of 6.25%. Finally, Wisconsin, announced a program to assist with up to \$700 of closing costs for their HOME program loans.

The last item presented was a Standard and Poor's report re-affirming the bond ratings for the State of Montana. The report affirmed a rating of "AA-" and reported an negative outlook for State bonds. It was noted that the Board's "AA" rating is one step above the State's.

SET NEXT MEETING DATE

The next meeting was scheduled for Friday, May 21, 1993, at 9:00 a.m., to be held in the Sam W. Mitchell Building, Room 160, 125 N. Roberts, Helena.

There was no further business, and the meeting adjourned.



Bob Thomas, Chairman

May 21, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on March 19, 1993 immediately following the Business Meeting in the Downstairs Conference Room of the Department of Commerce to review the proposal for servicer reviews to be conducted by Anderson ZurMuehlen and Co., P.C.

3/16/93



MONTANA BOARD OF HOUSING

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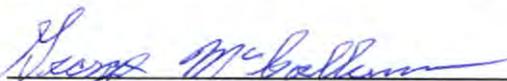
Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, March 19, 1993 at 11:45 a.m in the Downstairs Conference Room of the Department of Commerce. Participating were: George McCallum, Chairman of the Audit Committee; Committee Members Gerry Hudson and Bob Thomas; Marilyn Dusenberry, Anderson ZurMuehlen and Company; and staff Dick Kain, Lynn Rolland and Bob Morgan.

Dick Kain reviewed with the Committee the compliance status for the four (4) servicers that Anderson ZurMuehlen conducted servicer reviews on in December, 1992. Staff is continuing to work with one of the servicers to bring them into compliance. The other three servicers have complied with the review findings and one expressed their disappointment that the review only focused on the negative, while neglecting to mention any positive efforts on their part. Dick advised the Committee that staff has responded in writing noting that the review should also include a positive reinforcement of the servicers efforts and explained that the servicers efforts are appreciated.

Marilyn Dusenberry, presented a proposal for the upcoming review of three (3) servicers to be conducted in late April or early May. The scope for the servicer reviews was discussed and it will remain the same as previous reviews with the exception of one servicer. Because of the traveling distance to the servicer a larger sampling of loan files will be examined. The cost for the reviews will be \$4,920, it was noted that the cost for the these reviews is lower than previous reviews. Following the discussion, Bob Thomas moved to approve the proposal for servicer reviews as presented, Gerry Hudson seconded the motion, which passed unanimously. Staff will work with Anderson ZurMuehlen to notify the servicers to be reviewed. George McCallum expressed the Board's appreciation to Marilyn for the timeliness in which Anderson ZurMuehlen conducts the reviews and presents the final report to the Committee.

A brief discussion was held regarding a proposal for conducting the FY93 audit. As Jim Woy, of Anderson ZurMuehlen, was unable to attend today's meeting, to make that presentation, the matter was tabled and the Committee will take it up at the April meeting.

There was no further discussion, and the meeting adjourned at 12:20 p.m.


George McCallum, Chairman

April 16, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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AGENDA
MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
MARCH 19, 1993

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- February 26, 1993 Business Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Richard Kain
 - A. Report on February 1, 1993 Bond Calls
 - B. Report on April 1, 1993 Bond Calls
- IV. MULTIFAMILY HOUSING PROGRAM - Maureen Rude
 - A. Review of Pilot Program
- V. CITY OF HAVRE-AFFORDABLE HOMEOWNERSHIP PROGRAM-REQUEST FOR SETASIDE
Dick King, Deputy Director, Bear Paw Development Corporation
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1992 Series A
 - B. Homebuyers Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setaside
- VII. PROPOSED DISABLED ACCESSIBLE HOUSING PROGRAM - Robert Morgan
- VIII. LEGISLATIVE UPDATE - Richard Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. ADJOURN**

**Audit Committee Meeting to follow Business Meeting

3/9/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
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(406) 444-3040

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
MARCH 19, 1993

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Absent)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Absent)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray Inc.

OTHERS: Don Fleming, Private Citizen
Chris Kafentzis, HUD/FHA
Dale Creel, HUD/FHA
Linda Worsdell, SRS/Developmental Disabilities Division
Dana Machain, Special Training for Exceptional People
Nancy Benzinger, Reach, Inc.
Theresa Potkay, Reach, Inc.
Mike Chaffin, RSC
Gary Neminick, Havre Day Activity Center
Bob Maffit, Independent Living Center/SRS
Raelen Williard, Montana Independent Living Project
Tom Osborn, North Central Independent Living
Marilyn Dusenberry, Anderson ZurMuehlen and Co., P.C.
Dave Gentry, Summit Independent Living Center
Kathie Gamer, Mental Health Services, Inc.
Dick King, Bear Paw Development Corporation
Ann Marie Robinson, Bear Paw Development Corporation
Walt Woyden, Mission Mountain Resources
Joe Wilson, Green Meadow Resources

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the February 26, 1992 Business Meeting were approved as amended.

ACCOUNTING AND REPORTING UPDATE

Report on February 1, 1993 Bond Calls

Richard A. Kain, Administrator reported that on February 1, 1993 the Board called \$150,000 in unoriginated bond proceeds from 1991 Series B, this was a pro-rata call for the entire issue.

Dick also reported to the Board that all remaining bonds in 1980 Series A, Single Family II Indenture, were redeemed as a result of the refunding completed in December, 1992. A total of \$31,210,000 was redeemed, with \$8,430,000 at par and \$22,780,000 redeemed at 102.5%

Also as a result of the Multi-Family refunding completed in December, 1992, all remaining bonds under the 1979 Series A and 1982 Series A issues were redeemed. A total of \$7,815,000 was redeemed from 1979A and a total of \$1,910,000 was redeemed from 1982A.

Report on April 1, 1993 Bond Calls

Dick reported that on April 1, 1993 the Board will call \$2,925,000 in bonds from the Single Family I Indenture in a mandatory call from mortgage prepayments. This includes \$790,000 from 1987A, \$915,000 from 1987B and \$1,220,000 from 1988A.

An analysis of the Revenue Accounts for bond issues 1988B, 1989A, 1990A, 1990B, 1990C 1991A and 1991B, was conducted by the trustee 45 days prior to April 1st to determine if there are excess revenues or in order to meet the asset requirements as required by each issue. As a result of this analysis, on April 1, 1993, the Board will call a total of \$6,245,000 in bonds from 1988B, 1989A, 1990A, 1990B, 1990C 1991A and 1991B bond issues.

MULTIFAMILY HOUSING PROGRAM

Review of Pilot Program

Maureen J. Rude, Multifamily Program Officer, reviewed with the Board the Pilot Program for Rental Housing, approved at the February 26th Board meeting. Maureen reviewed the changes that the Board had requested be incorporated into the final program packet. Maureen further explained that the schedules attached to each packet were prepared to assist applicants with completing their proposal. Approximately 30 packets have been sent out to interested parties, the largest response has been from government entities and a few private non-profit entities. As a brief review for those attending the Board meeting and not familiar with the Program, Maureen explained that the Program was setup to provide financing for the construction and/or rehabilitation of rental housing. The Pilot Program is primarily focused toward non-profits but staff is expecting future programs to be available for both non-profit and for-profit entities.

CITY OF HAVRE-AFFORDABLE HOMEOWNERSHIP PROGRAM-REQUEST FOR SETASIDE

Dick King, Deputy Director, Bear Paw Development Corporation, appeared before the Board to present a proposal from the City of Havre for an Affordable Homeownership Program (AHP) and to request a setaside of

recycled Board funds for that proposal. Dick introduced Ann Marie Robinson of Bear Paw Development who is responsible for the Housing Rehabilitation Program in Havre and who will be directly involved with the AHP Program if the Board approves the setaside. Dick explained to the Board that Bear Paw Development is a private non-profit local development organization working within the three county area of Blaine, Hill and Liberty Counties. Staff work in partnership with communities and have helped to identify housing needs and to assist the communities in meeting those needs. Dick further explained that there is a great deal of community support in Havre for housing projects and that the City has a current housing project of 100 units consisting of 60 loans. The intent of these loans is to produce program income for use in future housing needs.

The AHP Program before the Board was developed with the assistance of the local banking community and the Highline Realtor Association, Dick also thanked the Board staff for their assistance in developing the Proposed Program. Dick explained to the Board that they have applied to the HOME Program for funds to be used in conjunction with the requested \$600,000 setaside from the Board. The \$600,000 Board setaside would be used as permanent take out financing while \$100,000 of the HOME funds would be used to assist with downpayments, closing costs and principal reduction. An additional \$200,000 of HOME funds will be used for rehabilitation of homes. Bear Paw Development will have a full time staff member to work with the applicants and to conduct a preliminary screening before referring any applicant to one of four lenders that have agreed to work with the Program, a fifth lender is also interested. First Bank-Havre has committed to making a contribution of \$1,000 for administration of the Homebuyers Club which will be conducting workshops for applicants on the basics of owning a home. Terms and Conditions of the Program include: borrowers must be first-time homebuyers, three year rule applies; gross annual income not to exceed 80% of median income for Hill County and targeted at 65% of median; maximum mortgage amount of \$40,000; must be FHA insured; and the property must be owner occupied. It was noted that the minimum owner equity is \$400 and that this Program will assist with downpayment and closing costs beyond the \$1,000 currently available through the Board's Homebuyers Cash Assistance Program. It was also noted that there is a current inventory of housing within the \$40,000 price range of between 80 and 90 homes. Dick further explained that the HOME Program requires the funds be used within two years and they also require a 15 year resale provision, in that if the home is sold before the 15 year time period is up the home must be sold to or assumed by a person who would qualify for this Program. Assumptions would have to have prior Board approval. It was also noted that because of the full time staff member who will be working with this Program anticipated foreclosures would be minimal, however, in the event that a foreclosure occurred the Board loan would be insured by FHA. After a brief discussion Russ Dahl moved to setaside \$600,000 of recycled 6 $\frac{1}{2}$ % 30 year mortgage funds for a year and half, pending approval of the City of Havre's HOME Program application, seconded by Gerry Hudson, the motion was unanimously passed.

SINGLE FAMILY PROGRAM UPDATE

1992 Series A

Robert D. Morgan, Single Family Program Officer presented the Series Allocation Summary Report for 1992 Series A, dated March 15 1993. Bob advised the Board that as of today (3/19/93) there remained \$2,027,000

in lendable proceeds. Of the \$22,844,550 in available proceeds the Board has 51 reservations outstanding for \$2,453,066.00 and has purchased 368 loans for \$18,239,997.65. The average purchase amount is \$49,565.21 and the average annual borrower income is \$27,844.00. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 368 loans purchased 343 have been FHA, 23 have been VA and 2 were FmHA.

Bob advised the Board that newspaper advertising on the availability of the program has been placed in the daily newspapers in Billings, Great Falls, Missoula and Kalispell. Staff has received some response to those advertisements, however, activity in the program continues at a slower pace.

Bob next presented a comparison of FHA/VA mortgage quotes as of March 16, 1993. Bob reported the quotes at 7.5% are the most comparable to the Board's.

Lastly, Bob explained that effective March 15th, HUD has increased the maximum mortgage limits for Gallatin County to \$85,400 and for Missoula County to \$83,600. Therefore, based on Board action taken at the January Board meeting the Board's maximum purchase price limits for these areas have also been increased to conform with HUD limits.

Homebuyers Cash Assistance Program

Bob Morgan reported on the Cash Assistance Program (CAP) II as of March 15, 1993. There are seven (7) outstanding reservations for \$254,522 and eight (8) loans has been purchased for \$311,096; of the \$2,000,000 6% setaside for first mortgages there remains \$1,434,382 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$36,015 in lendable funds available. The average CAP loan funded is \$905, the average loan purchased is \$38,887 and the average borrower income is \$18,396. Thirteen (13) of the reservations/loans are in Billings, one is in Havre and one is in Roundup.

Status of Recycled Mortgage Program Setaside

Bob Morgan presented to the Board a summary of recycled mortgage program setasides as of March 15, 1993. The setasides with an interest rate of 7% total \$10,275,461 and include: Neighborhood Housing Services' three setaside programs totaling \$876,127, the 203(k), an FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. The setasides with an interest rate of 6% total \$5,482,382 and include: Neighborhood Housing Services' setaside which is \$448,000; the Board's Cash Assistance Program II setaside which is \$1,434,382; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$15,757,843.

Bob updated Board members on the status of the Montana Manufactured Housing Program, noting that Stuart Doggett attended the February 26th, Board meeting and advised the Board that it is taking time for the Montana Manufactured Homes Association (MMHA) to market the Program with their dealers. Stuart did feel that it was still a viable Program, he also asked the Board's assistance in putting together a brochure for dealers to give to clients and potential clients which explains the Program. Bob advised the Board that staff has been working on the

brochure and it should be available from the printers on Tuesday, March 23rd.

The Board then briefly discussed avenues to increase the activity in the 1992 Series A Program, after which Gerry Hudson moved to drop the downpayment requirement for VA loans for the funds remaining in the 1992 Series A bond issue, contingent upon concurrence by bond counsel and the rating agency, and seconded by Russ Dahl. The motion passed with two Board members voting in favor of the motion, one against and one abstaining.

PROPOSED DISABLED ACCESSIBLE HOUSING PROGRAM

Bob Morgan presented for the Board's consideration and action the Disabled Accessible Housing Program. This Program would provide for the construction, rehabilitation and permanent loan financing for individuals with disabilities or families for the construction of new housing or to acquire and rehabilitate existing housing to be accessible for people with disabilities or to local eligible non-profit entities as a source of complete financing or matching funds to leverage grants and subsidized loans for projects of one to four living units of affordable disabled accessible housing at a cost which will permit people with disabilities or families to live independently through a lease, lease-purchase or purchase of a home. Bob reviewed the Terms and Conditions with the Board. Setting aside \$3,500,000 from 1992 Series RA the loans would have to be insured by either FHA's 203(b) or 203(k) program, the loans would be 30 year mortgages with a fixed interest rate, depending upon the income of the occupant, which ranges from \$0 to \$30,000 per year less medical, vocational or independent living expenses attributed to the disability. Associated with the income limits are variable interest rates ranging from 2.75% to 6.50% and maximum affordability limits up to the FHA insurance limit depending on the gross annual income level of the household after medical, vocational and independent living expenses are considered. The lower the income the lower the interest rate and maximum affordability. Bob reviewed the eligibility requirements of homebuyers which include that the homebuyer have a permanent physical disability with mobility impairment; an asset limit of \$50,000 excluding adaptive equipment for the disability; must be a first time homebuyer; residence is owner occupied; and to be assumable the buyer must qualify for this program and FHA. Bob then reviewed the eligibility requirements for a non-profit entity. Any non-profit subsidiaries of governmental units, or any other non-profit entity experienced in providing housing or services for the disabled can apply for funding a one to four unit accessible housing project for lease, lease-purchase or purchase basis. The interest rate would be based on the affordability level of the occupants and the non-profit entity must be willing to screen and qualify eligible applicants, coordinate a counseling program and assist with application completion if necessary, be a mortgagor, collect monthly lease payments, make monthly mortgage payments, maintain the property and must be an eligible non-profit mortgagor as established by the local HUD field office and HUD regulations.

The Board was advised that Dave Gentry, Summit Living Center in Missoula, and Don Fleming, Helena would like to address the Board. Don Fleming explained to the Board that his need for the program was personal. He indicated the he will need to be out of the home he is currently living in, in about six months and that there are no

multifamily units or homes available in Helena that are suitable to his accessibility needs and as a father of two living on \$650 per month. Don indicated that he is expecting to have to build a suitable home and there are no contractors in Helena building handicapped accessible housing. He is therefore incurring the additional cost of obtaining an architect to design the home.

Dave Gentry informed the Board that Summit Living Center feels this is a great program and hopes that it is the first of many programs. He also expressed the hope that future programs would look into the diversity of disabilities and offer this kind of program to individuals of all disabilities. Dave also noted a difficulty that he has seen, is that of an individual who becomes disabled, already owns a home and then has to move because the home is no longer accessible to them and funding is not available for rehabilitation. He advised the Board that he has received, in talking with realtors and bankers, very positive responses about the program. He also advised that Board that Summit is more than happy to help with this program in anyway they can. Dave further explained that because of the housing inventory shortage in the more urban areas the program may be less effective than in rural areas where more housing is available.

The floor opened up to a general discussion of the program, it was noted that individuals with disabilities other than physical disabilities should be included in future programs. It was noted that this was the Board's first program to targeted specifically to the physically disabled and to rework the program now to include all disabilities would delay the program by several months. It was also noted that future programs could include those with other disabilities if those needs are made known to the Board and that the Board would welcome any input to that end. Staff explained to the Board that if action is taken today and approved, more work still needs to be done, such as forming a counseling network, providing screening of applicants and working with lenders. Following the general discussion George McCallum moved to authorize staff to proceed with the Disabled Accessible Program and incorporate into the program funding for the rehabilitation of a home whose owner becomes disabled after the home was purchased. The motion was seconded by Bob Thomas and unanimously approved.

LEGISLATIVE UPDATE

Dick Kain updated the Board on proposed legislation that may have an impact on the Board and Board Programs. The first bill, HB188, provides that Board members would serve at the pleasure of the Governor, was tabled in Senate Administration. HB425, merging Board of Housing into State Revenue Bond Authority, was heard in Senate Finance and Claims on March 5th. Vice Chairman Joe Gerbase attended the hearing and provided testimony for the Board. Dick advised the Board that HB425 was tabled in Committee on March 12th. HB581, creating a State Housing Task Force, was heard in House Business today and passed out of Committee. The last two bills that staff are following are SB215, which would allow a county or municipality to donate tax-deed land for housing which was heard in House Local Government on March 16th and SB340, regarding residential energy efficiency provisions was heard in House Business on March 12th and passed. Dick advised the Board he would keep them informed as legislation affecting the Board proceeded.

Tom Mather, Chairman, advised the Board that the realtors also attended

the hearing on HB425 to show their support for the Board.

OTHER BUSINESS

Dick Kain drew the Board's attention to a memo from NCSHA regarding the appointment of three Executive Directors of Housing Finance Agencies by President Clinton to key positions in HUD and FmHA.

Dick also noted an article in the State Housing Finance, a quarterly publication from NCSHA, regarding HFA's in Connecticut, Rhode Island and Pennsylvania offering construction financing to home builders to help spur the economy. Dick noted that this may be a program the Board may want to consider in the future if a proposal is received from the Home Builders Industry.

Dick shared a press release from the New Jersey Housing Agency noting new mortgage rates on an 30 year fixed rate mortgage of 5.95% with 3 points and 6.75% with zero points.

SET NEXT MEETING DATE

The next meeting was scheduled for April 16, 1993, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

April 16, 1993
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA
MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
FEBRUARY, 26, 1993

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
 - January 29, 1993 Audit Committee Meeting
 - January 29, 1993 Business Meeting
- III. ACCOUNTING AND REPORTING UPDATE - Richard Kain
 - A. Review of December 31, 1992 Consolidated Financial Statements
 - B. Quarterly Budget Status Report - December 31, 1992
- IV. REVERSE ANNUITY MORTGAGE PROGRAM - Bob Bartholomew, Governor's Office on Aging
 - A. Review of Results of Survey on Eligibility Criteria
- V. MONTANA MANUFACTURED HOUSING ASSOCIATION - Stuart Doggett, Executive Director
- VI. MULTIFAMILY HOUSING PROGRAM - Maureen Rude
 - A. Proposed Pilot Program for Non-Profit Organizations
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1992 Series A
 - B. Cash Assistance Program
 - C. Status of Recycled Mortgage Program Setaside
 - D. Proposed Disabled Accessible Housing Program
 - E. New Lender Application - FBS Mortgage Corporation
 - F. Quarterly Delinquency Report - December 20, 1992
- VIII. LEGISLATIVE UPDATE - Richard Kain
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE
- XI. ADJOURN

2/17/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
FEBRUARY 26, 1993

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Present)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Absent)
Russ Dahl (Present)
Gerry Hudson (Absent)
Dean Mart (Present)
Bob Thomas (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray Inc.

OTHERS: Raelen Williard, MT Independent Living Project
John Grant, Jackson, Murdo, Grant and McFarland
Charles Rehbein, Governor's Office
Bob Bartholomew, Governor's Office on Aging
Stuart Doggett, MT Manufactured Housing Association
Mike Mayer, Summit Independent Living

The meeting was called to order at 9:30 a.m. by Chairman Tom Mather.

APPROVAL OF MINUTES

The minutes of the January 29, 1993 Audit Committee Meeting and the January 29, 1993 Business Meeting were approved as presented.

ACCOUNTING AND REPORTING UPDATE

Review of December 31, 1992 Consolidated Financial Statements

Richard A. Kain, Administrator, presented the Board's unaudited consolidated financial statements for the period ending December 31, 1992 and December 31, 1991 and reviewed significant changes between 1991 and 1992. The Board asked Dick to explain where the \$500,000 transfer to the Housing Authority Enterprise Fund is reflected. Dick advised the Board that it is not reflected on the Income Statement, but would be reflected on the Balance Sheet as a reduction in fund balances. The Board felt that although it is not an operating expense, it should be reflected on the financial statements as such.

Quarterly Budget Status - December 31, 1992

Dick Kain, presented the Board's budget status, as of December 31, 1992. The Board has spent \$472,301 or 23% of the \$2,070,421 appropriation for fiscal year 1993, leaving a balance of \$1,598,120.

REVERSE ANNUITY MORTGAGE PROGRAM

Review of Results of Survey Eligibility Criteria

Bob Bartholomew, Governor's Office on Aging, presented for the Board's consideration and action, results and recommendations of a survey conducted by the Governor's Office on Aging, regarding the Board's Reverse Annuity Mortgage (RAM) Program. Bob explained that the survey was conducted by the Aging Office as the counselors and closing agents for the RAM Program are affiliated with the Area Agencies on Aging around the State. Additional input from other state agencies working with the elderly was also obtained. The first area reviewed was the age limit, which is currently 68. While the survey indicated a reduction of the age limit may be beneficial, it was recommended that this requirement not be changed at this time. The average age of the 12 RAM loans closed is 76 and as the age limit was established by the legislature, it would require legislative action to affect a change.

The next area the survey reviewed were the income limits. For informational purposes the minimum Social Security benefits and the poverty levels were reviewed with the Board. Based on this information and the survey, it was recommended that the income limits be increased to 150% of the poverty level. This would increase a single person household from \$9,500 to \$10,500; a two person household from \$10,900 to \$13,800 and a three or more person household from \$12,250 to \$15,000.

The last item on the survey requested comments regarding other items of concern that may need addressing. The greatest concern voiced was to increase the lump sum for closing costs. Bob noted that when the program was begun the \$600 that could be advanced to assist with closing costs would cover the entire amount, unfortunately those costs have risen and are now in the \$800 range. Therefore, the last recommendation would be to increase the lump sum for closing costs from \$600 to \$800. Dean Mart moved to approve the recommended changes to RAM Program as presented, Russ

Dahl seconded the motion. Janet Kunz advised the Board that because the income limits and lump sum amounts were in the Board's Administrative Rules, those would also have to be amended to effect the changes, which would also require Board action. That action could be included in the motion to change the eligibility requirements. Dean Mart amended his motion to include amending the Administrative Rules to effect the recommended changes, Russ Dahl seconded the amended motion which was unanimously approved.

Bob thanked Dick Kain and Janet Kunz for their help with the outreach of the Program and their work with the Program. The Board expressed a concern in getting information out to individuals who may be eligible but for whom the program seems to be difficult to deal with. Bob explained that, in their positions, the counselors work one-on-one with seniors and they play a very important role. Bob further explained that with staff's assistance, a more concerted effort toward informing the public, through senior newspaper articles, the senior citizen centers, the Montana AARP membership and other available sources, the program will receive more exposure.

MONTANA MANUFACTURED HOUSING ASSOCIATION

Stuart Doggett, Executive Director, Montana Manufactured Housing Association (MMHA), appeared before the Board to update them on the status of MMHA Program. Stuart advised the Board that he also shared the Board's concern with the activity to date, but noted that when the setaside was established in September, 1992, it was suggested it would take approximately six months for the MMHA membership to become comfortable with an alternative financing program from previously established funding sources. Stuart also advised the Board that the timing of the program, the onset of winter, has hindered the program, in that few foundations are dug during the winter months. However, he didn't feel that the program needed to be changed at this time but that it would be helpful for the dealers to have a brochure outlining the program that could be distributed to the public. Stuart further advised the Board of a favorable legal decision made the first of February. The ruling stated that a manufactured home on a permanent foundation is not a temporary structure. Also, there is current legislation which prohibits the discrimination of manufactured housing on permanent foundations. Stuart encouraged the Board to continue the setaside and review it in a few months. Stuart also requested the Board's assistance in producing a brochure. The Board agreed to review the program in a few months and offered staff's assistance with producing a brochure.

MULTIFAMILY HOUSING PROGRAM

Proposed Pilot Program for Non-Profit Organizations

Maureen J. Rude, Multifamily Program Officer, presented for the Board's consideration and action a proposed Pilot Program for Multifamily Rental Housing for Non-Profits. Maureen reviewed with the Board the several components of the Program. Maureen explained that many of the groups that will be applying for financing will also be applying to other programs for funding and instead of

having another application for this program, the groups would instead submit a proposal to the Board. Maureen then reviewed the proposed Request for Proposal (RFP) and the Terms and Conditions. Many of the questions on the RFP would be needed for other applications, thus making it easier for those applying to assemble the information. After reviewing the RFP and the Terms and Conditions of the proposed Pilot Program the Board had several questions and recommendations for the Program. It was noted that because the source of the funds for the Pilot Program was a bond refunding, that the projects are not required to be FHA insured, however future Programs may be required to be FHA insured or have some type of credit enhancement. Following discussions the RFP and the Terms and Conditions were changed to include: a 90 day time limit on the preliminary commitment; to include "readiness to proceed" as a condition of evaluation; and to clarify the financing available (construction/permanent or both). Dean Mart moved to establish the maximum loan to value of a given project financed to be 75%, Joe Gerbase seconded the motion which passed unanimously. Maureen then presented to the Board a Multifamily Rental Housing Subsidy Program to be used in conjunction with the Pilot Financing Program. This program would be available only to those using the Pilot Program and would serve the lower income groups. The subsidy would be tied to targeted groups depending on income to make the rents more affordable. The intent is that the funds will come back to the Board and will be set-up as a deferred 0% interest, second loan. The Subsidy Program is a result of the refunding and is therefore a one-time only situation. After further discussions, Joe Gerbase moved for staff to proceed with the RFP, Multifamily Rental Housing Pilot Program and Multifamily Rental Housing Subsidy Program, as presented with Board recommended changes. The motion was seconded by Dean Mart and approved unanimously.

Maureen advised the Board that an IRS ruling on Low Income Housing Tax Credit carryovers has been received and the effect of the ruling is that because Tax Credits were allocated in the second half of the year, there would be no credits available for carryover allocation. This ruling has affected several States, including Montana. The Senators from those states have sent a letter to Secretary of the Treasury Lloyd Bentsen, asking the ruling be overturned. Maureen advised the Board that unless the ruling is overturned, no 1992 carryover Low Income Housing Tax Credits could be allocated.

SINGLE FAMILY PROGRAM UPDATE

Proposed Disabled Accessible Housing Program

Robert D. Morgan, Single Family Program Officer, asked the Board's indulgence in rearranging the order of his portion of the agenda, to present first the status of the Proposed Disabled Accessible Housing Program. Bob noted that since the last Board meeting he has meet with the disabled community to determine the extent of need for the Program. So far there are 55 to 75 persons who have been identified who would be benefited by the Proposed Program. Bob also advised the Board that non-profit groups have expressed a great deal of interest in working with the Proposed Program. Bob

then introduced Mike Mayer, Executive Director, Summit Independent Living Center, Missoula and Raelen Willard, MT Independent Living Project, Helena and advised the Board that Mike and Raelen would like to address the Board with concerns and recommendations for the Pilot Program.

Mike Mayer advised the Board that he would be addressing the needs of the people in Western Montana. In the four (4) county area that Summit Independent Living Center serves, 28 people have expressed a need or interest in the program. Mike did note that there seems to be more possibilities for non-profits to work with the program rather than individuals and that the individuals in the very-low income range (\$400/month) have expressed reservations regarding the program. Mike noted that the main concerns that have been raised include the purchase price limits and income limits. The price limits are not sufficiently high enough to purchase a suitable home in the Missoula or Kalispell areas. Many two income households will not qualify under the income limits. For many families that include a disabled person, the medical expenses are much higher, effectively reducing available income. It was requested that the additional medical expenses be considered when reviewing the income limits. Mike concluded by explaining to the Board how excited Summit is to be involved in this Proposed Program and that for the disabled, accessibility is the issue. This Program is a wonderful opportunity for the Board to benefit a large portion of the population who have been on the outside.

Raelen Williard, explained to the Board that she is with the MT Independent Living Project in Helena and that while there are four Independent Living groups around the state, they are all separate entities. Raelen advised that Board that in Helena of the 179 people served by their group they found 67% lived in inaccessible housing. For many of these individuals this meant that during the times when family members were at work or school, they were isolated within the house. Raelen further explained that the CHAS final report identified disabled as a group in need of housing and that many units in Montana have been developed that are not accessible. Raelen offered for the Board's consideration several recommendations for the Proposed Program, including: borrowers be required to attend a counseling program; those who working with the program comply with American Disabilities Act guidelines; that those with severe disabilities receive assist in completing forms; and that the Board consider a downpayment assistance option to the program. Raelen extended the Living Center's willingness to work with the Board to implement the Proposed Program.

Several members of the Board voiced interest in incorporating several of the recommendations brought before the Board today into the Proposed Program, including required attendance of a counseling program for homebuyers and assistance with completing the documentation required for application. It was noted that the construction of townhouse units should be on one level although it could not be required by the Proposed Program. Bob advised the Board that within the next month he will be working with several

groups and should be in a position to bring a Proposed Program before the Board for action at the March meeting.

1992 Series A

Bob Morgan presented the Series Allocation Summary Report for 1992 Series A, dated February 19, 1993. Bob advised the Board that as of today (2/26/93) there remained \$2,313,000 in lendable proceeds. Of the \$22,844,550 in available proceeds the Board has 69 reservations outstanding for \$3,543,733.00 and has purchased 344 loans for \$16,929,002.51. The average purchase amount is \$49,212.21 and the average annual borrower income is \$27,882.56. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. Of the 344 loans purchased 320 have been FHA, 22 have been VA and 2 were FmHA.

Bob presented a comparison of FHA/VA mortgage quotes as of February 24, 1993. Bob reported that quotes are very comparable to the Board's and that in the market today the rate is at 7%% with 2 points. Bob indicated that staff will continue to watch the market and advertise Board funds.

Cash Assistance Program

Bob Morgan reported on the Cash Assistance Program (CAP) II as of February 22, 1993. There are four (4) outstanding reservations for \$154,741 and five (5) loans has been purchased for \$198,729; of the \$2,000,000 6%% setaside for first mortgages there remains \$1,646,530 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$41,062 in lendable funds available. The average CAP loan funded is \$1,000, the average borrower income is \$18,895 and household size is 2.6 persons. Eight of the reservations/loans are in Billings and one is in Havre.

Status of Recycled Mortgage Program Setaside

Bob Morgan presented to the Board a summary of recycled mortgage program setasides as of February 22, 1993. The setasides with an interest rate of 7%% total \$10,275,461 and include: Neighborhood Housing Services' three setaside programs totaling \$876,127, the 203(k), a FHA program, setaside which is \$4,899,334; and the Manufactured Housing setaside which is \$4,500,000. The setasides with an interest rate of 6%% total \$5,694,530 and include: Neighborhood Housing Services setaside which is \$448,000; the Board's Cash Assistance Program II setaside which is \$1,646,530; and the Missoula City-County Affordable Housing Program which is \$3,600,000. The total setaside for all programs is \$15,969,991.

New Lender Application - FBS Mortgage Corporation

Bob Morgan presented to the Board for their review and approval a new lender application for FBS Mortgage Corporation. FBS Mortgage, a subsidiary of First Bank System, as a result of reorganization within the First Bank System in Montana has taken over the real estate loan function. Bob reviewed the application with the Board and advised the Board that staff recommended approval with the

provision that there be a contact person at each of the local First Bank System Offices in Montana, whereby a borrower could contact the local bank for resolution of problems, make payments of monthly payments or other matters. After a brief discussion Dean Mart moved to approve the FBS Mortgage Corporation application, to be an approved Montana Board of Housing lender, as presented including the requirement for a contact person at each of the local First Bank System Offices in Montana. The motion was seconded by Bob Thomas and approved unanimously.

Quarterly Delinquency Report - December 31, 1992

Bob Morgan presented the Board's delinquency statistics, as of 12/20/92, which shows that of 10,241 outstanding loans, 2.53% are delinquent and .29% are in foreclosure. These delinquency percentages compare favorably with Montana, Regional and National statistics. Bob noted that Series 82A and 84A, which have higher interest rates, have the higher delinquency rates. Listings of delinquencies by servicer and by series were reviewed.

LEGISLATIVE UPDATE

Dick Kain, updated the Board on proposed legislation that may have an impact on the Board and Board Programs. The first bill, HB188, provides that Board members would serve at the pleasure of the Governor, has passed the House and is scheduled for hearing in the Senate on Tuesday, March 2nd. Dick advised the Board that HB581, creating a State Housing Task Force, has passed the House. The House Appropriations Committee took executive action on HB425, which would create a State Revenue Bond Authority, on February 18th and passed the measure. Dick noted several amendments to HB425 including removal of the Board of Investments from the bill, removing the advisory Board of Housing and adding language intended to address the concern that all Board mortgage loan trust indentures would have to have an assignment completed and recorded. It was noted that the language may not accomplish this task. Dick advised the Board that with passage of the bill in the House it will now go to a Senate Committee but are not sure which Committee. Dick also advised the Board that several groups, such as the MT Building Industry, MT Bankers Association, Great Falls Housing Authority, National Association of Housing and Redevelopment Officials and the MT Saving and Loan League appeared before the Committee to voice their opposition to the bill. The last two bills that staff are following are SB215, which would allow a county or municipality to gift foreclosed properties to a non-profit corporation to be used for low income housing and SB340, which is one of the pieces of legislation required, before the Board can proceed with the proposed program for energy efficient construction of homes. Dick advised the Board he would keep them informed as legislation affecting the Board was proceeded. Lastly, Dick shared with the Board the Legislative Update that was used in conjunction with the budget hearings on February 12th.

OTHER BUSINESS

Dick shared with the Board and article that appeared in the Great Falls Tribune, regarding Neighborhood Housing Services 100th loan in partnership with the Board of Housing.

Dick updated the Board on the status of Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Extensions. Senator Baucus has signed on as a co-sponsor for permanent extension of MRB's. There are no other co-sponsors for either extension from the Montana delegation. Dick also included an article from NCSHA regarding the permanent extension of both programs.

The Board discussed several items pertaining to current legislation including their resigning from the Board as a means to preserve the programs the Board of Housing is providing. Also discussed was Board members contacting members of the legislature they know to explain the Board's function and to garner their support. It was noted that no members of the legislature have attended a Board of Housing meeting and none have thus far contacted Board members to inquire into the duties, responsibilities, funding sources, or the fiduciary responsibilities of the Board. It was expressed that with housing needs around the State rising that to dismantle the programs would be doing a disservice to those served by those programs. Tom Mather thanked the Board and staff for the job that they have done.

SET NEXT MEETING DATE

The next meeting was scheduled for March 19, 1993, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

March 19, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
JANUARY 29, 1993

- I. CALL MEETING TO ORDER - 9:30 a.m. - Chairman Tom Mather
- II. APPROVAL OF MINUTES - Chairman Tom Mather
- December 18, 1992 Business Meeting
- III. AUDIT COMMITTEE REPORT - George McCallum
- IV. INVESTMENT BANKER COMMITTEE REPORT - Gerry Hudson
- V. PROPOSED RESIDENTIAL NEW CONSTRUCTION PROGRAM FOR ENERGY EFFICIENT HOMES - Richard Kain
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Mortgage Credit Certificate Program
 - B. 1992 Series A
 - C. FHA Single Family Maximum Mortgage Limits - Gallatin and Missoula Counties
 - D. Cash Assistance Program
 - E. Status of Recycled Mortgage Program Setaside
 - F. Neighborhood Housing Services, Inc., of Great Falls
 1. Request for Extension of FHA Repo Rehabilitation Setaside
 2. Request for Change in Mortgage Interest Rate on Owners In Partnership II Setaside (October 1992)
 - G. Mortgage Revenue Bond (MRB) Bridge Recycling
 - H. Proposed Disabled Accessible Housing Program
- VII. MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM - REQUEST FOR SETASIDE - Kathleen O'Brien - City of Missoula and
Cindy Wulfekuhle - Missoula County
- VIII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. Proposed 1993 Interim Allocation Plan
- IX. MULTIFAMILY LOAN SERVICING - Maureen Rude

Continued on next page

X. REVIEW OF REAL ESTATE OWNED - Maureen Rude

XI. LEGISLATIVE UPDATE - Richard Kain

XII. OTHER BUSINESS

XIII. SET NEXT MEETING DATE

XIV. ADJOURN

1/19/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JANUARY 29, 1993

ROLL CALL OF

BOARD MEMBERS: Tom Mather, Chairman (Absent)
Joe Gerbase, Vice Chairman (Present)
George McCallum, Secretary (Present)
Russ Dahl (Present)
Gerry Hudson (Present)
Dean Mart (Present)
Bob Thomas (Present)

STAFF:

Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Kurt Lewis, Accounting Technician
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS:

Mark Semmens, D. A. Davidson
Gordon Hoven, Piper Jaffray

OTHERS:

John Grant, Jackson, Murdo, Grant and McFarland
Paul Cartwright, Department of Natural Resources
and Conservation
Bob Bartholomew, Governor's Office on Aging
Kathleen O'Brien, City of Missoula
Cindy Wulfekuhle, Missoula County
Nancy Griffin, Home Builders Association
Alan Davis, Department of Natural Resources and
Conservation

The meeting was called to order at 9:30 a.m. by Vice Chairman Joe Gerbase.

APPROVAL OF MINUTES

Gerry Hudson noted that under Other Business, the first paragraph, third sentence reads "...at its meeting in May of 1990..." and should read "...at its meeting in May of 1991...". The minutes of the December 18, 1992 Business Meeting were then approved as corrected.

AUDIT COMMITTEE REPORT

George McCallum, Chairman, reported to the Board that the Audit Committee met with Jim Woy of Anderson ZurMuehlen to review the servicer reviews that were conducted by their firm in December, 1992. Four servicers were reviewed, three were new reviews and one was a review of a previously reviewed servicer, to ensure that previously noted exceptions had been cured, which they had been. The findings of the other three reviews were discussed and the Board was advised that staff will be following up the reviews with letters to the servicers regarding curing the findings. George further explained to the Board that it is the consensus of the Audit Committee to continue conducting reviews of servicers and if possible to expand the reviews to include more servicers and to conduct spot reviews to ensure findings are cured.

INVESTMENT BANKER COMMITTEE REPORT

Gerry Hudson, Chairman, advised the Board that on January 4, 1993 a Request for Proposal (RFP) for Investment Bankers was sent out to 13 Investment Bankers requesting submission of proposals by January 26th. Eleven Investment Bankers responded. Gerry then moved to forestall any action on the RFP's at this time, Dean Mart seconded the motion. Gerry, by way of discussion, explained that because of proposed legislation and several rumors he has heard, he feels that it would better serve the Board to forestall the RFP process until the end of this Legislative Session. After a brief discussion the Board unanimously approved the motion. The Board asked staff to send letters to those Investment Bankers responding and advise them of Board action taken today.

Dick introduced several individuals attending today's meeting to the Board. Nancy Griffin from the Montana Building Industry Association. Bob Bartholomew from the Governor's Office on Aging. Dick also introduced to the Board staff attending, including Kurt Lewis and Lynn Rolland.

PROPOSED RESIDENTIAL NEW CONSTRUCTION PROGRAM FOR ENERGY EFFICIENT HOMES

Richard A. Kain, Administrator, presented for the Board's consideration a proposal for the Residential New Construction of Energy Efficient Homes. Dick advised the Board that the Environmental Quality Counsel's (EQC) working group has prepared a proposal for implementing a program to build energy efficient homes. Key to the implementation of this program is the Board's involvement by providing financing for the construction of the homes. The proposed program would be structured to reach homebuyers above the current FHA maximum mortgage limit and would be structured to use a first and a second mortgage on the loan. The first loan would be insured by FHA up to the maximum mortgage limit, \$75,500. The second loan, maximum of \$19,500, would be insured by a self-insured "cash pool", maintained at a maximum level initially equal to 25% of the dollar amount invested in the second mortgages. This maximum level of funds in the "cash pool" has been reviewed with Moody's to ensure no negative effect on bond ratings. The "cash pool" would receive its funding from the Department of Natural Resources and Conservation (DNRC), utility companies and the homebuyer. A bond issue of \$25,000,000 would generate approximately 200 to 250 loans, local lenders would make

the loans, and the Board would provide the secondary market for the purchase of those loans. One payment would be made to the Board, it would then be broken out to make payments to both the first and second mortgage loans. Nancy Griffin, Executive Director, Montana Building Industry Association, advised the Board that in today's market it is very difficult to build an energy efficient home for \$75,000 and that one barrier to building homes is access to capital, this program will assist those who are currently unable to find funding. It was noted that before this program can be put in place two pieces of State legislation have to be passed, the first would allow DNRC to change the way in which oil over-charge funds can be used, this change would allow those funds to be used in the "cash pool". The second piece of legislation would exempt single family through 4-plex structures from the Model Conservation Standards (MCS), except the energy standards. If either piece of legislation is not passed then the program would not go forward. The Board was reassured that the Board's risk on the second loan would be covered by the self-insured "cash pool", the homes would be build to the (MCS) and that if the program is not used, funding can be utilized by other Board programs. Following a thorough discussion of this program concept, Gerry Hudson moved that the Board support the Residential New Construction Program of Energy Efficient Homes, providing that appropriate legislation is passed, Dean Mart seconded the motion. The motion was passed with a vote of four members voting in favor and one member voting against.

SINGLE FAMILY PROGRAM UPDATE

MORTGAGE CREDIT CERTIFICATE PROGRAM

Robert D. Morgan, Single Family Program Officer, presented the final status of the Mortgage Credit Certificate Program. The MCC Program expired on December 31, 1992, issued were 883 certificates for \$9,975,528.00 in credit authority. The average purchase price was \$58,544.35, the average MCC amount issued was \$11,297.31, with an average gross annual income of \$28,765.59.

A listing of MCCs issued and reserved by county or targeted area was presented, as was the lender participation report, the largest users of the program and the number of MCCs issued by month.

1992 SERIES A

Bob Morgan presented the Series Allocation Summary Report for 1992 Series A, dated January 22, 1993. Of the \$22,844,550 in available proceeds the Board has 82 reservations outstanding for \$4,299,797.00 and has purchased 307 loans for \$14,838,162.25. The average purchase amount is \$48,332.77. Bob noted that as of January 28th there remained \$3,238,018.93 in available proceeds. Bob reviewed the most active users of the Program and the Housing Profile comparing average loan amount and average income for the areas with the largest purchases. It was noted that there was a slight increase in rural loans, including one in Sanders County. Of the 307 loans purchased 288 have been FHA, 17 have been VA and 2 were FmHA.

FHA SINGLE FAMILY MAXIMUM MORTGAGE LIMITS - GALLATIN AND MISSOULA COUNTIES

Bob presented for the Board's consideration and action a proposal to increase, using FHA guidelines, the maximum purchase price in

Gallatin County, from \$75,500 to \$85,400, and in Missoula County, from \$75,500 to \$83,600. Following a brief discussion, George McCallum moved to increase the maximum purchase price in Gallatin and Missoula Counties to conform with FHA maximum mortgage limits. Gerry Hudson seconded the motion which passed unanimously.

CASH ASSISTANCE PROGRAM

Bob Morgan reported on the Cash Assistance Program (CAP) II as of January 22, 1993. There are six (6) outstanding reservations for \$232,802 and one (1) loan has been purchased for \$40,685; of the \$2,000,000 6% setaside for first mortgages there remains \$1,726,513 in lendable funds and of the \$50,000 in setaside for downpayment assistance there remains \$43,052 in lendable funds available. The average borrower income is \$18,288 and household size is 2.1 persons. Six of the reservations/loans are in Billings and one is in Havre.

STATUS OF RECYCLED MORTGAGE PROGRAMS SETASIDES

Bob Morgan presented to the Board a summary of recycled mortgage program setasides. Neighborhood Housing Services' four setaside programs total \$1,435,628, the 203(k), a FHA program, setaside is \$4,862,100, the Board's Cash Assistance Program II setaside is \$1,726,513 and the Manufactured Housing setaside is \$4,500,000. The total setaside for all programs is \$12,524,241. The Board inquired on two of the programs that have been set up, but as yet there has been no activity and questioned the continued need of these programs. Bob explained that the first program, the Owners in Partnership II setaside request by Neighborhood Housing Services, (NHS) Inc. of Great Falls, was requested as matching funds to be used in their application for funding from the HOME Program. NHS is actively pursuing this application. The second program, the Montana Manufactured Housing setaside, has had many inquiries but there has not been any applications through this Program and that it has been indicated to staff the industry is still educating its membership. Bob did note that the Board has received two loan applications for manufactured homes on permanent foundations through the 1992A Program. The Board requested that representatives from the Montana Manufactured Housing industry be invited to the February Board meeting to discuss the merits of continuing the setaside.

NEIGHBORHOOD HOUSING SERVICES, INC., OF GREAT FALLS

REQUEST FOR EXTENSION OF FHA REPO REHABILITATION SETASIDE

Bob Morgan asked for Board action on a request from NHS of Great Falls, to extend for one year, to January 1, 1994, the FHA Repo Rehabilitation Setaside which expired this month. Bob reviewed a letter from Nancy Stephenson, Executive Director of NHS. Dean Mart abstained from the vote as he is on the Board of NHS. After a discussion of the request, Russ Dahl moved to extend the FHA Repo Rehabilitation Setaside for one year, to January 1, 1994, George McCallum seconded the motion, which was approved.

REQUEST FOR CHANGE IN MORTGAGE INTEREST RATE ON OWNERS IN PARTNERSHIP II SETASIDE (OCTOBER, 1992)

Bob Morgan advised the Board that NHS is also requesting, based on the Federal Home Loan Bank's (FHLB) denial of NHS's request for \$50,000 in subsidy for the Owners in Partnership (OIP) II Program,

that the Board consider reducing the interest rate on their setaside from 7¼% to 6¾%. Dean Mart advised the Board that three of the five applications submitted to the FHLB over the past three years by NHS were approved. Following further discussion Gerry Hudson moved to approved NHS's request to reduce the interest rate on the OIP II Program from 7¼% to 6¾%. The motion was seconded by Bob Thomas and approved with Dean Mart abstaining.

MORTGAGE REVENUE BOND (MRB) BRIDGE RECYCLING

Bob Morgan presented a proposal to the Board, that would use prepayments from the 79A, 83B and 85B bond issues and, using conservative assumptions, has determined there would be \$10,000,000 available for the Program. The Bridge Recycling Program would have the same Terms and Conditions as the current 1992A Program, with the exception that the Recapture Tax Provisions would not apply. Implementation of the Program would occur at such time that 1992A funds are fully reserved. After reviewing the Program and general discussion, Dean Mart moved to implement the proposed Bridge Recycling Program at such time that the current 1992A bond issue is fully reserved. George McCallum seconded the motion which passed unanimously.

PROPOSED DISABLED ACCESSIBLE HOUSING PROGRAM

Bob Morgan drew the Board's attention to a letter that the Board received in November, 1992, from Summit Independent Living Center in Missoula. The letter addresses the need for affordable housing for those individuals who have a mobility impairment. To address this concern staff has prepared a proposal to target this group of Montanans and their specific needs. The Program would provide the financing to individuals or local non-profit entities to construct or purchase and rehabilitate housing so the disabled can live independently. Bob reviewed the Disabled Accessible Housing Program proposal with Board explaining that the loans would be for a term of 30 years; would have to be FHA insured using either the 203(b) or 203(k) Programs; loans would utilize a sliding interest rate (3.5% to 6.5%), based on the income of the occupant, with the average interest rate being approximately 5.84%; individual or family asset limitations would be \$50,000; and income would be limited to \$25,000 per individual or family. Staff has yet to meet with agencies working with disabled individuals to determine an appropriate definition of disabled and what disabilities will be included in the Program. The primary group focused on at this stage is the physically handicapped. Bob asked for Board action to continue to pursue the concept of this Program. George McCallum moved that staff continue to pursue the development of a program to provide accessible housing for the disabled, Dean Mart seconded the motion and the Board unanimously approved the motion.

MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM - REQUEST FOR SETASIDE

Kathy O'Brien representing the City of Missoula and Cindy Wulfekuhle representing Missoula County appeared before the Board to request a setaside for a Missoula City-County Affordable Homeownership Program (MCCAHP). Cindy presented to the Board an historical review of the process that has culminated in their appearance and request today. With both the City and County working together and garnering support from lenders, the University

and community, a Task Force was formed to research housing needs and ultimately to provide solutions. The Program being presented today requests the Board of Housing to set aside \$3,600,000 of 6% funds for a term of 30 years and that the fee structure would be the same as used on other Board Programs. Cindy, explained that these funds, used in conjunction with HOME Program funds, would target first time homebuyers. The application deadline for HOME Program grants is February 16th, with grants awarded 6-8 weeks after the 16th. It was noted that the HOME program funding has a two year term limit, therefore grant funding would have to be completely used within two years of the grant being awarded. The grants would provide assistance for downpayments, closing costs and to buy down mortgage amounts. Cindy reviewed the Terms and Conditions of the Program and other requirements to making application, including: applications are made to MCCAHP for pre-screening before referral to approved lenders; the home must be FHA insured; the home selected must meet certain inspection standards; and the homebuyer must attend a homeownership course conducted by MCCAHP. The average grant assistance per loan is expected to be \$10,000, with a maximum assistance of \$20,000 and average purchase price of \$60,000. After completing the review of the Program and general discussions, George McCallum moved to set aside \$3,600,000 of 6% recycled funds to provide the financing of 30 year loans, allowed lender points of 1% origination and .5% discount, conditional upon MCCAHP being awarded a grant from the HOME Program to be used in conjunction with the Board set aside. Dean Mart seconded the motion, which the Board passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM
PROPOSED 1993 INTERIM ALLOCATION PLAN

Maureen J. Rude, Multifamily Program Officer, presented for the Board's approval the Interim Allocation Plan for Low Income Housing Tax Credit (LIHTC). Maureen explained to the Board, the Plan contained the changes that the Board had requested at the December, 1992, meeting and the hearing requesting public comment drew no oral or written comments. Maureen further explained that if the Board approves the Plan and if IRS issues a favorable ruling to carry forward 1992 LIHTC, the Interim Allocation Plan would then be taken to the Governor for his signature. Dean Mart moved to approve the Interim Allocation Plan for Low Income Housing Tax Credit as presented, after being seconded by Gerry Hudson, the measure was unanimously approved.

MULTIFAMILY LOAN SERVICING

Maureen Rude advised the Board that the Multifamily Program currently has eight outstanding loans, four of those loans are serviced by Puget Sound Mortgage in Seattle. Maureen explained that payments are being made but staff is concerned that adequate servicing is being provided. Maureen also advised the Board that Puget Sound has transferred the servicing of those four loans to KeyCorp Mortgage in Buffalo, NY, without Board approval. Per the servicing contract, servicing is not to be transferred without written approval by the Board. This transfer violates the terms of the servicing contract. On the advise of counsel, Puget Sound was notified in writing of the violation and given until February 5th to cure the violation or servicing would be revoked. At such time, if the violation is not cured, servicing would either need to be

moved or have Board staff do the servicing in-house. Maureen reviewed the duties of the servicer and provided the Board with an analysis of the impact and cost savings of doing the servicing in-house, noting that HUD would support having the mortgagee also service the loans. A concern the Board had was that in-house servicing would put the Board in competition with servicers of multifamily loans. Maureen explained that most servicers of multifamily loans are out-of-state and because the Board's portfolio is small many are reluctant to take on the servicing. After discussing the issue, George McCallum moved that, if Puget Sound Mortgage has not cured the servicing contract violation by February 5th, staff proceed with the in-house servicing of the four loans currently serviced by Puget Sound Mortgage and to find an escrow agent for those same four loans, the motion was seconded by Bob Thomas. The motion was passed with three members voting in favor of the motion and two members voting against the motion.

REVIEW OF REAL ESTATE OWNED

Maureen Rude reported on the Real Estate Owned (REO) by the Board for the period of time from 8/14/92 through 1/13/93. During this period five VA Trustee sales were held, one VA REO was received into inventory and there have been no VA REO's sold. An analysis of the property received was reviewed, as was a description of the property. Maureen advised the Board that a Buy/Sell Agreement was signed this week for the asking price on the property in inventory.

Vice Chairman, Joe Gerbase asked Mark Semens of D.A. Davidson to update the Board on the current status of the bond market. Mark advised the Board that interest rates have declined. Mark also noted that the yield curve that has been of concern the Board in the past is returning to the norm, but that the achievable interest rates between the Board's and conventional interest rates would not be the 1% spread that the Board considers acceptable. Mark explained that Long Term Treasury rates are approximately 7.23% which would make a mortgage interest rate of 6.90% achievable in today's market. Mark noted international activity and unknown legislation proposed by President Clinton and Congress is causing some uncertainty in the market.

LEGISLATIVE UPDATE

Dick Kain, update the Board on proposed legislation that may have impact on the Board and Board Programs. The first bill, HB188, provides that Board members would serve at the pleasure of the Governor. HB188 has passed its third reading and should go to the Senate Administration Committee the first week of February. It was suggested that at least one Board member should be present at the Senate hearing and advise the Committee that the Board of Housing supports this bill and that members feel they already serve at the Governor's pleasure. Bob Thomas moved that George McCallum represent the Board at the Senate Administration Committee meeting, Dean Mart seconded the motion. George advised the Board that he would appear before the Committee if he were available the day of the hearing and requested Dick to keep him informed as to its proceedings.

Dick advised the Board that SB16, which would required interest payments on escrow accounts, was tabled in Committee.

The last bill currently being followed is SB215, which would allow counties to gift foreclosed properties to a non-profit corporation to be used for low income housing. Dick advised the Board he would keep them informed as legislation affecting the Board was introduced.

OTHER BUSINESS

Dick Kain, presented an analysis of the Bond Allotments for the Single Family 1992 Series RA refunding and the Multi-Family 1992 Series A refunding. Dick noted there was a good distribution among the investment bankers.

Dick advised the Board that he attended the UM Bureau of Business and Economic Research's Economic Outlook Seminar. Drawing the Board's attention to the Seminar booklet in their meeting packets, Dick noted that this is the first time, since he has been attending, that housing issues have been included. Citing in particular pages 9 and 11 in the booklet.

SET NEXT MEETING DATE

The next meeting was scheduled for February 26, 1993, at 9:30 a.m. in the Downstairs Conference Room of the Department of Commerce.

There was no further business, and the meeting adjourned.



George McCallum, Secretary

March 19, 1993

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on January 29, 1993 at 7:30 a.m. in the Board office at 2001 11th Avenue, Helena, MT to review the the final servicer review report conducted by Anderson ZurMuehlen and Co., P.C.

1/19/93



MONTANA BOARD OF HOUSING

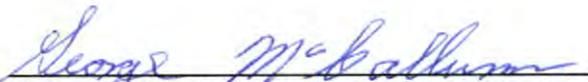
2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Friday, January 29, 1993 at 7:30 a.m. in the Board's office. Participating were: George McCallum, Chairman of the Audit Committee; Audit Committee Members Gerry Hudson and Bob Thomas; Board Member Dean Mart; Jim Woy of Anderson ZurMuehlen and Co.; and Dick Kain, Administrator, Lynn Rolland, Accountant and Bob Morgan, Single Family Program Officer.

The meeting began with a discussion of the four (4) loan servicer reviews performed by Anderson ZurMuehlen in December. Sixty (60) loans were reviewed at three (3) of the institutions and 145 loans were reviewed at the fourth. Noted exceptions included: insurance policies that did not name Montana Board of Housing as the loss payee in the insurance policy; loan assumptions that were not acknowledged to the Board; two (2) of the institutions did not identify Montana Board of Housing custodial accounts as being held for the Montana Board of Housing; one (1) institution was using a manual accounting system; and one (1) of the institutions reviewed was holding balances in excess of \$100,000. Staff was directed to formally follow up with individual servicers on the identified servicing exceptions.

The Committee discussed the need for and the timing of future servicer reviews and asked Jim Woy to prepare a proposal to review one (1) in-state and one (1) out-of-state servicer in late April or early May.

There was no further discussion and the meeting adjourned at 9:00 a.m.


George McCallum, Chairman

March 19, 1993
Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Investment Banker Committee of the Montana Board of Housing will hold a meeting on January 28, 1993 at 2:30 p.m. in the Board office at 2001 11th Avenue, Helena, MT to review proposals received to the Board's Request for Proposals for Investment Bankers.

1/25/93



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF PUBLIC HEARING MONTANA BOARD OF HOUSING ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 a.m. on Monday, January 25, 1993, in the Montana Board of Housing offices, located at 2001 11th Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 2001 Eleventh Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING

A handwritten signature in blue ink, appearing to read "Richard A. Kain".

BY: Richard A. Kain
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

DATED: January 4, 1993



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Montana Board of Housing held a public hearing on the Board's draft Allocation Plan for Low Income Housing Tax Credits.

The public hearing was held on Monday, January 25, 1993, in the Board's office. Attending the hearing were: Richard A. Kain, Administrator; Maureen J. Rude, Multifamily Program Officer; Janet Kunz, Administrative Assistant. No comments, either written or oral, were received.

Richard A. Kain, Administrator

January 25, 1993

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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Phone: (406) 444-3040
TDD: (406) 444-2978

AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
111 SANDERS, ROOM 107
HELENA, MT
DECEMBER 22, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - November 17, 1994 Budget Committee Meeting
 - November 18, 1994 Business Meeting
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- IV. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Status of Legal Contracts
 - B. Indenture/Program Recycling Availabilities
- V. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. 1994 Series C
 - D. Homebuyers Cash Assistance Program
 - E. Status of Recycled Mortgage Programs
 - F. New Lender Application - 1st Security Bank of Roundup
 - G. New Lender Application - Homeowners Mortgage Equity Corporation
 - H. Montana Mortgage Company - Servicer Application
 - I. Federal Housing Administration - Echo System
- VI. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES
 - A. Funding Source of Second Mortgage - Robert Morgan
 - B. Status of Program - Desera Towle
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PILOT PROGRAM-Desera Towle
- VIII. LOW INCOME HOUSING TAX CREDITS PROGRAM - Maureen Rude
 - A. Proposed Increase In Low Income Housing Tax Credit Allocation - Palace Hotel, Missoula
 - B. 1995 Low Income Housing Tax Credit Allocation Plan
- IX. OTHER BUSINESS
 - A. Review of New Construction Extension Fee Policy
 - B. Feasibility of New Bond Issue
 - C. Federal Home Loan Bank Affordable Housing Program Application - October 15, 1994 Round
- X. SET NEXT MEETING DATE AND LOCATION
- XI. ADJOURN



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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MONTANA BOARD OF HOUSING
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
111 SANDERS, ROOM 107
HELENA, MT
DECEMBER 22, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Barbara Hamlin (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Andy Poole, Acting Administrator
Kelly Rusoff, Acting Accounting and Fiscal Manager
Maureen J. Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Roan Blacker, Paine Webber, Inc.
Gene Huntington, Dain Bosworth

OTHERS: John Grant, Jackson, Murdo, Grant and McFarland
John Shontz, Montana Association of Realtors

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The Budget Committee meeting minutes were approved as presented. Page 11 of the November 18, 1994 Business Meeting minutes were amended under the section Education Program Budget For Disabled Accessible Affordable Homeownership Program to show that the Board did not concur with staff's recommendation to finance the printing of educational materials in the amount of \$2,000, as they felt this to be the responsibility of the ILC's. The November 18, 1994 Business Meeting minutes were also amended under the section Single Family Program Update - New Mortgage Lender - Montana Mortgage Company on Pages 9 and 10. The Board felt that their specific concerns relating to Montana Mortgage Company's application should be listed and which include: total assets per the Balance Sheet of \$637,000, of which approximately half are invested in assets which have a value which would be determined by the market at the time of sale (i.e. \$217,8000 in a California limited partnership, \$85,000 in antique automobiles and \$1,000 in art work); the limited amount of real net worth when the above mentioned assets and stock are excluded; no track record for servicing loans; a potential cashflow problem as evidenced by 79.5% of the Company's gross

profits being disbursed in the form of wages and commissions and only 3.5% of the Company's gross profits being added to retained earnings; the long term viability of the Company to obligate themselves to service loans in Montana for the Board, based on current capitalization; the Company's ability to repurchase a loan should it be required based on potential cashflow problems; and the deductible of \$15,000 on the Certificate of Insurance for the Errors and Omissions Insurance. Mike McKee then moved to approve the November 18, 1994 Business Meeting minutes as amended, the motion was seconded by Bill Oser and unanimously approved.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, updated the Board on the status of the Reverse Annuity Mortgage Loan Program, first explaining that she had been invited by the Hamilton Kiwanis Club to attend their December meeting and make a presentation to them about the Program. Mike McKee advised the Board that Janet made the trip to Hamilton at his request and spoke before a group of approximately 35 individuals who were very interested in the RAM Program and asked a lot of questions. Mike advised the Board that Janet stayed after the meeting to answer all the questions and did a good job. Janet advised the Board there are currently six applications in process: one is in the process of reverting the property title to sole ownership, one is waiting for a title commitment to be returned, two have been sent firm commitment letters, one is waiting for HUD to return a Conditional Commitment and the last one is pending clarification of certain application information.

Janet presented to the Board a review of the income limits for the RAM Program as directed by the Board at the November 18th Board meeting. Janet explained that she obtained input from the Office on Aging, the Department of Social and Rehabilitation Services, who had assisted with determining the original income limits, and the Social Security Administration (SSA). Janet explained that in the past income limits have been based on the Federal poverty level and calculated at 150% of poverty. Janet also explained how the SSA determines the maximum monthly benefit which is based on income earned over a recipients working career, that consideration is given to both a spouse with no earnings and dependent minor children and that SSA benefits do not take into consideration household size. Janet briefly reviewed the current income limits for the RAM Program, the 1994 poverty level, incomes at 150% and 200% of poverty and the 1995 Social Security maximum benefit. Janet explained to the Board that to date no applications have been received where the applicant would be determined ineligible if their only source of income came from Social Security. It was further explained that there is no data available for individuals who have disqualified themselves based on an informational mailing they would have received. The Board expressed concern that while individual seniors whose only source of income is derived from Social Security will be eligible that households of two or more persons may be deemed ineligible and asked why the recommended limits would be based on poverty levels and not Social Security. Janet explained that Social Security benefits have no base figure to work with as they are based on earnings only and will be different for each person. It was also explained that even the income for a two person household will vary between \$21,582 and \$28,796 depending on the earnings of the spouse. Whereas the poverty levels have a base figure per household size that can be used to calculate a maximum income. Janet further explained that the informational brochures, which will need to be reprinted, can carry an acknowledgment asking that those persons whose only source of income is from Social Security but whose income exceeds the income limit for household size to make application. Further as staff becomes aware of such instance the applications will be brought to the

attention of the Board. The Board also asked what their authority was to change the income limits. Janet explained that the statute pertaining to the RAM Program allows the Board to determine the income limits and that the Administrative Rules, which are established by the Board, list the specific income limits for the RAM Program. Janet did recommend to the Board that the income limits be increased, that Federal poverty level figures be used as a base amount and income be calculated at 200% of the poverty level, that the Administrative Rules be amended to exclude a specific dollar amount and instead set the maximum income limits at 200% of the poverty level per household size, allowing for an increase in income limits every year and finally at such time that staff becomes aware of Montana seniors who are being deemed ineligible and whose only source of income is derived from Social Security benefits that staff notify the Board at the next Board meeting. Bob Savage moved to initiate the process to amend the Administrative Rules for the RAM Program as recommended by staff and which will reflect the maximum income levels at 200% of the poverty level per household size set every year. The motion was seconded by Mike McKee and unanimously approved.

ACCOUNTING AND REPORTING UPDATE

Chairman Thomas introduced Kelly Rusoff and advised the Board that Kelly was formerly the Board's Comptroller and will be returning to the Board on a temporary basis until the a new Accounting and Fiscal Manager can be recruited. The Board was also advised that due to the short period of time in which Kelly has been back at the Board that the Accounting and Reporting Update will be tabled until the January meeting.

SINGLE FAMILY PROGRAM UPDATE

1994 SERIES A

Robert D. Morgan, Administrative Officer, updated the Board on the activity in the Homebuyers Cash Assistance Program (CAP) through December 16, 1994. Of the \$2,500,000 in available proceeds the Board has received three reservations for \$119,181 and has purchased 55 loans for \$2,318,239. The average reservation amount is \$39,727, the average loan amount is \$42,149, the average borrower gross annual income is \$18,151 and there remains \$62,580 in lendable proceeds.

Bob also updated the Board on the request from the Sanders County Commissioners regarding the individual who was affected by the Henry Peak fire. It was explained that there was no hazard insurance on the home, there is a mortgage balance on the property of \$731, an application has been received and the individual would qualify under the income guidelines for the CAP Program, however there are a couple of issues which need to be addressed before eligibility can be clearly determined. First it was noted that there is no electricity to the property and electricity would be required before FHA would insure the loan, secondly the borrower would need to meet FHA's requirement for a road maintenance agreement.

Bob presented, for the Board's review, the status of the Single Family Bond Program, as of December 16, 1994. Of the \$17,375,673 in lendable proceeds the Board has received five reservations for \$303,224 and has purchased 264 loans for \$17,067,657. The average reservation amount is \$60,644, the average loan amount is \$64,650, the average borrower gross annual income is \$28,773 and there remains \$4,792 in lendable proceeds.

1994 SERIES B

Bob Morgan reported on the status of the 1994 Series B Single Family Bond Program, as of December 20, 1994. Of the \$23,971,518 in lendable proceeds the Board has received 58 reservations for \$4,011,229 and has purchased 321

loans for \$19,951,614. The average reservation amount is \$69,159, the average loan amount is \$62,154 and the average borrower gross annual income is \$29,697 and there remains \$8,675 in lendable proceeds.

1994 SERIES C

Bob Morgan presented to the Board a report on the activity of the 1994 Series C Single Family Bond Program through December 20, 1994. Of the \$23,959,958 in lendable proceeds the Board has received 318 reservations for \$20,672,549 and has purchased 52 loans for \$3,278,749. The average reservation amount is \$65,008, the average loan amount is \$63,052 and the average borrower gross annual income is \$30,699. There remains \$8,660 in lendable proceeds. Activity by lender and a comparison of loans purchased by county was briefly reviewed. A total of 52 loans have been purchased and of those 41 were FHA insured and 11 were VA guaranteed.

Bob Savage noted that at the September 30th Board meeting he had inquired about the discrepancies between the average reservation and purchase amounts and asked staff to look into what steps could be taken to bring the purchase amount in line with the reservation amount and not tying up the extra monies and asked what steps have been regarding this issue. Bob Morgan explained that after the 1994C funds were fully reserved, any applications received were first applied to the remaining funds in 1994A and then in 1994B to fully reserve all of the bond issues. Bob further explained that the balances remaining are not enough to make a reservation and if not used will be utilized to call bonds. Bob Savage noted that in 1994C the average reservation amount is \$65,008 and the average purchase amount is \$63,052 which is a difference of approximately \$2,000. Bob Morgan did explain that the reservation and ultimately the purchase amounts for new construction homes tend to run more than the reservation and purchase amounts for existing homes and because new construction reservations also take longer to purchase the difference between the two amounts will be exaggerated. Bob Savage asked what might be some of the reasons for the differences between reservation and purchase amounts. Mike McKee explained that in a real estate transaction, a buy/sell agreement is signed and a sale price is established but until the loan is completed and closed several items, such as certain closing costs, calculations in payoff amounts, the appraised value and repairs deemed necessary based on inspections, can cause variations in the initial reservation and final purchase amount. It was noted that if the reservation amount increases additional reservation fees are collected, also fees can be refunded if the reservation is cancelled through no fault of the borrower.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan reported that as of December 16, 1994, there are 16 outstanding reservations for \$699,356 and 25 loans have been purchased for \$1,232,249; and one cancellation has been received. Of the \$2,000,000 of 5% setaside for first mortgages there remains \$68,395 in lendable proceeds and of the \$45,917 in setaside for downpayment assistance there remains \$7,147 in lendable proceeds. The average CAP loan funded is \$915; the average loan amount is \$49,296; the average household income is \$18,074; and the average household size is 1.83. Reservations and loans purchased by area were also reviewed.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Bob Morgan presented to the Board a summary of the Recycled Mortgage Program setasides as of December 16, 1994. Setasides with a mortgage rate of 6% include Neighborhood Housing Services, Inc., Great Falls Owners In Partnership II setaside which is \$302,187; Neighborhood Housing Services, Inc., Great Falls Owners In Partnership III setaside which is \$480,000, Bob

noted that the Board will receive a status update for this Program at the January Board meeting and further noted that NHS did receive the HOME funding for which they applied; the City of Billings Affordable First-Time Homebuyer Program setaside which is \$1,975,005; the City of Kalispell Woodland Court setaside which is \$2,400,000, the Board will also receive a status update for this Program at the January Board meeting and also received HOME funding for which they applied; the Missoula City-County Affordable Housing Program setaside which is \$2,015,594; the Western Montana Mental Health Center, Missoula setaside which is \$1,330,000; and the District XI Human Resource Development Council setaside which is \$1,500,000, the Board will also receive a status update for both of these Programs at the January Board meeting and they also received the HOME funding for which they applied. Setasides at 6 $\frac{1}{2}$ % total \$10,002,786.

Setasides with a mortgage rate of 6 $\frac{1}{2}$ % were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$16,025; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$184,790.

The setaside with mortgage rates of 6 $\frac{1}{2}$ % to 2 $\frac{3}{4}$ % is for the Montana Board of Housing's Disabled Accessible Affordable Homeownership Pilot Program which is \$1,353,411.

The setasides with a mortgage rate of 5 $\frac{1}{2}$ % include the Montana Peoples Action Affordable Housing Program (MPA-AHP), Billings which is \$600,000. Bob advised the Board that there has been no activity, however an update on the Program is being prepared. This setaside also consists of the Montana Board of Housing's Homebuyers Cash Assistance Program which is \$68,395 and the Residential New Construction Pilot Program which is \$1,089,349, for a total of \$1,757,744.

Setasides with a mortgage rate of 2 $\frac{3}{4}$ % were reviewed and include: Western Montana Mental Health Center's (WMMHC), Missoula two setaside programs, the remaining setaside for two 4-plex units is \$25,275. Bob advised the Board that since this report was completed WMMHC has cancelled the reservation for \$92,025 and per an attached letter from WMMHC, has entered into a Buy/Sell Agreement with a contractor who will build the second 4-plex for \$120,000; and the setaside for 9 units is \$171,000; for a total of \$196,275. Bob further noted the Board will be updated on this Program at the January Board meeting. The total setaside for all Programs is \$13,495,006.

As directed by the Board at the November 18th Board meeting, Bob Morgan advised the Board that he researched the issue of whether or not fidelity bond insurance was required by the Internal Revenue Service (IRS) or other institutions. Bob explained that per his conversation with the IRS, they have no requirements relating to fidelity bond insurance, however they do require that any financial institution which acts as a depository for the IRS to carry FDIC insurance. Bob then explained that the Department of Housing and Urban Development (HUD) does require that all HUD approved mortgagees carry \$300,000 of Errors and Omission (E&O) Insurance and \$300,000 of fidelity bond insurance, therefore because it is a requirement of HUD and the Board requires that all loans be HUD/FHA insured it may be considered an indirect requirement of the Board. Mike McKee noted that to his knowledge HUD does not have any system in place to do follow-up or annual updating with financial institutions of required documentation. Following a brief discussion of the Board requirements for E&O Insurance, fidelity bond insurance, coverage per claim and the process to change the

requirements in the Administrative Rules for a qualified lender institution, Mike McKee moved to initiate the process to amend the Administrative Rules for Qualified Lender Institutions to include as a requirement evidence of fidelity bond insurance. As part of the discussion it was noted that the Administrative Rules state that the coverage be in "a minimum amount as is required by the program documents for each bond issue in which the lending institution participates." Bob Savage seconded the motion, which was unanimously passed. The Board formally directed, as stated in the Administrative Rules 8.111.305(d), that the program documents for future bond issues be such that the minimum coverage for both E&O Insurance and Fidelity Bond Insurance be either the current FHA required limit per claim as verified by staff or \$300,000 per claim, whichever is the greater amount.

NEW LENDER APPLICATION - 1ST SECURITY BANK OF ROUNDUP

Bob Morgan presented for the Board's consideration and action an application from 1st Security Bank of Roundup to become an approved lender for Montana Board of Housing Single Family Bond Programs. The Board was advised that 1st Security Bank has submitted all of the documents to be considered as an approved lender as required by the Board's Administration Rules. Bob reviewed the application with the Board and noted that servicing of loans originated by 1st Security Bank would be assigned to First Interstate Bank of Casper, Casper, Wyoming. Bob Savage asked about the E&O Certificate, where is was and what company was issuing the insurance, it was noted that the Declarations Page was included, however the name of company providing E&O insurance was not available at this time. Bob Savage expressed a concern he has regarding some insurance companies which write E&O Insurance coverage and indicated that many of their clients are not able to get regular coverage through a company that has been authorized to do business in Montana. These clients often times obtain coverage through a surplus line company which is not required to belong to the Montana Guaranty Association. This situation would leave the Board at complete risk if the company is liquidated. Bob further explained that members of the Montana Guaranty Association are covered by the Association up to \$300,000 in such cases. Following a brief discussion the Board tabled action on 1st Security Bank's application until the January Board meeting and directed staff to find out the name of the company providing E&O Insurance for 1st Security Bank, if the company is authorized to do business in Montana and if it is a member of the Montana Guaranty Association. Bob Savage also asked that research be done, as time allows, to determine if the insurance companies providing E&O Insurance for current Board approved lenders belong to the Montana Guaranty Association.

NEW LENDER APPLICATION - HOMEOWNERS MORTGAGE EQUITY CORPORATION

Bob Morgan next presented for the Board's consideration and action an application from Homeowners Mortgage Equity Corporation to become an approved lender for Montana Board of Housing Single Family Bond Programs. The Board was advised that Homeowners Mortgage Equity Corporation has submitted all of the documents to be considered as an approved lender as required by the Board's Administration Rules. Bob reviewed the application with the Board. Three items of note were pointed out to the Board and include: 20 undeveloped lots valued at \$5,500 each and included as equity; continued operation of the Corporation is dependent upon a continued relationship with a mortgage company in Florida; and lastly that the Corporation did not comply with requirements related to handling of escrow funds, fidelity bonds, E&O Insurance and quality control plans and related review procedures as required by HUD. Bob explained that he did call HUD and was advised that they are an approved lender with HUD and are in good standing. The Board expressed many concerns regarding Homeowners Mortgage

Equity Corporation's application including: the assessment of real value for the 20 undeveloped lots; a qualified opinion of the financial statements which discloses material weaknesses and which the Corporation has not shown evidence of those items being addressed; internal transactions between corporate officers and family members at no interest and showing no repayment schedule; a significant decrease in reportable salary and bonus from the previous two years to the current year; \$250,000 deductible for E&O Insurance which does not meet requirements of current Programs; and net earnings for a nine month period of \$1,827. Mike moved that Homeowners Mortgage Equity Corporation's application to become an approved servicer for Montana Board of Housing Single Family Bond Programs not be accepted, seconded by Bob Savage the motion was unanimously approved. Staff was directed to correspond with Homeowners Mortgage Equity Corporation and fully outline the concerns of the Board regarding their application and subsequent denial.

MONTANA MORTGAGE COMPANY - SERVICER APPLICATION

Bob Morgan explained that Montana Mortgage Company sent a letter to the Board requesting the Board to specify the amount of cash that they would be required to have on hand to qualify as a Board approved lender. Bob advised the Board that FHA requires \$250,000 in assets but does not specify what those assets be. The Board felt they have a responsibility to look at what the assets are and require substantiation of how market value was determined if there is a question. Bob Savage moved that because Montana Mortgage Company's letter was significantly technical in nature, staff work with the Board's General Counsel to specifically draft a letter which addresses the concerns and questions outlined by Montana Mortgage Company. The motion was unanimously approved after being seconded by Paul Bankhead.

FEDERAL HOUSING ADMINISTRATION - ECHO SYSTEM

Bob Morgan advised the Board that staff conducted a survey of the Board's 84 participating lenders to obtain data regarding the impact of FHA's system automation and the requirement that all FHA loans now have to be accessed via a computerized network system. Bob noted that 11 participating lenders responded and of those responding seven indicated there is no impact and the remaining four indicated they would be effected. Clarification was made that these four lenders were smaller lenders. It was noted that while the sampling was not large it did reinforce the concern expressed at the October 21st Board meeting that the participation of small, rural lenders in Board programs may be hindered by FHA's requirement. Following a brief discussion of the initial set-up costs of the system, the ongoing costs to operate the system and the volume of loans needed to be generated to make the system cost effective the Board directed Mike McKee to pursue drafting a letter regarding this issue to be addressed to FHA and the Montana Congressional delegation to be review by the Board at the January Board meeting.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES FUNDING SOURCE OF SECOND MORTGAGE

Bob Morgan explained to the Board that at the time the Residential New Construction Pilot Program for Energy Efficient Homes (RNCPEEH) was approved by the Board the funding source was 1992 Series RA, however the Indenture for 1992 Series RA stipulates that all loans funded by 1992 Series RA have to be either FHA insured or VA guaranteed. Further it was explained that under this Program loans are structured such that there is a first mortgage up to the amount insured by FHA and a second mortgage which is insured by a self-insurance pool and it is the funding for the second mortgage that is being called into question. It was noted that funding could still be accomplished via 1992 Series RA by Board Resolution

to transfer funds for the second mortgage outside of the Indenture. The Board was advised of another option which would be to fund the second mortgages from the Housing Trust Fund. Staff recommended that \$300,000 be setaside from the Housing Trust Fund to fund the second mortgage for the RNCPEEH Program. Following a brief discussion Paul Bankhead moved to setaside \$300,000 from the Housing Trust Funds to be used to fund the second mortgages for the Residential New Construction Pilot Program for Energy Efficient Homes, seconded by Mike McKee that motion was unanimously approved.

STATUS OF PROGRAM

Desera Towle, Program Specialist, reported to the Board on the status as of December 15, 1994, for the newly named Energy Efficient Program. The Board has received 21 first mortgage reservations for \$1,802,024 and 21 second mortgage reservations for \$108,627. Of the \$3,000,000 setaside there remains \$1,089,349. Desera advised the Board that since the 15th an additional three reservations have been received, another reservation is pending and there remains approximately \$800,000 in available funds. It was also noted that approximately half of the reservations received are in the high cost counties of Flathead and Lake. The average first mortgage loan reservation is \$85,810, the average second mortgage loan reservation is \$5,172, for a total average reservation of \$90,982.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle presented to the Board the Disabled Pilot Program as of December 19, 1994. The Board has purchased 6 loans since the last Board meeting for a total of 34 loans and totaling \$1,932,794. No additional reservation have been received, however there are four reservations in process for a total reservation amount of \$213,795. Of the \$3,500,000 setaside there remains \$1,353,411. The average loan reservation is \$53,448, the average household income is \$13,138, the average mortgage rate is 3.69% and the average household size 1.50. The average loan amount is \$56,846, the average household income is \$17,093, the average mortgage rate is 4.21% and the household size is 2.18. The applications approved by County were reviewed and of the 195 applications received 154 have been approved; 20 are in process; 11 have been denied; and 6 cancelled. The average household income of approved applications is \$13,342, the average household size is 2.30 and the mortgage rate distribution for approved applications is 68 loans at 2.75%; 34 loans at 3.75%; 23 loans at 4.75%; 20 loans at 5.75%; and 9 loans at 6.50%. The monthly activity was reviewed as was the architectural modifications by disability.

Desera presented to the Board a proposed schedule for implementing the transitional phase from pilot program to permanent program. Desera further explained that there are numerous applications which have been approved for participation in the Disable Pilot Program. Reservations have not been submitted for these applications as affordable homes have not yet been found and many of the applications have been in process for 18 months. It was noted that approximately 70% of those with existing applications may benefit from the new downpayment assistance feature. Transitional features for the Program include: all existing applications must recertify through the Independent Living Center's (ILC) Homebuyer Education class; an expiration period of June 30, 1995 will be attached to each recertified applicant; and new applications may be initiated at ILCs beginning July 1, 1995. A timeline was also reviewed with the Board and it was explained that no new applications will be accepted after December 31, 1994; the permanent Disabled Program will become effective January 13, 1995; during the time period from January 13th through April 14th existing applicants will be recontacted by the ILCs to determine continued participation in the

Program and the Homebuyer Education Program will be implemented; and during the time period from July 1st through December 31st new applications will be taken and will remain eligible for 180 days or funds are fully reserved, whichever occurs first. Desera explained the ILCs are working to secure funding for the Education Program and she is working on a Question and Answer brochure to explain the Disabled Program.

The Board had a lengthy discussion in which several items of concern were reviewed such as reasons the 11 applications were denied, the Board's comfort level in not accepting any new applications until July, 1995, concern that the ILC's will become a credit counseling center, concern in requiring that the education program be completed as a condition of eligibility for the Board Program, the desire of the Board not to set apart requirements based on the targeting of this Program and that funds be made available on a first-come, first-served basis as the Board's other programs, the concern that a bottleneck will be created and the need for expediency, and whether or not it is necessary to recertify. There was some confusion in the process to approve an application and it was explained that staff looks at applications based on the eligibility requirements of the Program and that the interest rate for each application is determined based on the eligibility and income guidelines for the Program. Staff does not determine whether the application would be able to qualify for a mortgage loan as staff does not go through the calculations to determine affordability. However, many of the individuals who do qualify for the Disabled Program are under the assumption that this also qualifies them for a mortgage loan, which is one area where the education component becomes important. Desera explained that the education component was incorporated into the original concept for this Program but was eliminated because of ILC staffing concerns. Through the course of implementing the Pilot Program it has become clear that an education component is needed and the ILC proposed the education component as an enhancement to the permanent program. The Board expressed the necessity to focus the Board of Housing's attention upon promotion of the Program through the ILC's, lenders, realtors and other housing partners with enhancements that have been made and letting them know there are monies available. However the Board did not feel that an education program should be a mandatory requirement for eligibility to participate in the Program, if the ILCs wanted to offer an education program that was fine. Upon conclusion of the discussions and as a point of clarification Bob Savage moved that the Disabled Pilot Program does not include a mandatory education program, Dean Mart seconded the motion which was unanimously approved.

LOW INCOME HOUSING TAX CREDIT PROGRAM

PROPOSED INCREASE IN LOW INCOME HOUSING TAX CREDIT ALLOCATION - PALACE HOTEL, MISSOULA

Maureen Rude, Administrative Officer, presented to the Board a proposed increase in Low Income Housing Tax Credits (LIHTC) for the Palace Hotel in Missoula, Montana which received approval of \$300,586 in tax credits at the May, 9, 1994 Board meeting. Maureen explained that the Palace Hotel is a historic rehabilitation and as a result of the costs related to this type of rehabilitation and the requirements of the Missoula Redevelopment Agency the costs for this project has increased by approximately \$1,000,000. A grant from the Missoula Redevelopment Agency and deferment of development fees over the first 15 years of the project will cover the majority of the increased costs, however there remains a gap of about \$200,000. Maureen explained that she was approached by the developer and partners and they asked if it would be possible to apply for an increase in tax credits. It was noted that when they initially applied for tax credits they did not

request the full cap as allowed by the Allocation Plan. Maureen explained that she discussed this issue with John Wagner, Bond Counsel, who indicated that there would be no problem in approving an additional amount of tax credits. An additional reservation of credit would need to be done which would be easier to accomplish in the same year as the first allocation was approved and there are sufficient tax credits available. Staff recommends approval of an increase in the amount of \$32,214 in tax credits for the Palace Hotel project. Clarification was made to the Board that the \$32,214 increase is not the maximum tax credit amount that the project could qualify for but is the difference between the amount of tax credits approved in May, 1994 and the maximum amount allowable for any one project as outlined in the Allocation Plan. Following a brief discussion which included the amount of financing the proposed increase in tax credits would bridge, remaining tax credits and problems beyond the availability of tax credits with other projects which did not received tax credits Paul Bankhead moved to approve the reservation of \$32,214 in LIHTC for the Palace Hotel project in Missoula as recommended by staff, the motion was seconded by Dean Mart and unanimously approved.

PROPOSED 1995 LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

Maureen Rude presented to the Board for their review and consideration the proposed 1995 Low Income Housing Tax Credit Allocation Plan. Maureen explained as part of putting together the 1994 Allocation Plan a lot of time was put into project scoring, getting minimum qualifications established and setting baseline procedures that had to be met by developers before an application would be considered. Along those lines no proposed changes are being made. Changes or enhancements made to the proposed Allocation Plan involve changes that have to be made every year and changes addressing concerns expressed by the Board over the course of the year and include: total credits of \$1,049,000 to allocate in 1995; application round deadline dates; setasides for various development pools consisting of 10% for non-profits which is federal requirement, 20% in a small development pool and 25% as the maximum that any one development or developer can make application for; clarification of the intermediary cost category as a comparison between projects received in the same round; added a section regarding compliance with development cost limitations and providing the Montana Board of Housing with a disclosure of fees. A section was added in which the applicant will be required to agree to comply with and certify compliance with various Montana State law requirements. Bob Savage expressed concern that all agents involved with the project be included in the phrasing of this requirement, as well as noting requirements for unemployment compensation and payroll taxes. Maureen suggested that applicant be changed to applicant and development team explaining that there could potentially be upwards of 20 agents on a project. Maureen advised the Board she has discussed this issue with Mike Mulroney and other housing finance agencies which administer this program and there is a real concern that the agency not give the impression that they are monitoring compliance for these items and for which they could potentially appear to be liable for something not being done. Maureen noted that this is an area in which the Board needs to be cautious. Mike Mulroney noted that the Board wants to make the applicants certify they have met the state requirements but not be in a position to oversee the requirements. Bob Savage also brought up the concept of requiring a fidelity bond for labor and materials. It was noted that the developer is already required by the syndicators, the lenders and several others to have performance bonds or various types of bonds because they actually have the risk. Requiring a fidelity bond would also involve another regulation which would need to be continually monitored which would also add to the overall cost. It was agreed to change the wording in the added section

State Law Requirements to state "...certify compliance with all Montana State law requirements (e.g. workers' compensation, unemployment compensation, payroll taxes, etc.)." Other changes to the Allocation Plan include: notification by the applicant to the Board of any major changes to the project and approval by the Board of those changes; clarification that the Accountant Certification needs to include a full breakdown of cost; and clarification of a new IRS procedure for annual certification waivers. Maureen also reviewed the changes to the actual application which would provide for the types of certification that are to be required to meet State law requirements. Maureen asked the Board to approved the proposed 1995 Low Income Housing Tax Credit Allocation Plan with the changes discussed and made today, this would allow her to distribute the Allocation Plan, conduct a public hearing and publish the Allocation Plan for 1995. Bill Oser moved that the Board approve the 1995 Low Income Housing Tax Credit Allocation Plan as presented and including the changes as outlined and was seconded by Mike McKee. During a discussion of the motion Mike McKee questioned whether or not the \$5.00 per unit compliance monitoring fee was reasonable and covered the costs involved in monitoring the projects and asked that staff revisit the fee to see if it is reasonable. Maureen explained that she has looked at the costs and it is currently covering the costs of the on-site visits and has covered the costs of annual certification in the past. Following the discussion the Board agreed to include the wording "subject to change" in reference to the \$5.00 per unit annual compliance monitoring fee. The motion was then unanimously approved.

As a final point, Maureen shared with the Board the high cost areas for the Low Income Housing Tax Credit Program for both 1994 and 1995. Maureen noted that the 1995 listing is considerably shorter than the 1994 listing and explained that this will affect the amount of tax credits that can be applied for which may impact the program.

OTHER BUSINESS

REVIEW OF NEW CONSTRUCTION EXTENSION FEE POLICY

Andy Poole, Acting Administrator, advised the Board of an issue brought to his attention by a lender regarding an extension fee for new construction loans imposed by the Board of Housing and assessed at $\frac{1}{4}$ of 1% of the loan amount. Andy explained that typically with new construction loans if a deadline is missed and an extension is needed the responsibility for the delay is generally not the lenders but the lender is the one required to pay the extension fee. Staff has researched the Indentures to determine if there were any requirements which stipulated that the fee is to only be charged to the lender. Further it was noted that if all of 1994 Series B new construction loans were extended the cost to the lenders would be approximately \$7,000. Andy indicated that the extension fee is a good incentive for getting the loans completed in a timely manner and purchased by the Board and brought the issue before the Board to get their input. There followed a brief general discussion in which the Board discussed restrictions to fees, exceeding arbitrage certificate for the Indenture, why the lender is charged and why the fee is not charged to the party responsible. Roan Blacker, Paine Webber, gave some historical background and explained that in the past when lenders reserved an allocation of funds the fee was charged to the lenders as an incentive for them to fully originate the allocation. However now that funds are reserved on a first-come, first-served basis the fee is not applicable. Roan further noted that when an extension fee is charged to anyone other than the lender an assessment needs to be done to make sure it does not impede the arbitrage analysis, to date there has been sufficient room and can be figured into future bond issues if the Board choose. Dean Mart moved that the extension

fees for reservations for new construction loans be charged to the party responsible for the extension request. The motion was unanimously approved after being seconded by Barbara Hamlin.

FEASIBILITY OF NEW BOND ISSUE

Roan Blacker, Paine Webber, presented an overview of the Board's bond issue activity over the past year, the activity of both 30 year Treasury bonds and Revenue Bonds and the interest rates at the time the Board's three bond issues were priced. Roan advised the Board that structuring a new \$25 million bond issue in the today's market would achieve a mortgage rate of 8%. Discussion of a new bond issue included an origination period of 18 months, achieving a 1½% spread to FHA/VA and conventional mortgage rates, what the trend of interest rates will be, long term versus short term interest rates, demands on staff, the effect of proceeding with structuring a bond issue with both an Acting Administrator and Comptroller and the timing for incorporating a refunding into a new bond issue. Upon conclusion of the discussion Paine Webber was directed keep the Board informed of the market situation.

FEDERAL HOME LOAN BANK AFFORDABLE HOUSING PROGRAM APPLICATION - OCTOBER 15, 1994 ROUND

Janet Kunz, advised the Board that the Affordable Housing Program application submitted by the Board of Housing to the Federal Home Loan Bank (FHLB)-Seattle was not recommended for funding in the October 15, 1994 round. Janet explained that out of 100 points available the Board's application scored 55 and was ranked 69th. Further it was explained that of the six priority criteria at least four would need to have been met in order for an application to qualify and that the Board scored high in two areas, Number of Affordable Years and Innovation. It was noted that the Board approved submission of an application at the September 30th Board meeting for the October 15, 1994 round and assistance was received from the FHLB-Seattle in submitting the application. Janet reported that Robin Hyerstay, Assistant Vice President for the Affordable Housing Program, was very encouraging and recommended that an application again be submitted by the Board of Housing for either the April 15, 1995 or October 15, 1995 round, when the FHLB-Seattle would be making available 7.8 million dollars.

Chairman Thomas advised the Board of an item not on the agenda and explained that several members of the Board met last week with the Governor, the Lieutenant Governor, members of the State Housing Task Force, Jon Noel and Andy Poole to discuss the proposal that Jon Noel presented at the November 18th Board meeting. Chairman Thomas indicated that after the meeting he requested another meeting to obtain further explanation of the decision that had been arrived at, which was held December 21st. Andy Poole explained that what is trying to be accomplished is to take the Section 8 Program, the HOME Program and the housing part of the CDBG Program and move them under the supervision of the Board of Housing's Administrator. The Administrator will continue to supervise the Board of Housing Programs with the added responsibilities of the Section 8 Program, the HOME Program and the housing part of the CDBG Program. Upon conclusion of yesterday's meeting draft language was put together to accomplish the combining of Programs. Mike Mulroney, Board Counsel, indicated that the draft is in Resolution form and briefly states the Board agrees with the Department of Commerce's (DOC) proposal, Mike then read the Resolution (copy attached). Andy advised the Board that if the Board rejected this proposal, DOC would drop the issue however if the Board did approve the Resolution the DOC intends to hire the best qualified person as soon as possible. Paul explained that there would be no change to the Board of

Housing whose function is operational and procedural, the staff are DOC employees attached to the Board of Housing administratively, it is the responsibility of the DOC to ensure that the decisions made by the Board of Housing are carried out. What this means is that staff is responsible for the Board's Programs but are answerable to the DOC. The Administrator will be in a supervisory position over all of the Programs, the Board will be given the opportunity to give some input into the other housing programs but will not be responsible for them. Paul stressed that the function of the Board of Housing and what it does will not change. Following a brief discussion Paul Bankhead moved that the Board approve Resolution #94-1222-S4, seconded by Bill Oser the motion was unanimously approved.

Barbara Hamlin explained that she received a call from Margaret Morgan, Executive Director, Montana Association of Realtors (MAR) extending their apologies to the Board in not getting back with them regarding the 30 mile rule issue. They are in the process of gathering information and hope to have the information ready for the Board at the January meeting.

Dean Mart explained that he has enjoyed his four years with the Board and that his term expires January 1, 1995. Dean asked whether or not he was to serve until new appointments were made or if he was done at the end of the month. Chairman Thomas advised Dean that he would serve until a new Board member was appointed and that he has recommended that someone with banking experience be appointed in Dean's place.

Mike McKee advised the Board that he has been notified by the Federal Housing Finance Board that he has been elected as the Montana representative to the Federal Home Loan Bank of Seattle and they schedule their meetings one year in advance. Mike noted that the January meeting is scheduled for January 18th-20th.

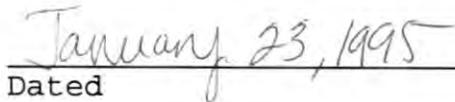
SET NEXT MEETING DATE AND LOCATION

A worksession meeting was scheduled for Monday, January 23, 1995, to be held in the Board offices, 2001 11th Avenue, Helena. The next regular Business meeting was scheduled for Tuesday, January 24, 1995, at 8:30 a.m. to be held in the Downstairs Conference Room, Department of Commerce, 1424 9th Avenue, Helena.

There was no further business and the meeting adjourned.



Dean Mart, Secretary



Dated

RESOLUTION NO. 94-1222-S4

RESOLVED, in order to promote efficiency in providing needed affordable housing in the state, the Board concurs in the recommendation of the Department of Commerce that, with the concurrence of the Board, the Administrator's duties shall encompass administrative responsibilities for the following housing programs presently contained within the Department of Commerce:

- (1) The HOME Program;
- (2) The Community Development Block Grant Program; and
- (3) The Section 8 Housing Program.

THE effective date for this action shall be as soon as practicable following the date of hiring of a new Board Administrator.

THE Department of Commerce has agreed to undertake the requisite action to seek and obtain for Board approval a new Administrator as soon as practicable and in any event initiate such action within thirty (30) days of the date of this Resolution.

ADOPTED by the Montana Board of Housing this 22nd day of December, 1994.

MONTANA BOARD OF HOUSING

BY: Bob Thomas
Chairman

ATTEST:

Sean D. Mart
Secretary



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT SOCIAL AND REHABILITATION SERVICES
111 SANDERS, ROOM 107
HELENA, MT
NOVEMBER 18, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - October 17, 1994 Audit Committee Meeting
 - October 18, 1994 Business Meeting
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- IV. MULTIFAMILY RISK SHARING PROGRAM - Maureen Rude
 - A. Bozeman Human Resource Development Council Application
- V. ACCOUNTING AND REPORTING UPDATE
 - A. Report on December 1, 1994 Bond Call
- VI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. 1994 Series C
 - D. Status of Recycled Mortgage Programs
 - E. Homebuyers Cash Assistance Program
 - F. Proposed Homebuyers Cash Assistance Program V
 - G. FHA Single Family Mortgage Limits: Statewide
 - H. New Lender Application - Mountain West Bank, Helena
 - I. New Servicer Application - Montanan Mortgage Co., Kalispell
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PILOT PROGRAM-Desera Towle
- VIII. EDUCATION PROGRAM BUDGET FOR DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM-Jim Meldrum, MT Independent Living Project, Helena
- IX. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES Desera Towle
- X. OTHER BUSINESS
 - A. Establishing Regular Board Meeting Dates
 - B. Board Counsel Report - 30 Mile Rule
- XI. SET NEXT MEETING DATE AND LOCATION
- XII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

11/10/94



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
DEPARTMENT SOCIAL AND REHABILITATION SERVICES
111 SANDERS, ROOM 107
HELENA, MT
NOVEMBER 18, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead, (Present)
Barbara Hamlin, (Present)
Mike McKee, (Present)
Bill Oser, (Present)

STAFF: Andy Poole, Acting Administrator
Karen Wynne, Accounting and Fiscal Manager
Maureen J. Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Desera Towle, Program Specialist
Karen English, Program Assistant
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray Inc.
Gene Huntington, Dain Bosworth

OTHERS: Jon Noel, Director, Department of Commerce
Tina Kasun, Mountain West, Helena
James Meldrum, MT Independent Living Project, Helena
Raelen Williard, MT Independent Living Project, Helena

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

Chairman Thomas introduced Jon Noel, Director, Department of Commerce (DOC) to the Board, explaining that Jon has asked to address the Board this morning, the meeting was then turned over to Jon Noel. Jon formally advised the Board that Dick Kain resigned as Administrator of the Board of Housing leaving that position open. Jon further advised the Board that he met with Governor Racicot to discuss the recommendations of the State Housing Task Force (Task Force). As part of their discussion Jon suggested that consideration be given to accomplishing administratively a large part of what the Task Force recommended doing through statutory change, that being the coordination and merger of the State's housing programs. Jon explained that with the exception of the Department of Social and Rehabilitation Services's McKinney Program for the homeless, all state housing programs are housed within the DOC. Jon further explained that through the formation of a Division of Housing or Division of Housing and Community Development all

housing programs would be placed in one Division under a Division Administrator, who would report to the Board as Dick Kain has in the past for the Board of Housing part of the Division and would have a full time position running the Board of Housing but not at Dick's level. The Division Administrator for the Housing Division would be at least at a level equal to the DOC Deputy Director. The purpose of this proposal is to try to accomplish the coordination of housing without changing statutes and involving the legislature. Jon indicated that no decisions have been made and that as part of their discussion the Governor directed him to bring the proposal to the Board for their input.

The Board asked if the merger, as he proposed, would require more of a time commitment from them. No greater commitment of time would be required, the Board, as part of their Board meetings, would be briefed and made aware of what the other housing programs are, where and how monies for those programs are spent and possibly have some input. The Board noted that they want to ensure that the mission and purpose of the Board of Housing is not diminished and Jon assured the Board that that is not the intent of the proposal. Jon explained that because the various housing programs have different roles he was not sure how much could be gained from combining the housing programs or if one-stop shopping would be achievable. However, having one person who is responsible for all housing programs routinely report to the Board about those programs would be an enhancement. Jon did explain that the Board would not be in the position of approving proposals submitted to the other housing programs because requirements for approval are different. It was noted that there is a direct connection between many of the housing programs (i.e. HOME, CDBG, Section 8, etc.) to provide additional financing for the Board's multifamily projects and this causes confusion among those applying for various programs funds. Jon noted that one issue that would need to be addressed if he administratively formed a Division of Housing would be whether or not to make the Division strictly housing or to include those programs which deal with infrastructure (i.e. sewer, water, etc.). The Board indicated the need to continue the focus but to add to it, achieving a Division of Housing that helps Montanans know who does what. The Board asked if there were any other Boards or advisory groups that would need to be involved in the process and they were advised that there are no other like Boards or advisory groups. Paul Bankhead as a means of explanation for the Task Force's recommendations advised the Board that one of the main points the Task Force heard over and over by those who gave testimony before the Task Force was the strong feeling of frustration they had with the programs within the DOC and the strong feelings expressed of being able to work effectively with the Board of Housing. The Task Force's recommendation is that there be one entity to accomplish one-stop shopping and foster a better efficiency and cooperation between the housing programs and because of the good working relationships fostered by the Board of Housing that all housing programs be transferred to the authority of the Board of Housing. It was not their recommendation that the entity necessarily be the Board of Housing. Paul explained further that the basis for recommending that the entity be quasi-public was to obtain program flexibility and to fill a gap in financing not currently met by the federal programs or by the Board of Housing. While programs need to be administered a certain way the groups giving testimony felt that the federal programs were getting hung up and were not accomplishing the housing needs in Montana. Paul further explained that the recommendation was not made with the intent

to move housing away from government but to accomplish the flexibility to effectively utilize funds made available through the federal government. Jon explained that the federal programs in question (HOME, CDBG, Section 8, etc.) pose a unique situation in that the federal program's customers are the citizens of Montana, but by necessity the requirements established by HUD have to be satisfied or risk losing HUD's funding source. Because of the very bureaucratic nature of these programs the people working with these programs tend to also be very bureaucratic. Paul suggested that since the legislature enacted the Task Force and with the changes in administration at the Board of Housing that it would be advisable to schedule a meeting with the Task Force, the Board of Housing, Jon Noel and the Governor to discuss this issue before any decisions are made. Jon explained his intentions to meet with the Task Force and further explained that he was meeting first with the Board because of the vacant position and the scheduled meeting date, and explaining that if the proposal was accepted by the Board he would continue to have Andy Poole serve as Acting Administrator for the Board until the proposal could be put in place. Jon also advised the Board that he asked for a legal opinion to determine the differences between quasi-judicial and quasi-public and the analysis did not show a great deal of difference. Jon indicated that he felt a lot of what is being recommended could be accomplished by moving the housing programs together into one division. Bob Thomas advised Jon that the Board has an excellent staff that is very knowledgeable, that the Board is very dedicated to providing affordable housing and is willing to work to make housing better. Paul advised the Board he would contact Kevin Hager, Chairman of the Task Force and Linda Reed to arrange a meeting to discuss these issues. As a final note Jon Noel advised the Board that the search for a new Administrator would be put on hold until a final decision could be sorted out. Jon thanked the Board for allowing him the opportunity to speak to them today.

APPROVAL OF MINUTES

The minutes of the October 17, 1994 Audit Committee Meeting were approved as presented, Page 12 of the October 18, 1994 Business Meeting minutes under Other Business NCSHA Annual Conference were amended to show that the elimination of the Farmers Home Administration will occur within the next two months, instead on the two years noted in the original draft of minutes. Bob Savage moved to approve the October 18, 1994 Business Meeting minutes as amended, Dean Mart seconded the motion which passed unanimously.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant presented to the Board the status of the Reverse Annuity Mortgage Loan Program as of November 14, 1994. Janet advised the Board that since the October 17th Board meeting two RAM loans have closed making a total of 11 active loans. The two loans were reviewed with the Board. Of the 11 active loans the average borrower age is 76.7 years, the average household income is \$9,032, average loan to value ratio is 73.9% and the average total principal to be advanced to value ratio is 50.5%. Janet briefly reviewed the status of the five applications in process, all applications have been reviewed, three applications have been determined eligible and are at varying stages in the appraisal process, a firm commitment has been mailed to one and clarification of certain application information on the one remaining application is in process.

Janet briefly explained that at the November 17th worksession Bob Savage

had expressed concern that individuals who were receiving the maximum monthly Social Security payments, with no other source of income, may be ineligible for the RAM Program and requested her to find out what the maximum monthly Social Security income that a person could receive. Janet advised the Board that the maximum monthly income for an individual over 65 is \$1,199 (\$14,388/annually) and that a spouse, with no earnings, would receive half of that amount, or 599.50 (\$7,194/annually). Following a discussion of the present income limits and the process to change income limits, the Board directed Janet to further research this issue and report back to the Board at the December Board meeting.

BOZEMAN HUMAN RESOURCE DEVELOPMENT COUNCIL APPLICATION

Maureen J. Rude, Administrative Officer, advised the Board that she has received the first application for the Multifamily Risk Sharing Program from the Bozeman Human Resource Development Council (HRDC). Maureen explained that the Bozeman HRDC is very progressive and have put together a Land Trust which they are developing into both multifamily units and homeownership. Maureen explained that the West Babcock Apartments project in Bozeman is for 24 units, 6 three bedroom and 18 two bedroom units. Maureen explained that the HRDC is trying with this project to link housing that they own with the other services that they provide such as job training, energy assistance and Head Start. The project would serve individuals below 60% of median income, with the intent to move individuals from rental housing into homeownership. Recent market surveys indicate a severe need for affordable housing. Maureen reviewed allowable rents, project costs and other sources of funding. Maureen also noted that the community is very supportive of this project. Project management will be provided by the HRDC and the on-site manager will also meet have to meet the low income requirements, the position will be provided as part of their job training program. Maureen advised the Board that Community Development Block Grants (CDBG) funds are pending and are expected to be awarded in late December-early January. If this project is awarded a CDBG grant they would then begin the commitment process and the Board can expect to see this project again in late spring for a firm commitment of funds. The project is requesting loan funds in the amount of \$947,980 and staff recommends the preliminary feasibility proposal for the 24 unit Bozeman HRDC West Babcock Apartments be approved. Dean Mart moved to approved the preliminary feasibility proposal of \$947,980 for the Multifamily Risk Sharing Program for the West Babcock Apartments project in Bozeman as recommended by staff, the motion was seconded by Paul Bankhead and unanimously approved.

Maureen reviewed with the Board the available units of HUD insurance for the Multifamily Risk Sharing Program. HUD authorized insurance for 175 units, with the Board's approval today of the HRDC's preliminary feasibility there remains available insurance for 151 units.

Maureen explained that she has received a request from Housing Authority of Billings to change their Multifamily Rental Housing Pilot Program project, which was approved for a firm commitment of \$340,000 at the July 13, 1994 Board meeting. The project change would increase the number of units from eight to sixteen, no additional funds would be requested of the Board to increase the number of units. Maureen explained that the Housing Authority of Billings was awarded additional City of Billings HOME funds to complete the 16 units. Mike McKee moved to approve the increase in the number of units from eight to sixteen for

the Housing Authority of Billings' Multifamily Rental Housing Pilot Program project. The motion was seconded by Paul Bankhead and unanimously approved. Maureen also advised the Board that the Housing Authority would like to finance the project construction through their own funds and then have the permanent loan take them out so they can use their funds for additional projects. Both interest and origination fees will be saved which will in turn assist in keeping project costs as low as possible. The Board had no objections to the Housing Authority of Billings providing the construction financing for this project.

Maureen shared with the Board a letter of support from the Mayor of the City of Forsyth regarding the 24 unit Forsyth Village I project which received approval for a preliminary commitment of Low Income Housing Tax Credits (LIHTC) at the October 21st Board meeting. The Board briefly discussed changes to the LIHTC Allocation Plan for 1995 and Maureen was directed to prepare recommendations for presentation at the December Board meeting.

ACCOUNTING AND REPORTING UPDATE

REPORT ON DECEMBER 1, 1994 BOND CALL

Karen Wynne, Accounting and Fiscal Manager reported that the Board will call \$5,966,290 in bonds from the Single Family II Indenture on December 1, 1994. The bond call will be made from mortgage prepayments, including \$1,460,000 from 1979A, \$827,950 from 1983C, \$1,658,940 from 1984A, \$764,400 from 1985A and \$1,225,000 from 1985B. Karen briefly explained that this bond call involves two kinds of bonds, interest bearing bonds and bonds issued with Capital Appreciation Bonds (CABs) which accrete in value. Interest bearing bonds are bought at par and earn interest semi-annually which is distributed as a dividend. CABs are bought at less than par and the value of the bonds is increased semi-annually until maturity, there is no distribution of dividends. Karen noted that the bond issues which include CABs are 1983C, 1984A and 1985A. The bond call history for each series was shared with the Board.

Paul Bankhead, Chairman, Budget Committee reported to the Board that the Budget Committee met on November 17th and reviewed with Karen Wynne and Andy Poole the budget for the Board of Housing and the budgetary process. It was noted that the Committee felt they had a much better understanding of the budget and budgetary process. As part of the review Andy presented a proposal to enhance the Board's computer equipment and software, the Budget Committee did approve the purchase of computer enhancements, not to exceed \$70,000. Paul further advised the Board that the Committee based on the understanding gained decided that a formal Budget Committee was not necessary. It is the recommendation of the Committee that the Budget Committee be dissolved, that bi-annual worksessions be held to discuss the budget and that the Board re-affirm the Committee's motion to purchase computer enhancements and Paul Bankhead so moved. The motion was seconded by Bill Oser and unanimously approved.

SINGLE FAMILY PROGRAM UPDATE

Robert D. Morgan, Administrative Officer, introduced Karen English to the Board and explained that Karen works with bond program reservations and paid-in-fulls for the Board.

1994 SERIES A

Bob Morgan reported on the Homebuyers Cash Assistance Program (CAP), as of November 14, 1994. Of the \$2,500,000 in available proceeds the Board

has received 3 reservations for \$119,181 and has purchased 55 loans for \$2,318,239. The average reservation amount is \$39,727, the average loan amount is \$42,149, the average borrower gross annual income is \$18,151 and there remains \$62,580 in lendable proceeds as the result of a cancellation.

Bob reported to the Board on the request made by Paul Bankhead on behalf of the Sanders County Commissioners at the November 18th Board meeting to assist residents of Sanders County sustaining physical loss of their homes in the Henry Peak fire this past summer. Bob advised Board that there were two individuals who sustained damage and that one of the individuals would meet the eligibility qualifications for the CAP Program and the other individual may qualify under the bond program. Bob recommended that the funds remaining in the 1994 Series A CAP Program be set aside for the individual who would qualify for the CAP Program. Bob further explained that because the construction season is now into the winter months it is proposed that the funds be reserved now but that it would be late spring before work could be started. Paul Bankhead also noted that this is the only person affected by the Henry Peak fire and this solution would not involve a special program or a special set aside and that Sanders County is a targeted area. Mike McKee indicated that he supported the idea behind the proposal but expressed concern that this not be used as a precedent and the need to avoid the appearance of special attention to a particular area of the state or particular cause. Dean Mart suggested that this be considered as one-time only humanitarian allocation of funds. A discussion of this issue included: the 30-mile rule, the 3 year rule, waiting list requirements and the eligibility requirements for both the 1994 Series A CAP Program and the 1994 Series A Bond Program. Mike McKee moved that the remaining funds from 1994 Series A be used as a one-time exception without precedent for humanitarian reasons to assist the individual in Sanders County whose loss of home was a direct result of the Henry Peak fire, that the program funds used, either from the CAP Program or the Bond Program, be determined based on the eligibility requirements as outlined in the program documents which must be met by the individual. The motion was seconded by Paul Bankhead and unanimously approved. To ensure that compliance with the Trust Indenture for the 1994 Series A bond issue is maintained, Bob advised the Board that he would work with John Wagner, Bond Counsel.

Bob presented, for the Board's review, the status of the Single Family Bond Program, as of November 14, 1994. Of the \$17,375,250 in lendable proceeds the Board has received 9 reservations for \$673,406 and has purchased 259 loans for \$16,613,577. The average reservation amount is \$74,822, the average loan amount is \$64,393, the average borrower gross annual income is \$28,811 and there remains \$88,267 in lendable proceeds as a result of cancellations. Bob explained that the origination period for the 1994 Series A bond issue expires the second week in December, 1994. It was noted that in the past when bond issues have overlapped the funds remaining in the first bond issue were held in reserve until the funds from the second issue were fully reserved, at which time the funds held in reserve were made available on a first-come, first-served basis. Bob noted that he spoke with both Bond Counsel and the Senior Investment Banker and they have indicated that there would be no cost involved in extending the origination period. Extension of the origination period would require Board action. Mike McKee moved that the origination period for 1994 Series A Bond Program be extended for a period of six months and that the remaining funds be made available on a statewide basis after 1994 Series C funds have been fully reserved.

The motion was seconded by Dean Mart and unanimously approved.

Activity by lender, the most active lenders and a comparison of loans purchased by county for the 1994 Series A Bond Program was presented. A total of 313 loans have been purchased and of those 288 were FHA insured and 25 were VA guaranteed.

1994 SERIES B

Bob Morgan reported on the status of the 1994 Series B Single Family Bond Program, as of November 14, 1994. Of the \$23,970,981 in lendable proceeds the Board has received 74 reservations for \$5,140,968 and has purchased 302 loans for \$18,656,522. The average reservation amount is \$69,472, the average loan amount is \$61,776 and the average borrower gross annual income is \$29,543 and there remains \$173,491 in lendable proceeds which is a result of cancellations that have been received. Activity by lender, the most active lenders and a comparison of loans purchased by county was presented. A total of 302 loans have been purchased and of those 277 were FHA insured and 25 were VA guaranteed.

1994 SERIES C

Bob Morgan reported to the Board on the status of the 1994 Series C Single Family Bond Program, as of November 14, 1994. Of the \$23,905,495 in lendable proceeds the Board has received 208 reservations for \$13,236,579 and has purchased 5 loans for \$308,212. The average reservation amount is \$63,637, the average loan amount is \$61,642 and the average borrower gross annual income is \$30,747. Bob noted that through November 17th there remains approximately \$7,678,000 in lendable proceeds. Activity by lender was briefly reviewed.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Bob Morgan presented to the Board a summary of the Recycled Mortgage Program setasides as of November 14, 1994. Setasides with a mortgage rate of 6½% include Neighborhood Housing Services, Inc., Great Falls Owners In Partnership II setaside which is \$302,153; Neighborhood Housing Services, Inc., Great Falls Owners In Partnership III setaside which is \$480,000 and which was authorized by the Board September, 1994; the City of Billings Affordable First-Time Homebuyer Program setaside which is \$2,307,030; the City of Kalispell Woodland Court setaside which is \$2,400,000; the Missoula City-County Affordable Housing Program setaside which is \$2,015,455; the Western Montana Mental Health Center, Missoula setaside which is \$1,330,000; and the District XI Human Resource Development Council setaside which is \$1,500,000; for a total of \$10,334,638.

Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$16,025; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$184,790.

The setaside with mortgage rates of 6½% to 2¾% is for the Montana Board of Housing's Disabled Accessible Affordable Homeownership Pilot Program which is \$1,435,282.

The setasides with a mortgage rate of 5½% include the Montana Peoples Action Affordable Housing Program (MPA-AHP), Billings which is \$600,000. Bob advised the Board that with the loss of MPA's Executive Director the program has stalled, however, Joe Burst from the City of Billings will

be assisting MPA in making the MPA-AHP an active program. This setaside also consists of the Montana Board of Housing's Homebuyers Cash Assistance Program which is \$21,551 and the Residential New Construction Pilot Program which is \$1,750,641, for a total of \$2,342,192.

Setasides with a mortgage rate of 2½% were reviewed and include: Western Montana Mental Health Center's (WMMHC), Missoula two setaside programs, the remaining setaside for two 4-plex units is \$25,275. Bob advised the Board that WMMHC is attempting to resolve a problem which has arisen in closing the loan involving the remaining \$25,275. Bob advised the Board that if the problem is not resolved he will report the situation to the Board; and the setaside for 9 units is \$171,000; for a total of \$196,275. The total setaside for all Programs is \$14,493,177.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan reported that as of November 14, 1994, there are 29 outstanding reservations for \$1,309,865 and 13 loans have been purchased for \$668,584; of the \$2,000,000 of 5½% setaside for first mortgages there remains \$21,551 in lendable funds and of the \$45,917 in setaside for downpayment assistance there remains \$4,474 in lendable funds available. The average CAP loan funded is \$957; the average loan amount is \$51,427; the average household income is \$18,214; and the average household size is 1.83. Reservations and loans purchased by area were also reviewed.

PROPOSED HOMEBUYERS CASH ASSISTANCE PROGRAM V

Bob Morgan presented for the Board's review and action a proposal for a new Homebuyers Cash Assistance Program. Bob provided for the Board's review the 1992 Series RA cashflows which were generated at the time the loan was refunded and the anticipated activity. Bob explained that there was a \$5,630,000 benefit derived from the refunding and that there were no cashflow requirements attendant to those funds. In addition, this bond issue was structured as a 40 year term, in which the first ten years of payments and prepayments could be recycled into other mortgage loan programs. A recap of the source of funds and commitments of funds from the 1992 Series RA was reviewed and include as sources: revenue from prepayments, revenue from principal payments and acquisition account; uses include the Disabled Accessible Affordable Pilot Program, the Montana Peoples Action Affordable Housing Program, the Homebuyers Cash Assistance Program IV, the Residential New Construction Program, the Western Montana Mental Health Center's two setasides, the new Disabled Accessible Affordable Program which was approved at the September, 1994 Board meeting and the proposed Homebuyers Cash Assistance Program before the Board today. It was explained that if the balance is not recycled into new mortgage loan programs, the funds made available from prepayments would be used to call bonds, the remainder would be used at the Board's discretion. Bob advised the Board that the current Homebuyers Cash Assistance Program is fully reserved. Dean Mart moved to approved a setaside of \$2,000,000 for mortgages and \$50,000 for cash assistance to be funded from the 1992 Series RA at a mortgage rate of 5½%, the motion was seconded by Bill Oser. It was noted that cashflows are run every time bonds are called, that new cashflows could be run which would show the cashflows with current commitments and associated interest rates, the proposed program commitment and interest rate and the residual effect on the Indenture. Dean Mart moved that the previous motion and action on this issue be tabled until the December Board meeting when new cashflows can be run, analyzed and reviewed, Paul Bankhead seconded the motion which was unanimously approved.

FHA SINGLE FAMILY MORTGAGE LIMITS: STATEWIDE

Bob Morgan advised the Board that Federal Housing Administration (FHA) has increased its maximum mortgage limits for the State of Montana from \$75,500 to \$77,197, for Cascade County from \$83,050 to \$86,950 and Yellowstone County from \$83,050 to \$94,050. Bob advised the Board that these particular increases in income limits are based on input from the area realtors and area sales. Bob noted that typically after reviewing an increase by FHA the Board has increased its maximum purchase price to correspond with FHA's increase. Following a brief discussion Bob Savage moved to adopt the FHA maximum mortgage limits of \$77,197 for the State of Montana, \$86,950 for Cascade County and \$94,050 for Yellowstone County, the motion was unanimously passed after being seconded by Paul Bankhead.

NEW LENDER APPLICATION - MOUNTAIN WEST BANK, HELENA

Bob Morgan presented for the Board's consideration and action an application from Mountain West Bank of Helena to become an approved lender for Montana Board of Housing Single Family Bond Programs. Bob then introduced Tina Kasun who is a Real Estate Loan Officer for Mountain West Bank. The Board was advised that Mountain West Bank has met all the of the eligibility requirements to be an approved lender as required by the Board's Administrative Rules. Bob Savage noted that the Certificate of Errors and Omissions (E&O) Insurance does not name the Board of Housing as an additional named insured. The Board was advised as part of the follow up after a lender has been approved by the Board that they are asked to provide a Certificate of E&O Insurance also naming the Montana Board of Housing as insured and they are required to provide Certification annually. Mike McKee inquired into whether the St. Paul Mercury is providing coverage for the fidelity bond or the E&O insurance. Bob explained that the coverage provided was for E&O insurance and further noted that the Administrative Rules were changed and the fidelity bond was no longer a requirement. It was explained that the difference between a fidelity bond and E&O insurance is that a fidelity bond protects against internal losses such as embezzlement, while E&O insurance protects against mistakes and information that was left out. Mike noted that if the Administrative Rules have been changed to omit fidelity bonding, he feels that it is an area that should be re-addressed. Bob Savage also noted that there may be new or current IRS regulations which would require fidelity bond insurance and asked staff to research this issue. Upon completion of the discussion by the Board, Paul Bankhead moved to approve the application from Mountain West Bank of Helena to become a Board approved lender based meeting the eligibility requirements in the current Administrative Rules, the motion was seconded by Mike McKee and unanimously approved. Bob Savage noted that the endorsements indicate an umbrella excess premium and asked staff, as part of the approval package, to find out what the umbrella policy provides for and the limits.

NEW SERVICER APPLICATION - MONTANA MORTGAGE CO., KALISPELL

Bob Morgan presented for the Board's consideration and action an application from Montana Mortgage Company, Kalispell to become an approved servicer for Montana Board of Housing Single Family Bond Programs. The Board was advised that Montana Mortgage Company became an approved Board of Housing lender in June, 1994, at that time servicing was assigned to Security Bank, FBS, Billings. Bob advised the Board that Montana Mortgage Company has submitted all of the documents to be considered as an approved servicer as required by the Board's

Administrative Rules. The Board expressed many concerns regarding Montana Mortgage's application including: total assets per the Balance Sheet of \$637,000, of which approximately half are invested in assets which have a value which would be determined by the market at the time of sale (i.e. \$217,8000 in a California limited partnership, \$85,000 in antique automobiles and \$1,000 in art work); the limited amount of real net worth when the above mentioned assets and stock are excluded; no track record for servicing loans; a potential cashflow problem as evidenced by 79.5% of the Company's gross profits being disbursed in the form of wages and commissions and only 3.5% of the Company's gross profits being added to retained earnings; the long term viability of the Company to obligate themselves to service loans in Montana for the Board based on current capitalization; the Company's ability to repurchase a loan should it be required based on potential cashflow problems; and the deductibility of \$15,000 on the Certificate of Insurance for the Errors and Omissions Insurance. Bob Savage moved that Montana Mortgage Company's application to become an approved servicer for Montana Board of Housing Single Family Bond Programs be rejected. The motion was seconded by Mike McKee and unanimously approved.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PILOT PROGRAM

Desera Towle, Program Specialist, explained per the Board request that the name of this program has been changed slightly and will again be changed when the permanent Program is in effect. Desera then presented to the Board the Disabled Accessible Homeownership Pilot Program (DAHP) as of November 14, 1994. The Board has purchased 28 loans for \$1,658,951 and has received nine reservations for a total reservation amount of \$405,767. Of the \$3,500,000 set aside there remains \$1,435,282. The average loan reservation is \$45,085, the average household income is \$12,442, the average mortgage rate is 3.75% and the average household size 1.60. The average loan amount is \$58,233, the average household income is \$16,354, the average mortgage rate is 4.30% and the household size is 2.30. The applications approved by County were reviewed and of the 188 applications received 151 have been approved; 20 are in process; 11 have been denied; and 6 canceled. The average household income of approved applications is \$13,342, the average household size is 2.30 and the mortgage rate distribution for approved applications is 66 loans at 2.75%; 33 loans at 3.75%; 23 loans at 4.75%; 20 loans at 5.75%; and 9 loans at 6.50%. The monthly activity was reviewed as was the architectural modifications by disability.

EDUCATION PROGRAM BUDGET FOR DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle introduced Jim Meldrum and Raelen Williard both of the Montana Independent Living Project, Helena to the Board. Desera explained that at the September 30, 1994 Board meeting in Dillon there was a discussion of the need to incorporate homeowners education into the Program and explained that Jim would be presenting to the Board an outline of the Independent Living Centers (ILCs) proposed education program and the associated budget for the printing the education materials. Jim Meldrum thanked the Board for their assistance in providing the 28 individuals who have purchased a home through the DAHP Program with the opportunity to own a home noting that without this program these individuals would not have been able to own a home.

Jim explained that many individuals who have applied for the DAHP Program have been very frustrated in that they have spent a great deal of time working to get their application approved for the DAHP Program

and discovering when application is made to a bank that they are not eligible for a mortgage loan. It was determined that an educational program, as part of a permanent program, would help to eliminate some of the frustration and blame that was being placed on the Board, the lending community and ILC's by the applicants. Jim explained that the ILC's have obtained permission to use First Bank-Montana's education program and to enhance the program for the DAHP Program. Jim presented an outline of the what would be included in the education program, noting that there would be input from realtors, lenders, insurance agents and other professionals in the community who would be a part of the education program. The education program would be broken down into four sessions with each session covering different areas and upon successful completion of the education program a certificate would be given to those completing the course, which would be good for one year. Jim then presented the budget estimate for preparing materials for the education program and it was explained to the Board that in various meetings between Board staff and ILC staff that the Board would be in a position to cover the cost of printing the educational materials. The Board discussed several items including: length of materials provided, responsibility for providing materials, provision of materials for other programs, development of brochures and distribution of materials. Following the discussion, staff did recommend based on previous meetings with the ILC's and Board staff and because of the benefit to be derived from an education program in conjunction with a permanent DHAP Program that the cost of printing educational materials in the amount of \$2,000 be funded by the Board. The Board did not concur with staff's recommendation to finance the printing of educational materials as they felt this to be the responsibility of the ILC's. Mike McKee, however, did move that the Board initiate the process for staff to produce a brochure using as a guide informational material already produced and distributed for existing Board of Housing Programs, the motion was seconded by Bill Oser and unanimously approved.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES

Desera Towle reported to the Board on the status of the Residential New Construction Pilot Program For Energy Efficient Homes as of November 10, 1994. The Board has received 14 first mortgage reservations for \$1,215,784 and 14 second mortgage reservations for \$63,575. Of the \$3,000,000 setaside there remains \$1,720,641. The average first mortgage loan reservation is \$86,841, the average second mortgage loan reservation is \$4,541, for a total average reservation of \$91,382. Desera noted that since November 10th an additional three loan reservations have been received.

OTHER BUSINESS

ESTABLISHING REGULAR BOARD MEETING DATES

Andy Poole, Acting Administrator, advised the Board that he has been holding weekly meetings with staff and through these meetings it has come to his attention that when Board meetings are held too closely together that attention to other duties were postponed in lieu of preparation for the Board meeting. The Board was asked if consideration could be given to setting several meetings ahead. The Board indicated that they need to set meetings based on when members can attend and a quorum be achieved. The Board did appreciate staff's concern and agreed to consider the amount of time between Board meetings in considering the dates for future meetings and would seek input from staff.

Mike McKee while expressing the need for the Board to be fully informed

and the need to receive complete materials when making decisions, asked if staff could condense routine program information provided at Board meetings to a summary of the program. Mike noted that this would assist in reducing the amount of paperwork prepared by staff and received by the Board. Further, the Board indicated that they would like to see more information on the budget and cashflows and more informational worksessions.

Andy also advised the Board of proposed legislation which would allow the State Treasurer to temporarily borrow from any state fund to meet General Fund deficiencies and to pay interest on certain loans. A draft copy of the Bill was shared with the Board. It was noted that this is a management tool and that interagency borrowing occurs on a daily basis within state government. Further, it was explained that no specific agency is named in the Bill and that all contracts regarding funds would be respected. The Board expressed some concerns however, agreed that since the Bill was in draft form any decisions or action they may make may be premature. Andy did explain to the Board that as the Legislature began and if there was any legislation which impacted the Board of Housing it would be shared with the Board.

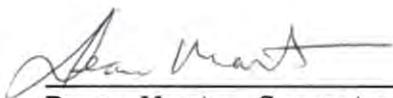
BOARD COUNSEL REPORT - 30 MILE RULE

Mike Mulroney, Luxan and Murfitt, advised the Board that he has researched the 30 mile rule as directed by the Board at the October 21, 1994 Board meeting, however the input from Montana Association of Realtors has not yet been received. The Board, following a brief discussion tabled this report until the December Board meeting.

SET NEXT MEETING DATE

The next meeting was scheduled for Thursday, December 22, 1994, at 8:30 a.m. to be held in the Downstairs Conference Room, Department of Commerce, 1424 9th Avenue, Helena.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

December 22, 1994

Dated



**MONTANA
DEPARTMENT OF COMMERCE**

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF COMMITTEE MEETING

November 14, 1994

The Budget Committee of the Montana Board of Housing will hold a meeting on Thursday, November 17, 1994 at 1:00 p.m., in the Upstairs Conference Room of the Department of Commerce, 1424 9th Avenue, Helena, Montana. An orientation worksession will immediately follow the Budget Committee meeting.



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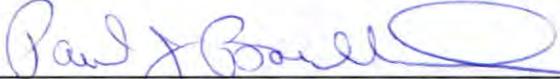
Notice having been given, the Budget Committee of the Montana Board of Housing met on Thursday, November 17, 1994 at 1:00 p.m. in the Upstairs Conference Room of the Department of Commerce. Participating were: Paul Bankhead, Chairman of the Budget Committee; Committee Members: Barbara Hamlin, Bill Oser, Bob Savage and Bob Thomas; Mike Mulrone, Luxan and Murfitt; and staff Andy Poole, Karen Wynne, Maureen Rude and Bob Morgan.

Karen Wynne presented the fiscal year ended June 30, 1994 expenditures from the Statewide Budget and Accounting System (SBAS) report. Karen then presented as a comparison Actual to Budget expenses for October, 1994, reviewing each level. The discussion that followed included Contract expenditures and general discussion of each level. The Board directed Karen to review the expenditures paid to legal counsel and present a full report to the Board at the December Board meeting.

Andy presented to the Board a proposal to purchase approximately \$70,000 of computer enhancements to improve office efficiency and eliminate duties now performed manually. Bob Savage moved that the Budget Committee approve the purchase of computer enhancements, not to exceed \$70,000, to increase Board of Housing efficiency. The motion was seconded by Bill Oser and unanimously approved.

Upon review and discussion of the budget, having gained a better understanding of the budget and the budgetary process, the Committee decided to recommend to the Board at the November 18, 1994 Board meeting that the Budget Committee as a formal Committee be dissolved, that bi-annual worksessions be held to discuss the budget and that the Board re-affirm the Committee's motion to purchase computer enhancements.

There was no further discussion and the meeting adjourned at 2:30 p.m.



Paul Bankhead, Chairman

Dated



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AGENDA

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
OCTOBER 21, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - September 29, 1994 Public Meeting - Butte
 - September 30, 1994 Business Meeting - Dillon
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- IV. MULTIFAMILY RISK SHARING PROGRAM - Maureen Rude
- V. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VI. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Report on October 1, 1994 Bond Calls
 - B. FY94 Budget Status Report and Review of FY95 Budget
 - C. Proposed FY96/97 Biennium Budget
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. 1994 Series C
 - D. Status of Recycled Mortgage Programs
 - E. Homebuyers Cash Assistance Program
 - F. Quarterly Delinquency Reports - June 20, 1994
 - G. Review of 30 Mile Rule
 - H. Public and Indian Housing - Section 184 Indian Housing Loan Guarantee Program
- VIII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- IX. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES
Desera Towle
- X. MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM
Cindy Wulfekuhle, Program Manager, Missoula County and Kathie O'Brien,
Program Coordinator, City of Missoula
 - A. Program Overview and Status Report

XI. OTHER BUSINESS

- A. NCSHA Annual Conference
- B. Housing Trust Fund Agreement
- C. Federal Home Loan Bank (FHLB) Affordable Housing Program

XII. SET NEXT MEETING DATE AND LOCATION

XIII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

10/6/94



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
OCTOBER 21, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Barbara Hamlin (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Andy Poole, Acting Administrator
Karen Wynne, Accounting/Fiscal Manager
Maureen Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS: Gene Huntington, Dain Bosworth

OTHERS: John Grant, Jackson, Murdo, Grant and McFarland, P.C.
Kathie O'Brien, City of Missoula
Cindy Wulfekuhle, Missoula County

The meeting was called to order at 8:30 by Chairman Bob Thomas. Barbara Hamlin was introduced to the Board as the newest Board member and Barb explained that she is originally from Boulder, that she and her husband own a Real Estate and Building firm in Helena and they have two boys. Barbara was welcomed by the Board.

APPROVAL OF MINUTES

Chairman Thomas advised the Board that the September 30th Business meeting minutes have been amended to include a portion of the minutes which were omitted and reads: "Bob Savage thanked Desera Towle for her efforts in bringing to the Board the enhancements for the Disabled Accessible Affordable Homeownership Program, particularly in providing cash assistance. Further Bob suggested that as a result of the Board traveling to various communities around the state, he would like to see a brochure produced which shows the communities the Board has visited, what has been accomplished within the last year and the projects the Board is involved in. Bob moved to direct staff to explore the financial feasibility of producing a color brochure of the communities the Board has visited in the last year, beginning with Hamilton in August, 1993, Paul Bankhead seconded

the motion which was passed unanimously." Paul Bankhead moved to approve the September 29, 1994 Public Meeting-Butte minutes as presented and the September 30, 1993 Business Meeting-Dillon minutes as amended, Dean Mart seconded the motion which was unanimously approved.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, explained that the Reverse Annuity Mortgage (RAM) Loan Program is a program for senior homeowners in Montana, who are 68 and older, to utilize the equity in their homes to provide more substantially for their own in-home support. Janet updated the Board on the Reverse Annuity Mortgage Loan Program as of October, 19, 1994. The two Public Service Announcements (PSAs) are beginning to run less throughout the state and resulting in staff receiving fewer calls for information. Janet advised the Board that a total of 241 calls have been received since the PSAs began running in April and 187 information packets have been sent out.

The Board was advised that six applications have been received, one each from Big Timber, Butte, Great Falls, Kalispell, Philipsburg and Townsend. Janet briefly reviewed the status of each application, all applications have been reviewed, two applications have been scheduled for closing in late October, three applications have been determined eligible and are at varying stages in the appraisal process and clarification of certain application information on the one remaining application is in process. Finally Janet shared with the Board a map of the state which highlighted the counties in which RAM loans and applications have been active.

MULTIFAMILY RISK SHARING PROGRAM

Maureen Rude, Administrative Officer, explained to the Board the Multifamily Risk Sharing Program was passed by Congress with the 1992 Housing Act. In 1993 the Department of Housing and Urban Development (HUD) passed the rules for the Program and in January, 1994 the Montana Board of Housing (MBOH) submitted an application for participation in the Program. With this Program multifamily rental property is insured by FHA with the state agreeing to accept a portion of the risk, in the MBOH's case that portion is 10%.

Maureen updated the Board on the Multifamily Risk Sharing Pilot Program as of October 7, 1994, explaining that as of October 7th, 208 information packets have been mailed. A workshop was conducted on September 14th in Billings and was attended by 20 people including lenders, realtors, builders/developers, investment bankers, non-profits and government entities. Another workshop is scheduled for November 2nd in Kalispell. Maureen also noted that she has reviewed a draft from the Bozeman Human Resource Development Council prior to their application for Community Development Block Grant (CDBG) funds.

Maureen reviewed with the Board the status of the first Multifamily Pilot Program. Five projects received firm commitments from the Board of Housing, beginning in May, 1993 with the final commitment given in December, 1993. The first loan, for Missoula Human Resource Council's four unit project, was purchased on August 10, 1994 and the Board of Housing is servicing the loan. The Bozeman Interfaith Housing nine unit project, is ready to begin construction and ground breaking took place on October 19, 1994. The Ronan Housing Authority six unit project is almost completed and staff expects to purchase the loan in late October or early November. It

appears Ronan State Bank will be servicing the loans. The joint project between the City of Kalispell and the Human Resource Development Council for 16 units is near completion with the grand opening scheduled for November 1, 1994. The Housing Authority of Billings project is expecting to begin bidding in November and are planning to increase the number of units from eight to 16. Finally, the Great Falls Housing Authority eight unit project is in the process of finalizing plans and deciding if construction can begin yet this fall. The remaining lendable proceeds were rolled over to support the Multifamily Risk Sharing Pilot Program in January, 1994.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude reported to the Board that the Low Income Housing Tax Credit (LIHTC) Program has experienced a banner year with more applications and interest shown in the Program than ever before. Maureen briefly reviewed total tax credits allocated from 1987 through 1993 and updated the Board on Tax Credits allocated to projects in 1992 and 1993. It was noted that projects receiving an allocation of Tax Credits must have the project placed in service within two years or the project loses the allocation. Which means Tax Credits allocated in 1992 must have the projects placed in service by December 31, 1994 and Tax Credits allocated in 1993 must have the projects placed in service by December 31, 1995.

Maureen reported to the Board the status of projects approved in the first round for Low Income Housing Tax Credits (LIHTC), noting that approved projects must meet certain conditions prior to the Reservation of Credits. The three projects in the Small Development Pool were all submitted by Community Oriented Affordable Development (COAD) of Missoula, the building permits for the three projects have been approved and Reservation Agreements are being processed. The remaining four projects were submitted and approved in the Open Development Pool. Fernwell Apartments, Kalispell, is in process and has met Reservation requirements, however the development team has requested a timeline extension to work out some issues related to equity financing. Credits were reserved August 29, 1994 for the Palace Hotel, Missoula project and September 27, 1994 for the Sandhills Park Apartments, Great Falls project. A Reservation Agreement is in process for the Eight Avenue Apartments, Billings.

Maureen next reported on the status of projects approved in the second round for LIHTC. The only project approved in the Small Development Pool was Little Jon Apartments, Bigfork, for which credits were reserved on September 29, 1994 and construction is nearing completion. The remaining four projects were submitted and approved in the Open Development Pool. Credits were reserved September 9, 1994 for Westwind Village, Kalispell. Farm House Apartments, Bozeman received on October 4, 1994, unanimous approval of a conditional use permit. The last two projects, the Farm House Apartments, Belgrade and NHS Apartments, Great Falls, are pending receipt of reservation documents and financing commitments.

Maureen reviewed with the Board the tax credits available for allocation. The Small Development and Non-Profit Development Pools were fully committed upon completion of round two. Of the \$1,289,648 available in the Open Development Pool, there would remain \$78,450 if the seven applications submitted in round three and before the Board today are approved. Maureen noted that the \$78,450 in tax credits would revert to the national pool as of December 31, 1994 as this is the remaining carry-over allocation from 1993.

Maureen advised the Board that the application submission date for the third round of 1994 LIHTC was September 1, 1994. Maureen advised the Board that applications are first reviewed to meet the completeness and soundness criteria, next applications are reviewed and deemed eligible based on the allocation plan and selection criteria and whether the application received adequate points to qualify for inclusion in the application round. Lastly, comments from community officials regarding the proposed application and project were requested. It was explained that the agency administering tax credits must show it sought comment from community officials however it is not a federal requirement that comment be received. Maureen further noted that comment from community officials is often received with the application, but as part of her letter a series of questions are asked and additional comments may be a function of the time available for comment to be made. Mike McKee asked Maureen to explain the Board's risk in regards to reservation and allocation of Tax Credits. It was briefly explained by Maureen and concurred upon by Board Counsel, Mike Mulrone, that there is no risk to the Board. Mike Mulrone further noted that if adequate analysis, review or compliance monitoring is not done an administering agency may lose their right to issue tax credits but that no member of the Board or staff is liable concerning matters arising out of the allocation of tax credits.

Maureen explained that eight applications were received, seven applications met all criteria and are being presented to the Board today. The first project presented for the Board's consideration was submitted by Spring Meadow Resources for the new construction of the seven unit Spring Meadow Apartments in Helena. The project is requesting tax credits for new construction without Federal subsidy. At least 20% of the units would serve tenants at 50% of the median income (20/50 setaside option), the project has a placed in service date of January, 1995. Spring Meadow Apartments total eligible basis is \$431,600, with a qualified basis of \$246,012. It was noted that the basis amounts are different as only 57% of the project will be low income use. Spring Meadow Apartments is requesting \$22,141 in tax credits. Staff recommends approval of the requested credits. Mike McKee moved to approve the reservation of \$22,141 in LIHTC for the Spring Meadow Apartment project in Helena as recommended by staff, the motion was seconded by Paul Bankhead and unanimously approved.

Maureen explained that the remaining six applications are all Farmers Home Administration (FmHA) financed Rural Rental Housing projects and are being submitted by Gary Machacek and Greg Luce of Boise, Idaho. Each of the applications will be for the acquisition and substantial rehabilitation with federal subsidy, at least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option) and all of the projects have a placed in service date of July 15, 1995. The Board, following a brief discussion, decided to consider each application individually but to act on the six applications at one time. Maureen briefly reviewed each application beginning with the 24 unit Livingston Village in Livingston. The total eligible basis for Livingston Village is \$1,341,795, is eligible for 130% High Cost Area increase and is requesting \$43,011 in tax credits. Staff recommends approval of credits in the amount of \$32,644 which is a different level of credit than applied for. The second project is the 24 unit Forsyth Village I in Forsyth. Total eligible basis is \$872,207 and is requesting \$34,888 in tax credits. Staff recommends approval of credits in the amount of \$31,313 which is a different level of credit than applied

for. The third project is the 12 unit Forsyth Village II in Forsyth. Total eligible basis is \$784,813 and is requesting \$31,393 in tax credits. Staff recommends approval of credits in the amount of \$22,915 which is a different level of credit than applied for. The fourth project is the 12 unit Hysham Village in Hysham. Total eligible basis is \$828,996 and is requesting \$33,160 in tax credits. Staff recommends approval of credits in the amount of \$28,373 which is a different level of credit than applied for. The fifth project is the 24 unit Big Timber Village in Big Timber. Total eligible basis is \$1,329,583 and is requesting \$53,182 in tax credits. Staff recommends approval of credits in the amount of \$36,186 which is a different level of credit than applied for. The final project is the 16 unit Stonegate Apartments in Manhattan. Total eligible basis is \$830,548 and is requesting \$33,222 in tax credits. Staff recommends approval of credits in the amount of \$23,408 which is a different level of credit than applied for. Bill Oser moved to approve the reservation of \$32,644 in LIHTC for the Livingston Village project in Livingston, \$31,313 in LIHTC for the Forsyth Village I project in Forsyth, \$22,915 in LIHTC for the Forsyth Village II project in Forsyth, \$28,373 in LIHTC for the Hysham Village project in Hysham, \$36,186 in LIHTC for the Big Timber Village project in Big Timber and \$23,408 in LIHTC for the Stonegate Apartments project in Manhattan as recommended by staff, the motion was seconded by Paul Bankhead and approved unanimously approved.

The Allocation Plan and its requirements were briefly discussed and it was explained that the Board can put any requirements it feels are necessary into the Allocation but they should be implemented with the 1995 Allocation Plan and that staff has already implemented the changes recommended by the National Council of State Housing Agencies (NCSHA) for 1994 and which have not changed for 1995. The Board discussed several areas of concern to them especially the importance of ensuring that developers, particularly out-of-state developers, have evidence of performance bonds, compliance with workers compensation requirements and that Montana laws are followed. Following a brief discussion the Board directed staff to obtain from FmHA and from the lending community a copy of what they require for developers to comply with and to prepare proposed requirements for the 1995 Allocation Plan including requirements for ensuring evidence of performance bonds, compliance with workers compensation requirements and that Montana laws are followed and making sure that existing FmHA and lender requirements are not duplicated, to be presented to the Board at a future worksession.

ACCOUNTING AND REPORTING UPDATE
REPORT ON OCTOBER 1, 1994 BOND CALLS

Karen Wynne, Accounting and Fiscal Manager, presented the October 1, 1994 bond call report to the Board for the Single Family I Indenture (1987 Series A, 1987 Series B and 1988 Series A) from mortgage prepayments. This includes \$1,265,000 from 1987A, \$1,760,000 from 1987B and \$1,493,888 from 1988A for a total call of \$4,518,888. Karen shared with the Board a bond call history for each of these series'.

Karen further reported that bonds were called from Single Family III through Single Family X Indentures (1988 Series B, 1989 Series A, 1990 Series A, 1990 Series B, 1990 Series C, 1991 Series A, 1991 Series B and 1992 Series A) and explained that with these Indentures the trustee is required to analyze the Revenue Account 45 days prior to April 1st and October 1st of each year to determine if a mandatory call will be required to meet asset requirements or if there are excess revenues. Karen

explained that based on that analysis, bonds will be called in the amounts of \$1,565,000 from 1988B, \$1,720,000 from 1989A, \$1,615,000 from 1990A, \$1,765,000 from 1990B, \$1,300,000 from 1990C, \$1,120,000 from 1991A, \$1,410,000 from 1991B and 580,000 from 1992A. The bond call history for each series was shared with the Board.

FY94 BUDGET STATUS REPORT AND REVIEW OF FY95 BUDGET

Karen Wynne, presented for the Board's review the Budget Status Report as of June 30, 1994. The Board has spent \$1,077,322 or 73% of the \$1,484,638 spending authority for fiscal year 1994, leaving a balance of \$407,316. Items of note were reviewed with the Board.

Karen then reviewed with the Board a comparison of the FY94 budget, the actual expenses incurred in FY94 and the proposed FY95 budget. Karen explained that the FY95 budget was prepared two years ago and presented to the Legislature for their approval. It was further explained that the proposed FY95 budget is a projection of FY94 actual expenses. Several aspects of the budget and the budget process were discussed and the Board expressed interest in being actively involved in the budget, following the discussion Paul Bankhead moved to establish a Budget Committee comprised of the entire Board and establish a policy for the Budget Committee to work with the Accounting and Fiscal Manager on future Board of Housing budgets. The motion was seconded by Dean Mart which was unanimously approved. Chairman Thomas appointed Paul Bankhead to be Chairman of the Budget Committee. Andy Poole advised the Board that the Budget Committee can re-allocate funds within the spending authority, which can be accomplished at the Board's discretion. Karen requested direction as to how the Board would like her to proceed with the FY95 budget, the Board upon a brief discussion determined to schedule a worksession before the next Board meeting and at that time they could discuss with Karen what makes up the budget. Andy suggested that a copy of the Statewide Budget and Accounting System (SBAS) third level budget be provided for the Board at that meeting as a beginning for review.

PROPOSED FY96/97 BIENNIUM BUDGET

Karen Wynne, presented the Proposed FY96/97 Biennium Budget, explaining items of note. Karen advised the Board that the proposed budget has been submitted to the Department of Commerce (DOC) and the Budget Office. Paul Bankhead asked what options were available for hiring additional staff as the Board is asking more of the present staff. Andy Poole advised the Board that in the past, the DOC has used the option to move vacant positions to agencies within DOC that have needed additional staffing, however there are no vacant positions available. An option DOC has used where programs have had additional staffing needs due to fluctuating workloads is to use temporary and contract services to fill the need. Those sort of options are available, but Andy advised the Board that at this time it would difficult to obtain an additional staff person from the Legislature. Andy was asked what consideration had been given to the projected budgets should the Housing Task Force recommendations regarding the Board of Housing occur. Andy explained that legislation would have to be introduced and passed and as part of the process a fiscal note would be included which would outline the programs and budgets for programs that would be affected. In conjunction with the legislation to change location of the programs, the budget bill is adjusted at the end of the legislative session for any programs which have fiscal impact. Andy explained that there was nothing at this point that the Board would need to be concerned about in regards to the budget.

SINGLE FAMILY PROGRAM UPDATE

1994 SERIES A

Robert D. Morgan, Administrative Officer, reported on the Homebuyers Cash Assistance Program (CAP), as of October 14, 1994. Of the \$2,500,000 in available proceeds the Board has purchased 51 loans for \$2,147,118 and has received 7 reservations for \$296,308. The average reservation amount is \$42,329, the average loan amount is \$42,100, the average borrower gross annual income is \$17,928 and there remains \$56,574 in lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Bob presented, for the Board's review, the status of the Single Family Bond Program, as of October 14, 1994. Of the \$17,374,232 in lendable proceeds the Board has received 18 reservations for \$1,269,344 and has purchased 250 loans for \$16,094,852. The average reservation amount is \$70,519, the average loan amount is \$64,379 and the average borrower gross annual income is \$28,799 and there remains \$10,036 in lendable proceeds. Activity by lender, the most active lenders and a comparison of loans purchased by county was presented. A total of 301 loans have been purchased and of those 276 were FHA insured and 25 were VA guaranteed.

1994 SERIES B

Bob Morgan reported on the status of the 1994 Series B Single Family Bond Program, as of October 14, 1994. Of the \$23,967,007 in lendable proceeds the Board has received 94 reservations for \$6,498,745 and has purchased 282 loans for \$17,286,184. The average reservation amount is \$69,135, the average loan amount is \$61,298 and the average borrower gross annual income is \$29,500 and there remains \$182,078 in lendable proceeds which is a result of cancellations that have been received. The Board briefly discussed the remaining lendable proceeds and Bob advised the Board that excess funds will be used after lendable proceeds from 1994 Series C have been fully reserved. Bob was asked why there is such a large difference between the reservation amount and the purchase amount. Bob explained that the difference is caused from a higher reservation amount for new construction loans which take longer to close and for the Board to purchase. Activity by lender, the most active lenders and a comparison of loans purchased by county was presented. A total of 282 loans have been purchased and of those 258 were FHA insured and 24 were VA guaranteed.

1994 SERIES C

Bob Morgan reported to the Board on the status of the 1994 Series C Single Family Bond Program, as of October 17, 1994. Of the \$23,862,965 in lendable proceeds the Board has received 50 reservations for \$3,032,172. Bob noted that 163 reservations have been received through October 20th. The average reservation amount is \$60,643, the average borrower gross annual income is \$28,531 and there remains \$20,830,793 in lendable proceeds. The most active lenders in the Program was reviewed.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Bob Morgan presented to the Board a summary of the Recycled Mortgage Program setasides as of October 17, 1994. Setasides with a mortgage rate of 6% include Neighborhood Housing Services, Inc., Great Falls Owners In Partnership II setaside which is \$302,153; Neighborhood Housing Services, Inc., Great Falls Owners In Partnership III setaside which is \$480,000 and was authorized by the Board September, 1994; the City of Billings Affordable First-Time Homebuyer Program setaside which is \$2,669,071; the City of Kalispell Woodland Court setaside which is \$2,400,000; the Missoula

City-County Affordable Housing Program setaside which is \$2,012,953; the Western Montana Mental Health Center, Missoula setaside which is \$1,330,000; and the District XI Human Resource Development Council setaside which is \$1,500,000; for a total of \$10,694,177.

Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$16,025; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$184,790.

The setaside with mortgage rates of 6½% to 2¾% is for the Montana Board of Housing's Disabled Accessible Affordable Homeownership Pilot Program which is \$1,569,478.

The setasides with a mortgage rate of 5½% include the Montana Peoples Action Affordable Housing Program (MPA-AHP), Billings which is \$600,000. Bob advised the Board that he has had discussions with Montana Peoples Action and they have indicated that they are working on loans to be sent to the Board; the Montana Board of Housing's two setaside programs, the Homebuyers Cash Assistance Program which is \$400,581 and the Residential New Construction Pilot Program which is \$2,005,391, for a total of \$3,005,972.

Setasides with a mortgage rate of 2¾% were reviewed and include: Western Montana Mental Health Center's (WMMHC), Missoula two setaside programs, the remaining setaside for two 4-plex units is \$25,275. Bob was directed by the Board to verify with WMMHC the status of the \$25,275 and whether it would be used; and the setaside for 9 units is \$171,000; for a total of \$196,275. The total setaside for all Programs is \$15,650,692.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan reported on the Homebuyers Cash Assistance Program (CAP) as of October 17, 1994. The Board has received 32 reservations for \$1,491,376 and two loans have been purchased for \$108,043; of the \$2,000,000 of 5½% setaside for first mortgages there remains \$400,581 in lendable funds and of the \$45,917 in setaside for downpayment assistance there remains \$13,187 in lendable funds available. The average CAP loan funded is \$1,000; the average loan purchased is \$54,021; the average household income is \$14,054; and the average household size is 1.97. Reservations and purchases by area were reviewed.

QUARTERLY DELINQUENCY REPORTS - JUNE 20, 1994

Bob Morgan presented the Board's loan delinquency statistics, as of June 20, 1994. There were 7,505 loans outstanding with 2.63% in a delinquent status and .37% in foreclosure status. These figures, however, compare favorably with delinquency rates for Montana of 3.05%; the Mountain Region of 3.33%; and National rates of 4.06%. The Board expressed concern regarding the slight increase in delinquencies each quarter since September, 1993 and directed staff to research the trend and report back to them. Delinquencies by bond series were reviewed and it was noted that the highest concentration of delinquencies are in the bond series' which also have higher mortgage rates. Bob also presented a distribution of delinquencies per loan servicer.

REVIEW OF 30 MILE RULE

Bob Morgan shared with the Board a formal request received from the Montana Association of Realtors (MAR) asking the Board to consider eliminating the 30 mile rule as required by the Board's Administrative Rules. Bob shared a copy of the March 31, 1989 Administrative Rules (the 30 mile rule became effective as part of the Administrative Rules on June 18, 1989). Bob presented a brief background of the 30 mile rule explaining that the original purpose for instituting the rule was to reduce the speculation of investors. It was noted that in previous bond issues owner occupancy was not a requirement and were purchased, not occupied by the owner and sold to make a profit. Bob further explained that the 30 mile rule applies to all areas in Montana regardless of whether they are targeted or non-targeted. Bill Oser moved to initiate the process to rescind the 30 mile rule from the Board's Administrative Rules and the motion was seconded by Dean Mart. During the discussion which followed the Board asked for clarification of the 3 year rule and 30 mile rule as they apply to targeted and non-targeted areas. It was explained that the 3 year rule requires that a homebuyer must not have had interest in a home within the last 3 years to qualify for a Board of Housing loan. The 30 mile rule requires that a qualifying person may not obtain a second Board of Housing loan under any of the Board's programs unless they relocate their principal residence by more than 30 miles. Within a targeted area the 3 year rule is waived, however the 30 mile rule applies. In non-targeted areas both the 3 year rule and the 30 mile rule apply. Further discussion involved alternatives to the 30 mile rule and whether special exceptions could be made. Following the discussion Bill Oser withdrew his previous motion to rescind the 30 mile rule from the Board's Administrative Rules. Paul Bankhead moved to directed Board Counsel to research the 30 mile rule, considering compliance with Federal, State and Board of Housing policy, obtaining input from the Montana Association of Realtors and report back to the Board specific positions currently held by the Board and make specific recommendations of options the Board may consider, tabling any action regarding the 30 mile rule at this time. The motion was seconded by Mike McKee and unanimously passed.

Bob Morgan advised the Board that following the Gulf War, the Federal Housing Administration (FHA) provided for a special exception to be given to Reservists who participated in the Gulf War. The special exception [FHA Section 203(b)(2)] allows a Reservist to obtain an FHA insured loan and effectively reduce closing costs by nearly \$750. Bob advised the Board that he received a letter dated October 19th from Intermountain Mortgage requesting clarification as to whether this FHA Section would be allowable under Board of Housing Programs. Following a brief discussion the Board determined that since this would be an FHA insured loan, it would already be provided for under existing policy and procedures and would be eligible for Board Programs with the exception of the Homebuyers Cash Assistance Program (CAP), because closing costs are being reduced it would be ineligible for the CAP Program.

PUBLIC AND INDIAN HOUSING - SECTION 184 INDIAN HOUSING LOAN GUARANTEE PROGRAM

Bob Morgan shared with the Board correspondence from Security State Bank and Trust Company of Polson (Security State) regarding mortgage financing on Indian Reservations and presented interim guidelines for the Public and Indian Housing - Section 184 Indian Housing Loan Guarantee (Section 184) Program. Bob explained that the Section 184 Program is a pilot program,

can be insured by FHA, guaranteed by VA or insured by FmHA. Bob explained that this program is similar to the FHA Section 248 Program which the Board made available through Board of Housing bond programs in July, 1992. Further it was noted that both tribal eviction and foreclosure procedures must be in place prior to a tribal government being approved for inclusion in the Program. Bob explained that the main difference is that the Section 248 Program did not allow loans on allotted land and the Section 184 Program provides for mortgage loans to be secured on all tribal lands. The Board briefly discussed the correspondence and the interim guidelines for the Section 184 Program and decided that it would be prudent to wait until final guidelines were in place before taking any action on the Section 184 Program. The Board directed staff to respond to Security State's letter dated September 29, 1994 informing Security State that the Board was not in a position to act until the Section 184 Program rules were finalized and in regards to their question on tribal trusts that what they are seeking is a legal opinion and they should consult with their attorney.

Mike McKee advised the Board that approximately a year ago the Department of Housing and Urban Development (HUD) automated their systems and all FHA loans now have to be accessed via a computerized network system. To access the system a lender must be a subscriber, when first initiated lenders were told there would be a one time charge of \$100 and high volume lenders would be charged a monthly or quarterly fee. Recently this fee structure was changed and all lenders are now required to pay a monthly maintenance fee of \$20. It was suggested that this restructuring of fees could have the potential of causing lower volume lenders, particularly small rural lenders to stop doing FHA insured loans which would impede those lenders from bringing mortgage loans to the Board. Following a brief discussion the Board directed Mike McKee to draft a letter for review by the Board, to be sent to HUD expressing the Board's concern regarding the potential deterrent of originating FHA insured loans by small rural lenders in Montana caused by the restructuring of FHA system access fees.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, presented to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) as of October 13, 1994. The Board has purchased 26 loans for \$1,533,948 and has received eight reservations for a total reservation amount of \$396,574. Of the \$3,500,000 setaside there remains \$1,569,478. The average loan reservation is \$49,572, the average household income is \$15,323, the average mortgage rate is 4.22% and the average household size 1.50. The average loan amount is \$57,880, the average household income is \$15,822, the average mortgage rate is 4.20% and the household size is 2.40. The applications approved by County were reviewed and of the 180 applications received 143 have been approved; 20 are in process; 11 have been denied; and 6 canceled. Desera explained that applications have been denied for various reasons including prior homeownership, no mobility impairment or they were over income. The average household income of approved applications is \$13,402, the average household size is 2.40 and the mortgage rate distribution for approved applications is 62 loans at 2.75%; 33 loans at 3.75%; 19 loans at 4.75%; 20 loans at 5.75%; and 9 loans at 6.50%. The monthly activity was reviewed as was the architectural modifications by disability. Desera noted that it averages 7.69 months for an application to be processed from initial contact with the Independent Living Centers to purchase by the Board of Housing. Most of the time is spend by the applicants trying to find a home in the price range that they can afford. It was further noted that there

is no expiration date on applications.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES

Desera Towle reported to the Board on the status of the Residential New Construction Pilot Program For Energy Efficient Homes as of October 13, 1994. The Board has received 11 first mortgage reservations for \$954,584 and 11 second mortgage reservations for \$40,025. Of the \$3,000,000 setaside there remains \$2,005,391. The average first mortgage loan reservation is \$86,780, the average second mortgage loan reservation is \$3,639, for a total average reservation of \$90,419. Reservations by county were reviewed.

MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM

Cindy Wulfekuhle, County of Missoula and Kathie O'Brien, City of Missoula presented to the Board a status report on the Missoula City-County Affordable Homeownership Program (MCCAHP). Cindy briefly presented an overview of the Program explaining that the objective of the MCCAHP is to provide affordable homeownership opportunities to income qualified residents in Missoula County. MCCAHP was successful in combining HOME funds to assist with downpayments, mortgage buy-down, closing and related costs with permanent loan funds from the Board of Housing and from the Missoula Federal Credit Union. Cindy noted that because housing costs were higher than expected and a greater amount of assistance was needed the HOME funds did not go as far as was originally thought, however, a total of 35 families have been provided the opportunity to become homeowners. Cindy explained that after closing on the 35 loans there remains approximately \$6,000 available for assistance, which will be used to assist more borrowers. Borrowers were required to contribute at least 1% of the purchase price however borrower contributions were much higher than expected with an average contribution of \$3,744 versus the \$742 average which was expected.

Kathie reviewed the eligible applicants for the MCCAHP Program which include pure first-time homebuyers, displaced homemakers who owned a home with a spouse, single parents who owned a home with a spouse, an individual who owns a dwelling which is not on a permanent foundation or in compliance with state, local or model building codes, maximum income is based on 80% of the median income for Missoula and properties must be FHA insurable. Successful applicants are also required to attend a homeowner's course provided by the MCCAHP. With the media attention received for the Program originally over 250 applications were received of which there was funding for only 50. A lottery system was devised and 50 eligible applicants were chosen to participate in the Program. Board approved lenders were relied on to pre-qualify applicants but it was the applicants responsibility to find an eligible home and to obtain financing, it was noted that loans were closed in an average of two to three months. MCCAHP Program Conditions were briefly reviewed with the Board. Participant characteristics showed that 6 households had incomes at 50% of median income or less, 12 households had incomes between 51% and 65% of median income and 17 households had incomes between 66% and 80% of median income or less; there were 13 female head of household, 3 minority households and 1 handicapped household. A map of Missoula County illustrated that the homes are very scattered throughout the Missoula area and include three homes in Lolo, one on Mullan Road, three in East Missoula and one west of Missoula by the Wye. Pictures of the homes and corresponding information was shared with the Board. Cindy and Kathie expressed their appreciation of the Board's staff

particularly Dick and Bob's flexibility in working with the Program. The Board inquired as to the demand and whether Missoula City-County had plans for another program of this type. The Board was advised that there still exists a high demand for this Program, however an application was not made for HOME funds as they were aware of several good projects in the Missoula area that were applying for HOME funds and they did not want to compete with those projects. It was also noted that at one point joint applications, such as the one made by Missoula County and the City of Missoula, were eliminated. Joint applications have been reinstated but at a reduced funding level and it was noted that they may bring a proposal to the Board for consideration next year.

OTHER BUSINESS

NCSHA ANNUAL CONFERENCE

Paul Bankhead and Bill Oser briefly reported on their attendance at the NCSHA Annual Conference in New Orleans, explaining that they tried to cover as much of the Conference as possible. Bill reported on meetings he attended which included applying to the Federal Home Loan Banks and the timeframe for completion; Public Relation strategies, particularly of interest to Bill was a direct mail solicitation being done by Kentucky; and elimination of the Farmers Home Administration within the next two months. Paul reported to the Board that the Special Housing Needs Award, the category in which the Disabled Accessible Affordable Homeownership Pilot Program had been submitted for competition, was awarded to Massachusetts which had submitted a project for senior citizens. Paul was encouraged by George Auxland from the Wyoming Community Development Authority to re-submit the application next year. Paul also reported on the trend for Housing Authorities to do in-house servicing to lower delinquencies; rent-to-own programs in which rent is coupled with a subsidy which is put aside to accrue into a downpayment for homeownership; ethical guidelines for disclosure; increased focus on the housing needs of the homeless; and the emphasis away from federal involvement in housing issues and more involvement on a state level. Both Bill and Paul advised the Board that they felt it was a good Conference and that they came away with many ideas.

HOUSING TRUST FUND AGREEMENT

Mike Mulrone, Board Counsel, advised the Board that he has reviewed the Board's enabling legislation and the Housing Trust Agreement regarding the Board's ability to do grant projects, per Board action taken at the September 30th Board meeting in Dillon. Mike advised the Board the enabling legislation only allows the Board to raise funds through the issuance of bonds which are secured by homes. Further the Trust Indentures for the bond issues do not allow funds within the Trust Indentures to be used for grants. Mike explained that the confusion stems from the Housing Trust Agreement which uses the term "grants". Having reviewed all the documents in question and applicable statutes, it is the opinion of Mike Mulrone as Board Counsel that Board of Housing can not create grant funds, however, if grant funds are made available to the Board as a gift, trust, etc., the Board of Housing can administer those grant funds.

FEDERAL HOME LOAN BANK (FHLB) AFFORDABLE HOUSING PROGRAM

Janet Kunz advised the Board that the Board's application to the Federal Home Loan Bank (FHLB) Affordable Housing Program has been submitted to the FHLB-Seattle for inclusion in their October 15th application round. A copy of the application and pertinent correspondence was shared with the Board.

Bob Savage asked what the status of the color brochure was, the Board was advised that a few ideas had been looked and that information was being gathered.

Paul Bankhead shared with the Board a letter he received from Sanders County in which a preliminary request was being made of the Board to consider assisting residents of Sanders County who recently sustained physical loss of their homes due to the Henry Peak fire this past summer. Paul explained that because of the low number of homes affected Federal disaster relief was not made available for residential homes and that perhaps other counties in Montana had been affected in the same manner due to the number of fires across the state this past summer. Mike McKee asked that more specific information be provided to the Board before any decisions were considered. The Board named Bob Morgan as the Board of Housing contact person for Sanders County officials to work with.

SET NEXT MEETING DATE

The Board scheduled a worksession meeting for Thursday, November 17, 1994, at 1:00 p.m. in the Upstairs Conference Room, Department of Commerce, 1424 9th Avenue. The Business Meeting was scheduled for November 18, 1994 at 8:30 a.m. in Room 107, Department of Social and Rehabilitation Services, 111 Sanders, Helena.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

11/18/94
Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF COMMITTEE MEETING

October 13, 1994

The Audit Committee of the Montana Board of Housing will hold a meeting on Thursday, October 20, 1994 at 1:00 p.m., in the Board office, 2001 11th Avenue, Helena, Montana.



MONTANA DEPARTMENT OF COMMERCE

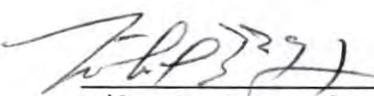
Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, October 20, 1994 at 4:00 p.m in the Upstairs Conference Room of the Department of Commerce. Participating were: Mike McKee, Chairman of the Audit Committee; Committee Members Barb Hamlin, Dean Mart, Bill Oser, Bob Savage and Bob Thomas; Mike Mulroney, Luxan and Murfitt; and staff Andy Poole and Karen Wynne.

Karen Wynne presented to the Audit Committee the Board of Housing's draft response to the Management Letter submitted by Olness and Associates. Each item was reviewed and discussed by the Committee and minor changes for clarification were made. Dean Mart moved to approved the draft response to the Management Letter with the changes for clarification, seconded by Bill Oser the motion was unanimously approved.

There was no further discussion and the meeting adjourned at 5:10 p.m.



Mike McKee, Chairman

11-18-94

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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Helena, MT 59620-0528

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AGENDA

MONTANA BOARD OF HOUSING
LIBRARY/ADMINISTRATION BUILDING
EMERIC ROOM
UNIVERSITY OF MONTANA-WESTERN
DILLON, MT
SEPTEMBER 30, 1994

- I. CALL MEETING TO ORDER - 8:00 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - August 11, 1994 Audit Committee Meeting
 - August 12, 1994 Business Meeting
 - September 7, 1994 Conference Call Meeting
 - September 19, 1994 Conference Call Meeting
- III. REPORT ON STATE HOUSING TASK FORCE - Paul Bankhead
- IV. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- V. INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING - Janet Kunz
- VI. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
 - A. 1994 Series A
 - B. 1994 Series B
 - C. Status of Recycled Mortgage Programs
 - D. Homebuyers Cash Assistance Program
 - E. FHA Single Family Mortgage Limits: Hill County, Jefferson County, Missoula County
 - F. New Lender Application - Citizens State Bank of Scobey
 - G. New Lender Application - First Security Bank of Malta
- VII. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES - Desera Towle
- VIII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- IX. PROPOSED ENHANCEMENTS TO DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle; Mike Mayer, Summit Independent Living Center, Missoula; Jim Meldrum, Montana Independent Living Project, Helena
- X. CITY OF KALISPELL - WOODLAND COURT, PERMANENT FINANCING PROPOSAL - Susan Moyer, Housing Manager
- XI. NEIGHBORHOOD HOUSING SERVICES, INC., GREAT FALLS - OWNERS IN PARTNERSHIP HOMEOWNERSHIP PROPOSAL - Nancy Stephenson, Executive Director

XII. OTHER BUSINESS

- A. North Dakota Housing Finance Agency and South Dakota Housing Development Authority - Housing Conferences

XIII. SET NEXT MEETING DATE AND LOCATION

- XIV. MEETING WITH LOCAL HOUSING PROVIDERS AND ADVOCATES
(11:30 A.M. TO 1:30 P.M.)

XV. ADJOURN

The Montana Board of Housing has scheduled a meeting with local housing providers and advocates in the Butte, Anaconda, Deer Lodge and Whitehall areas, on September 29th from 2:00 p.m. to 4:00 p.m. in the Butte/Silver Bow City/County Council Chambers 115 West Granite, Butte.

9/19/94



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
CITY/COUNTY COUNCIL CHAMBERS
3RD FLOOR, COURTHOUSE
155 WEST GRANITE
BUTTE, MT
SEPTEMBER 29, 1994

ROLL CALL OF

BOARD MEMBERS:

Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Barb Hamlin (Absent)
Mike McKee (Present)
Bill Oser (Present)

STAFF:

Richard A. Kain, Administrator
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulrone, Board Counsel
Luxan & Murfitt

OTHERS-BUTTE:

Denise Pressler, First Banks Montana, N.A., Butte
Patty Cookson, Olympus Bank, Butte
Sandi Conrady, Security Bank, FSB, Anaconda
Floyd Brinton, Norwest Bank, Butte
Representative Bob Pavlovich, Butte
Mark Dahl, Bank of Montana, Butte
Steve Hess, Public Housing Authority of Butte
Denise DeWitt, Norwest Mortgage, Butte
Judy Taylor, Security Bank, Anaconda
Linda Guptill, Homestead Real Estate, Butte
Gert Downey, Human Resource Council (HRC) XII, Butte
Mary Fran McLeod, Section 8 Housing, HRC XII, Butte
JoAnn Barkell, Homestead Real Estate, Butte
Patrick Edgar, NW Community Consultants, Butte
Elsie Mitchell, HRC XII, Butte
David Brandon, Brandon-Legg Development, Butte
Eleanor Chelini, Homestead Real Estate, Butte
Tubie Johnson, HRC XII, Butte

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SEPTEMBER 30, 1994

OTHERS-DILLON: John Pluth, Jr., Dillon Special Resources
Tom Osborne, North Central Independent Living
Service, Great Falls
Karen D'Ambruoso, First Madison Valley Bank, Ennis
Jim McIsaac, BiCentennial Apartments, Dillon
Bill Swanson, Habitat for Humanities, Dillon
Jean Stewart, Pioneer Lookout and
Mark Heinz, Dillon Tribune
Tammy Hatfield, Pioneer Federal Savings, Dillon
Cara Campbell, State Bank and Trust Co., Dillon
Dave Leap, BiCentennial Apartments, Dillon
Donna Spuhler, Mountain Realty, Dillon
Alicia Jensen, Coburn Real Estate
Rick Prichard, Norwest Bank, Dillon
Erin Stajcar, Norwest Mortgage, Dillon
Frank Allen, Beaverhead Allied Senior Services

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - BUTTE
CITY/COUNTY COUNCIL CHAMBERS, 3RD FLOOR, COURTHOUSE
SEPTEMBER 29, 1994, 2:00 P.M.-4:00 P.M.

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its purpose and to obtain from the local housing providers input about needs of the local community. Bob then turned the meeting over to Dick Kain to act as facilitator.

Dick explained that the meeting is intended to be informal and to get input regarding the Board's Programs and to gain a greater understanding of the housing needs in the Butte area. Dick shared a report showing the activity of Board Programs from July 1, 1990 through June 30, 1994 in Butte, Anaconda, Deer Lodge, Philipsburg and Whitehall. An overview of the Board's Programs was briefly presented and included the Single Family Bond Program, the Homebuyers Cash Assistance Program, the Disabled Accessible Affordable Homeownership Pilot Program, Recycled Setaside Programs, Mortgage Credit Certificate Program, Multifamily Loan Program and the Low Income Housing Tax Credit Program. Bill Oser briefly explained the Reverse Annuity Mortgage Loan Program.

There were several questions regarding the Reverse Annuity Mortgage (RAM) Loan Program and it was explained that the RAM Program the Board works with a network statewide to provide the Program. The Board obtains a first mortgage on the home and when the borrower is no longer able to live in the home it is expected that the loan would be repaid through the sale of the home. If the term of the loan, which is ten years, expired and the borrower continued to live in the home, payments would stop and the borrower could defer repayment of the loan. The loan is based on 80% of the FHA appraised value up to a maximum loan amount of \$50,000. If the FHA

2 appraisal indicated minor repairs were required, input from the homeowner would be sought. If significant safety problems were indicated then there would be concern on the part of the Board. However, there is a mechanism in which up to \$2,500 would be made available for repairs. The \$2,500 could also be used to pay taxes that are in arrears. It was noted that if taxes are not paid the board can intercede and pay the taxes, staff would then need to work with the individual borrower. RAM loans are prepayable at anytime and is a non-recourse loan, meaning that the Board would look only to the home for repayment of the loan. Dick explained that one of the difficulties with the Program is that it is difficult for senior to admit that they need help and then to get help from government. Representative Bob Pavlovich asked why the age limit was set at 68. Dick explained that it was the recommendation of AARP, the Governor's Advisory Council on Aging and other senior groups that the age be established at 68 and noted that the average age of current borrowers is 78.

Gert Downey explained that the Human Resource Council works the RAM Program in Butte. Gert also expressed interest in the Recycled Setaside Programs and asked when funding was available. Dick explained that the Board works with local non-profits to target specific groups trying to find assistance. The eligibility would be determined by the local entity and structured based on the needs of the targeted group within the community, such as establishing the income limit as a percentage of the state median income. Local lenders would also be involved based on negotiations between the local entity and lenders eligible to participate in Board programs.

David Brandon, Brandon-Legg Development, asked what the loan-to-value (LTV) ratio is for the Multifamily Loan Program and if the loan would be assumable. It was explained that the LTV, which is a federal requirement, is 75% and that the loans are not intended to be assumable, however if the loan were to be assumed that assumptor would have to agree to keep the units in the stock of affordable rental housing. It was also noted that the Board can do construction financing for projects with 5 to 11 units per project. It was noted that multifamily housing today looks very different than it did 20 to 30 years ago and can look more like an individual unit with a yard.

Representative Bob Pavlovich voiced the needs of the veterans and particularly homeless veterans and explained that this issue will be brought up in the next legislative session and would be directed to the Board. It was noted that both transitional housing and permanent housing would be part of the measure. Dick explained that as part of the Board of Housing's enabling legislation the Board would be able to look at this issue. Dean Mart noted that there is a pool of housing at Glasgow Air Force Base which would be available. It was also noted that some of the homes have been purchased and moved to other sites.

It was asked how much funding was available for the RAM Program and Cash Assistance Program (CAP) and would the funding last. Dick explained the CAP Program that is currently available is the fourth program and that it is the intent to always make the Program available. The RAM Program has available a pool of funds and it is the intent that the funds would be revolving, in that as loans are repaid new loans would be made available.

5 Gert Downey advised the Board of the needs of the elderly in Butte and Silver Bow County and especially the need for assisted living facilities

and if there was any financing available for assistance. It was explained that the Board would seriously entertain proposals for financing of this nature. Further a subcommittee for the Governor's Advisory Council on Aging has been working on the needs for assisted living and the Board has been included because of the Board's potential for financing.

The Board was asked if there were any program available to finance infrastructure development. Dick explained that the Board was approached with this concept and also for mobile homes. The Board developed a program to provide infrastructure financing for mobile homes and the program has not been utilized. It was noted that the Board may in the future look at providing infrastructure financing for stick built homes. As part of the discussion the Board was advised that there is a real need for homes in the \$60,000 to \$80,000 range. Further the Board was advised that it is difficult to build a new home for less than \$90,000 to \$100,000. It was noted that the Board recently toured a housing development in Billings in which 54 homes were built on 4 acres and providing them at a purchase price under \$50,000. The homes offer an affordable homeownership to a lot of people coming out of a rental situation. There needs to be a willingness to work together with local governments. The Board asked if there was land available for development and was advised that there was quite a bit of land available. Dick explained that there is the opportunity to develop housing, working with the local government to forgive the debt on tax deed property and get it back on the tax roles. It was explained to the Board that many of the buildings could be converted to condos but that parking would be a problem and that it would cost millions to retrofit the buildings. Further it was noted that over 50% of the housing stock in Butte was built before 1939.

The Board was asked if it could do financing for mobile homes and it was explained that the Board can lend funds secured by real property, however is unable to lend funds on personal property. If the mobile home were placed on a foundation it would be possible to finance the home. Sandi Conrady, indicated that FHA requirements for placing mobile homes on a foundation are so stringent and asked if it would be possible for the Board to use an alternative standard, perhaps the city code. The Board noted that mobile home financing was also available through the VA and HUD Title I. Dean Mart indicated that one possibility to deal with the FHA standard complexity is to work with an engineer to work through the FHA program. If the engineer knew that he would be receiving more work they could work through the first one, with the next one becoming easier. Dean explained that this is the method he has worked out. Sandi also advised the Board of the housing market in Anaconda noting that more people are moving into the community making affordable housing difficult to find. Many homes are sold before they even come on the market and others are so old they don't meet FHA standards.

Mary Fran McLeod, Section 8 Housing, HRC XII, advised the Board that the HRC manages 300 Section 8 vouchers, 50 of which are in Butte and explained that there is a waiting period of two to three years, with approximately 123 on the waiting list for 1 bedroom units and 115 on the waiting list for 2 or more bedroom units. Mary also explained to the Board that as many landlords are taking their homes off of the market as their annual re-certifications are coming due and the people are having to find a new place to live. This situation is occurring as a result of fair market values increasing.

Steve Hess, Public Housing Authority of Butte, indicated that they managed 344 units including 12 scatter site homes, 213 family and elderly units and 35 family units. Steve explained that currently there are approximately 20 vacancies and that there elderly units are the more difficult to get into.

The Board was asked about the funding sources for the Board's various programs. Dick explained that in 1994 the Board issued bonds for approximately \$80 million and that the Board prefers to do small bond issues more often because there is the risk that interest rates will move against the Board making the lendable proceeds less attractive. The Board considers the demand for lendable proceeds, restructuring of old bonds to be combined with new monies and the seasonal housing fluxations. Dick explained that programs are developed with the mechanism to keep them in place and available. Further it was noted that the Board was established by the legislature and given the authority to provide housing in Montana, funds to operate Board programs are generated through the issuance of bonds and no taxpayer monies are used.

The Board thanked those individuals who attended the meeting and for their input on housing needs in Butte and their comments on the Board's existing programs.

There was no further business and the meeting adjourned.

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SEPTEMBER 30, 1994

The meeting was called to order at 8:00 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the August 12, 1994 Business Meeting, the September 7, 1994 Conference Call, the September 19, 1994 Conference Call and the September 23, 1994 Conference Call were approved as presented. Discussion of the August 11, 1994 Audit Committee Meeting, the September 26th Audit Committee Conference Call and the Management Letter and Audited Financial Statements was tabled until Mike McKee, Chairman of the Audit Committee, could be present for the discussion.

REPORT ON STATE HOUSING TASK FORCE

Paul Bankhead advised the Board that the State Housing Task Force (Task Force) meet on September 16th and formally presented the Task Force's final plan to Governor Racicot, which will be submitted in a final report. Recommendations submitted for the Governor's review included extending the term of the Task Force through the legislative session, designating the Montana Board of Housing as the entity for all housing programs in the state, including HOME, Section 8 and CHAS and to designate the housing entity as quasi-governmental, moving the entity outside of state government and giving the entity the flexibility to deal with housing issues. Paul noted that the recommendations of the Task Force were unanimous and the response from the Governor was favorable.

With Mike McKee present, Dick Kain explained, per action taken at the September 26th Audit Committee Conference Call, that he was presenting the Management Letter and Financial Statements for the Board's review. It was further explained that in previous years the representation letter to the auditors was signed by the Chairman of the Audit Committee, the Administrator and Comptroller. However, Mike McKee, Chairman of the Audit Committee, did not feel comfortable signing the letter and therefore to get the representation letter to the auditors in a format they preferred, the letter was signed Montana Board of Housing. Dick explained that a fax from the auditors had been received by staff on September 29th, indicating that if Mike McKee, Dick Kain and Karen Wynne were not willing to individually sign the representation letter, the auditors would issue a modified opinion indicating that they had not been able to complete the audit do to scope limitations and the scope limitations would be that they did not have a representation letter signed by the three of them. Dick advised the Board that he called Karen Wynne this morning, September 30th, directing her to call the auditors and ascertain if his and Karen's signatures on the representation letter would be acceptable. Mike McKee indicated that he would be willing to call the auditors and explain his position that the representation letter is managements representation that the auditors were provided with all information available during their field work and that since he is not on-site with the auditors at the Board of Housing it would inappropriate for him to sign the letter. It was noted that if Dick's and Karen's signatures were not acceptable to the auditors that the opinion would be modified.

The Board felt that the manner in which the Audit Committee meeting with the auditors, via conference call, was inappropriate for such a complex issue and indicated that during the conference call several members were disconnected and parts of the call missed, that it was difficult to hear and understand the discussion. The Board further noted that after the draft report and the auditors reports, were reviewed and the Board thought all changes had been explained, further changes in the auditors reports were noted while reviewing the Management Letter which had not been discussed before. The Board discussed the appropriateness of including the wording "immaterial instances of non-compliance" in the Management Letter, feeling that if they are giving an unqualified opinion it is inappropriate to place the wording in the letter and if the instances were immaterial they should have been discussed in the exit conference with staff versus being placed in a Management Letter. The Board also briefly discussed the terminology in the Audit Report regarding the Board's ability to do grant projects, Paul Bankhead moved to direct counsel to review the Board's enabling legislation and the Housing Trust Fund Agreement and to issue an opinion regarding the Board's ability to do grant projects, Bob Savage seconded the motion which was unanimously approved. During the discussion Dick made a call to Karen and was advised that the auditors would accept the representation letter with his and Karen's signatures. The Board tabled further discussion until Mike McKee as Chairman of the Audit Committee could speak with the auditors regarding the language in the Management Letter.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, updated the Board on the Reverse Annuity Mortgage (RAM) Program as of September 26, 1994. Janet reported that the two Public Service Announcements (PSA) continue to run throughout the state on local television stations and a total of 221 calls have been received and information packets have been sent to 170 of those inquiring. A graph illustrating the calls received, associated information packets sent out and the number of applications received since the PSA's began in April, 1994 was shared with the Board. Janet also noted that a RAM information booth was set up at the Governor's Conference on Aging in Butte on September 14th-16th and many positive comments regarding the Program were received.

The Board was advised that five applications have been received, one each from Butte, Great Falls, Kalispell, Philipsburg and Townsend. Janet briefly reviewed the status of each application, all applications have been reviewed, three applications have been determined eligible and are at varying stages in the application process from initiating an appraisal to ordering a title commitment. Clarification of certain application information on the two remaining applications is in process. Mike McKee shared with the Board an article regarding RAM Loans.

INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING

Janet Kunz updated the Board on the Infrastructure Financing for Affordable Housing, which was made available in February, 1994. One proposal from the Three Forks/Manhattan area was received in May 1994, deemed ineligible and returned to the financial institution which submitted the proposal. A total of 44 calls have been received since February and typically have been requests for more information. Janet explained that since the August 12th Board meeting no inquiries have been received regarding the Program and per Board action taken at the August 12th Board meeting, the Program set aside will expire September 30th.

SINGLE FAMILY PROGRAM UPDATE

1994 SERIES A

Richard A. Kain, Administrator, reported on the Homebuyers Cash Assistance Program (CAP), as of September 26, 1994. Of the \$2,500,000 in available proceeds the Board has purchased 47 loans for \$1,952,692 and has received 11 reservations for \$489,643. The average reservation amount is \$44,513, the average loan amount is \$41,546, the average borrower gross annual income is \$18,001 and there remains \$57,665 in lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Dick presented, for the Board's review, the status of the Single Family Bond Program, as of September 26, 1994. Of the \$17,374,205 in lendable proceeds the Board has received 23 reservations for \$1,629,222 and has purchased 246 loans for \$15,788,739. The average loan amount is \$64,181 and the average borrower gross annual income is \$28,788. Dick noted that approximately 16% of the available proceeds is being utilized for new home construction. Dick explained that a CAP loan was erroneously book to the Bond Program, which has resulted in a negative balance and as soon as the correction is made a positive balance for the Bond Program will be shown. Activity by lender, the most active lenders and a comparison of loans purchased by county was presented. A total of 293 loans have been purchased and of those 269 were FHA insured and 24 were VA guaranteed. The Board briefly discussed reservation amounts versus loan amounts and whether there was a method to compare the two amounts with the ultimate thought to make more of lendable proceeds available.

1994 SERIES B

Dick Kain reported to the Board on the 1994 Series B Single Family Bond Program as of September 26, 1994. Of the \$23,967,288 in lendable proceeds the Board has received 116 reservations for \$7,968,063 and has purchased 262 loans for \$15,974,197. The average reservation amount is \$68,690, the average loan amount is \$60,970, the average borrower gross annual income is \$29,485 and there remains \$25,028 in lendable proceeds. New home construction was reviewed as were the lenders most active in the Program and a comparison of loans purchased by county. Of the 262 loans purchased, 239 were FHA insured and 23 were VA guaranteed.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Dick Kain presented to the Board a summary of the Recycled Mortgage Program setasides as of September 26, 1994. Setasides with a mortgage rate of 6% include Neighborhood Housing Services, Inc., Great Falls Owners In Partnership II setaside which is \$433,542, it was explained that loans for the constructed homes are being processed and are near completion; the City of Havre First-Time Homebuyer Program setaside was recapped as the Program expired August 31, 1994; the City of Billings Affordable First-Time Homebuyer Program setaside which is \$2,908,925; the Missoula City-County Affordable Housing Program setaside which is \$2,080,047; the Western Montana Mental Health Center, Missoula setaside which is \$1,330,000; and the District XI Human Resource Development Council setaside which is \$1,500,000; for a total of \$8,252,514.

Setasides with a mortgage rate of 6% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$16,025; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$184,790.

The setaside with mortgage rates of 6½% to 2¾% is for the Montana Board of Housing's Disabled Accessible Affordable Homeownership Pilot Program which is \$1,703,656.

The setasides with a mortgage rate of 5½% include the Montana Peoples Action Affordable Housing Program (MPA-AHP), Billings which is \$600,000; the Montana Board of Housing's two setaside programs, the Homebuyers Cash Assistance Program which is \$1,145,787 and the Residential New Construction Pilot Program which is \$2,451,878, for a total of \$4,197,665. Bill Oser noted, based on discussions with Peggy Cabe, First Bank-Billings, that three loans for submission to the MPA-AHP setaside are in process. Following a brief discussion the Board decided to reevaluate the MPA-AHP setaside upon submission of three loans.

Setasides with a mortgage rate of 2¾% were reviewed and include: Western Montana Mental Health Center's, Missoula two setaside programs, the remaining setaside for two 4-plex units is \$25,275; and the setaside for 9 units is \$171,000; for a total of \$196,275. The total setaside for all Programs is \$14,543,900.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Dick Kain reported on the Homebuyers Cash Assistance Program (CAP) as of September 26, 1994. The Board has received 18 reservations for \$854,213; of the \$2,000,000 of 5½% setaside for first mortgages there remains available \$1,145,787 in lendable funds and of the \$45,917 setaside for downpayment assistance there remains available \$28,099 in lendable funds. The average CAP loan reserved is \$989; the average household income is \$16,406; and the average household size is 1.89. Reservations by area were reviewed and it was noted that eastern Montana continues to be very active in the Program.

FHA SINGLE FAMILY MORTGAGE LIMITS: HILL COUNTY, JEFFERSON COUNTY, MISSOULA COUNTY

Dick Kain advised the Board that the Federal Housing Administration (FHA) has been increasing its maximum mortgage limits around the state and typically after reviewing an increase by FHA the Board has increased its maximum purchase price to correspond with FHA's increase. The exception to this is Gallatin County which the Board increased to the maximum allowed by U.S. Treasury Safe Harbor Limits. Dick advised the Board that FHA has increased maximum mortgage limits for the following counties: Gallatin County from \$87,930 up to \$100,650; Hill County from \$75,500 up to \$80,650; Jefferson County from \$75,500 up to \$104,400; and Missoula County from \$83,600 up to \$94,500. The Board discussed several items relating to the increased limits including the affordability of the home, the income level of persons served by the Board, how FHA determines whether mortgage limits should be increased, and establishing a cap to the maximum purchase price for Board programs. Following the discussion Bill Oser moved to establish a maximum purchase price cap of \$100,000 for the state, to be reviewed annually by the Board and the maximum purchase price limit for Board programs will be the lesser of either the maximum FHA mortgage limit for a given county or the Board maximum purchase price of \$100,000. The motion was seconded by Bob Savage and unanimously approved.

NEW LENDER APPLICATION - CITIZENS STATE BANK OF SCOBEY

Dick Kain presented for the Board's consideration and action an application from Citizens State Bank of Scobey to become an approved lender for Montana

Board of Housing Single Family Bond Programs. The Board was advised that with the receipt on September 21, 1994 of an FHA correspondent letter, Citizens State Bank of Scobey has met all the of the eligibility requirements to be an approved lender as required by the Board's Administrative Rules and noted that Citizens State Bank of Scobey will also be servicing the loans it originates. Bill Oser moved to approve the application from Citizens State Bank of Scobey to become a Board approved lender, the motion was seconded by Mike McKee and unanimously approved.

NEW LENDER APPLICATION - FIRST SECURITY BANK OF MALTA

Dick Kain presented for the Board's consideration and action an application from First Security Bank of Malta to become an approved lender for Montana Board of Housing Single Family Bond Programs. The Board was advised that First Security Bank of Malta has met all the of the eligibility requirements to be an approved lender as required by the Board's Administrative Rules. Dick noted that servicing of loans originated by First Security Bank of Malta would be assigned to Streeter Brothers Mortgage Company, Billings. Bob Savage moved to approve the application from First Security Bank of Malta to become a Board approved lender. The motion, seconded by Dean Mart and was unanimously approved.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES

Desera Towle, Program Specialist, reported to the Board on the status of the Residential New Construction Pilot Program For Energy Efficient Homes as of September 23, 1994. The Board has received 6 first mortgage reservations for \$531,216 and 6 second mortgage reservations for \$16,906. Of the \$3,000,000 setaside there remains \$2,451,878. The average first mortgage loan reservation is \$88,536, the average second mortgage loan reservation is \$2,818, for a total average reservation of \$91,354. Reservations by county were reviewed. Desera advised the Board that lenders have been notified that the limit of five reservations per community was lifted September 1, 1994 and that remaining funds are available on a first-come, first-serve basis. A listing of the participating lenders was shared with the Board.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle presented to the Board the Disabled Accessible Affordable Homeownership Pilot (DAAHP) Program as of September 26, 1994. The Board has purchased 26 loans for \$1,533,948 and has received five reservations for \$262,396. Of the \$3,500,000 setaside there remains \$1,703,656. The average loan reservation is \$52,479, the average household income is \$15,304, the average mortgage rate is 4.10% and the average household size 1.40. The average loan amount is \$57,880, the average household income is \$15,822, the average mortgage rate is 4.20% and the household size is 2.40. The applications approved by County were reviewed and of the 171 applications received 135 have been approved for participation in the DAAHP Program; 19 are in process; 11 have been denied; and 6 canceled. The average household income of approved applications is \$13,537, the average household size is 2.40 and the mortgage rate distribution for approved applications is 57 loans at 2.75%; 31 loans at 3.75%; 19 loans at 4.75%; 20 loans at 5.75%; and 8 loans at 6.50%. The monthly activity and the architectural modifications by disability was also reviewed.

PROPOSED ENHANCEMENTS TO DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle introduced to the Board Mike Mayer, Summit Independent Living Center, Missoula and Tom Osborne, North Central Independent Living Center, Great Falls, and explained to the Board that the Disabled Accessible Affordable Homeownership Pilot (DAAHP) Program expires September 30, 1994. Desera explained that staff has met representatives from the Independent Living Centers (ILC) to develop enhancements to the DAAHP Program with the intent to move forward to a permanent DAAH Program. Desera turned the meeting over to Mike Mayer to review ILC proposed enhancements to the DAAH Program with the Board. Mike thanked the Board for the opportunity to appear before them and thanked staff for their efforts in working with the ILC's to enhance the DAAHP Program. Mike explained that the ILC's are proposing retention of both the homeownership and the non-profit rental opportunities provided by the existing Program. Enhancements proposed by the ILC's include: expanding homeownership opportunities beyond mobility impaired to a permanent physical disability, focusing more upon accessibility to the home; using the American Disabilities Act (ADA) definition for non-profit rental housing; adding sibling to the definition of family member; expanding the first-time homebuyer definition to provide for homeownership opportunity if more than 3 years have lapsed since a disabled homeowner lost a residence due to complications created by the disability; providing a grievance procedure; and requiring all applicants attend an education program provided by the ILC's. Desera presented staff's proposed enhancements for the DAAH Program which include: committing \$50,000 from the Housing Trust Fund, currently tied to the Infrastructure Finance Program, for up to \$2,000 of cash assistance for homebuyers with annual incomes of \$15,000 or less, total family assets of \$25,000 or less, \$2,500 in liquid assets and \$500 investment by homeowner; targeting tenants below \$20,000 of annual income to rental housing with non-profit mortgagors; providing a setaside of \$2,500,000 for homeownership and a setaside of \$750,000 for rental housing, funded with the approximate \$1,700,000 of existing DAAHP funds and a new \$1,550,000 commitment of 1992RA mortgage funds; continuing to offer existing DAAHP, until the ILC Education Program is ready to go (November or December) and then make enhanced program available.

The Board expressed concern regarding several items including: clarification of the definitions of homebuyer and sibling as a family member; first-time homebuyer 3-year rule; the mortgage rate scale for rental housing; the grievance procedure; and using the American Disabilities Act (ADA) definition for non-profit rental housing. The discussions resulted in the clarification of the homebuyer as being of an age to enter into a legal contract and that either the disabled homebuyer or the homebuyer with an immediate family member who is disabled, which would include a spouse, a child, a parent or a sibling, would have to live together in the home as the principal residence; the mortgage rate scale as shown for homeownership being duplicated in total for rental housing; that the existing grievance procedures as provided by the Administrative Rules for the State of Montana would be utilized by the Board of Housing; and that for rental housing the definition of disability would reflect the same definition as for homeownership (i.e. permanent physical disability). Following the discussions, Paul Bankhead moved that the Board accept the proposed enhancements to the Disabled Accessible Affordable Homeownership Program and the following changes to the enhancements be included in the Program: clarification of the homebuyer as being of an age to enter into

a legal contract and that either the disabled homebuyer or the homebuyer with an immediate family member who is disabled, which would include a spouse, a child, a parent or a sibling, would have to live together in the home as the principal residence; the mortgage rate scale as shown for homeownership being duplicated in total for rental housing; that the existing grievance procedures as provided by the Administrative Rules for the State of Montana would be in utilized by the Board of Housing; and that for rental housing the definition of disability would reflect the same definition as for homeownership (i.e. permanent physical disability). Mike McKee seconded the motion which was unanimously approved. Dick thanked Mike Mayer, Tom Osborne and the other members of the ILC's for their assistance in working together with the Board staff on the enhancements for a permanent DAAH Program.

CITY OF KALISPELL - WOODLAND COURT, PERMANENT FINANCING PROPOSAL

Susan Moyer, Housing Manager, City of Kalispell, presented to the Board for their review and action a first-time homebuyers proposal for the new construction of the 44 unit Woodland Court in Kalispell. Susan explained that there will be 32 two bedroom attached homes and 12 three bedroom unattached homes. Woodland Court would combine Board of Housing permanent mortgage financing with a grant from the Federal Home Loan Bank of Seattle to assist with closing costs and downpayment assistance. Additionally, an application will be submitted in early October for Community Development Block Grant (CDBG) funds to develop on-site infrastructure, an application for HOME funds has been submitted which is intended to pay for costs involved in designing the project, monitoring the construction and to landscape and provide and an irrigation system for the common areas and matching funds from the City of Kalispell. It was noted that awards of funding from other sources will be known by the end of January, 1995. Susan explained that Woodland Court will be developed on seven acres of land which is owned by the City of Kalispell and which is currently zoned as a high density residential area. It was further explained that Woodland Court would target individuals and families at 60% to 80% of median income, applicants must either be pure first-time homebuyers, a single parent who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant or an individual who owns or owned, as a principal residence during the 3-year period before the purchase of this home, a dwelling unit not in compliance with state, local or model building codes or other applicable codes which cannot be brought into compliance with such codes for less than the cost of constructing a permanent code-complying structure. Applicants will be required to make a minimum equity contribution of \$500 and it is estimated that the attached homes would sell for approximately \$50,400, while the unattached homes would sell for approximately \$63,785. Susan explained that the City of Kalispell will provide the marketing, applicant eligibility verification, local lender referral and will conduct Home Ownership Workshop which will be mandatory for all homebuyers. Susan also noted that the City is in the process of evaluating, as a means to guarantee the affordability whether to sell the land with the residence or to do a long term ground lease. The City of Kalispell is requesting that the Board setaside \$2,400,000 of 6⁷/₈% 30 year permanent financing for these 44 units. Paul Bankhead moved that preliminary approval be given to setaside, for the development of Woodland Court's 44 units by the City of Kalispell, \$2,400,000 of 6⁷/₈% 30 year permanent financing, final approval to be given in January 1995 and to recommend to the City of Kalispell that the land be sold with the residence. The motion, seconded by Bob Savage, was unanimously approved.

NEIGHBORHOOD HOUSING SERVICES, INC., GREAT FALLS - OWNERS IN PARTNERSHIP HOMEOWNERSHIP PROPOSAL

Nancy Stephenson, Executive Director, Neighborhood Housing Services (NHS), Great Falls, presented a proposal to the Board requesting a setaside in the amount of \$480,000 to be used for an Owners in Partnership III (OIP-III) Homeownership Program. Nancy explained that the setaside would provide take out financing for twelve (12) single family homes targeting homebuyers under 65% of median income, first-time homebuyers, single heads of households and handicapped. Construction of the homes would occur in two phases with six homes being built in each phase. It is anticipated that the appraisal price for the homes will be \$70,000. Construction financing will be provided by NHS. NHS will also be submitting an application for HOME funds to be used as a subsidy to reduce the cost to the purchasers to approximately \$40,000, the subsidy will be secured by a silent second mortgage. Awards of HOME funds will be known by the end of January, 1995. NHS, Great Falls, is requesting that the Board setaside \$480,000 of 6 $\frac{7}{8}$ % 30 year permanent financing for these 12 homes. Dean Mart advised the Board that he would be abstaining from the vote as he is on the Board of Directors for NHS. Bill Oser moved that preliminary approval be given to setaside \$480,000 of 6 $\frac{7}{8}$ % of 30 year permanent financing for the Neighborhood Housing Services, Great Falls, Owners In Partnership III Homeownership Program, final approval to be given in January 1995. The motion, seconded by Paul Bankhead, approved with four Board members voting in favor of the motion and one Board member abstaining.

Nancy briefly update the Board on the status of NHS Program setasides. The Owners In Partnership II Program has been delayed by environmental review requirements of the HOME Program, however Nancy explained that Phase I has been completed and construction has begun on Phase II. The Affordable Housing Program should be completely utilized within the next two weeks and they will be using a large portion of the FHA Repo Program setaside by the end of the year for the rehabilitation of Sear Roebuck catalog home within the Neighborhood. The Board was shown a map of 350 homes in the Neighborhood that had major problems when NHS began working with the Board in 1985 and a comparison map showing 35 homes currently with major problems in the Neighborhood. Nancy contributed the working relationship between the Board and NHS for the improvement.

OTHER BUSINESS

NORTH DAKOTA HOUSING FINANCE AGENCY AND SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY - HOUSING CONFERENCES

Bill Oser explained that while attending the National Council of State Housing Agencies Board Member Conference held in Jackson Hole, Wyoming, it became apparent that the problems being discussed at a national level were not the problems that faced Montana and its peer agencies. Bill explained that he has received copies of agendas of annual conferences held by the North Dakota Housing Finance Agency and the South Dakota Housing Development Authority and shared them with the Board for informational purposes. Bill explained the annual conferences are attended by lenders, realtors, housing providers and advocates who spend two to three days gaining an understanding of what is going on in their state and trying to find solutions to housing needs.

Dick Kain reported to the Board that the Federal Home Loan Bank (FHLB) of Seattle had contacted him in regards to the Board applying for grant funds via FHLB's Affordable Housing Program. Dick explained that the FHLB is

very interested in the Board applying for the grant funds and noted that if the Board does apply and grant funds are awarded, those funds could be combined with Board of Housing recycled funds to create an Affordable Housing Program which could then be made available to non-profits. It was noted that the FHLB has gone so far as to put together a same application for the Board of Housing. Dick explained that he had written to Mike McKee and Dean Mart seeking their input regarding the Board applying for grant funds from the FHLB of Seattle. Both Dean and Mike indicated that they liked the concept of using FHLB grant funds in combination with Board of Housing recycled funds and were in favor of the Board's application to the FHLB of Seattle. Mike McKee moved that staff be directed to make application to the Federal Home Loan Bank of Seattle for grant funds for submission by the October 15, 1994 application round, seconded by Bob Savage the motion was unanimously approved.

Dick briefly shared with the Board copies of the rating letters from the Standard and Poor's and Moody's on the 1994 Series C bond issue which confirmed ratings of AA+ and AA respectively. Dick advised the Board that 1994 Series C is scheduled to close on October 5th and 6th in Helena. Information regarding 1994 Series C has been mailed to both the lenders and realtors of which the Board also received copies. It was noted that as of September 29th, 20 lenders have been signed up to participate in the 1994 Series C bond program.

Dick also shared with the Board a news release from North Dakota Housing Finance Agency and noting the current mortgage rate of 6.95%, the income limits and their increased purchase price limits.

SET NEXT MEETING DATE AND LOCATION

An Audit Committee Meeting was scheduled for Thursday, October 20, 1994 at 1:00 p.m. in the Board's office. An informal meeting was also scheduled with the Montana Association of Realtors for the afternoon of October 20th. The regular Business meeting was scheduled for Friday, October 21, 1994, at 8:30 a.m. in the Downstairs Conference Room of the Department of Commerce.

Mike McKee advised the Board that he had spoken with Ernie Olness of Olness and Associates, who indicated that the internal control management letters, with the terminology in question were part of the complete audit report and that within the industry, the contents of an internal control letter are understood. Following a brief discussion staff was directed to respond to the Management Letter and Dean Mart moved to approve the August 11, 1994 Audit Committee Meeting minutes, the September 26th Audit Committee Conference Call minutes and the Financial Statements unqualified opinion, the motion was seconded by Bob Savage and unanimously approved.

Bob Savage thanked Desera Towle for her efforts in bringing to the Board the enhancements for the Disabled Accessible Affordable Homeownership Program, particularly in providing cash assistance. Further Bob suggested that as a result of the Board traveling to various communities around the state, he would like to see a brochure produced which shows the communities the Board has visited, what has been accomplished within the last year and the projects the Board is involved in. Bob moved to direct staff to explore the financial feasibility of producing a color brochure of the communities the Board has visited in the last year, beginning with Hamilton in August, 1993, Paul Bankhead seconded the motion which was passed unanimously.

The Board took a five minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - DILLON

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its purpose and to obtain from the local housing providers input about needs of the local community. Bob then turned the meeting over to Dick Kain to act as facilitator.

Dick explained that the meeting is intended to be informal and to get input regarding the Board's Programs and to gain a greater understanding of the housing needs in the Dillon area. Dick shared a report showing the activity of Board Programs from July 1, 1990 through June 30, 1994 in Dillon, Ennis, Sheridan and Twin Bridges. An overview of the Board's Programs was briefly presented and included the Single Family Bond Program, the Homebuyers Cash Assistance Program, the Disabled Accessible Affordable Homeownership Pilot Program, Recycled Setaside Programs, Mortgage Credit Certificate Program, Multifamily Loan Program and the Low Income Housing Tax Credit Program. Bill Oser briefly reviewed the Reverse Annuity Mortgage Loan Program.

Jim McIsaac, BiCentennial Apartments, explained that BiCentennial Apartments is a 50 unit housing complex for the elderly. Jim advised the Board that the Apartments are in need of several items including construction of an additional 10 units. Jim explained that he has made two applications for HOME funds and has been turned down both times and asked if there were any refinancing possibilities available or what other options would be available through the Board of Housing. Dick explained that the Board obtains its funding from the issuance of bonds and as a part of that issuance refinancing is not a viable possibility. However the Multifamily Loan Program, which is insured by HUD/FHA is keyed to new construction or rehabilitation may be a possibility.

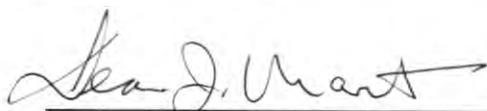
Dave Leap explained that he is the manager of BiCentennial Apartments and that they currently have a waiting list of 25 people with a waiting period of 18 to 24 months. Dave explained that BiCentennial Apartments has an elevator which is wheelchair accessible however it is not large enough to adequately accommodate a hospital gurney if it should be needed by one of the residents. Dave noted other items that the Apartment complex needs to address such as updating a stairwell to meet American Disabilities Act requirements and expanding the meeting room to accommodate all of the residents. Dave further explained that they have looked into new construction but it would be difficult to obtain a FmHA guaranty because of FmHA regulations pertaining to new construction on the same physical location as an existing building. It was suggested that the Multifamily Loan Program used in conjunction with the Low Income Tax Credit Program may be a way to obtain insured financing to construct a second BiCentennial Apartments.

John Pluth, Jr., Dillon Special Resources, advised the Board that there are not places other than BiCentennial Apartments to accommodate individuals with disabilities. John explained that he has been working to find accessible homes for three individuals and only been able to find one individual a place to live and that was in Anaconda. It was suggested that perhaps the Disabled Accessible Affordable Homeownership Program may be an option for some of his clients.

There was a general discussion of the shortage of homes in Dillon, that there are few homes less than \$100,000 and the greatest need for housing is in the \$60,000 to \$80,000 price range. It was also noted that the existing stock of housing less than \$60,000 would require a great deal of rehabilitation and that land and infrastructure costs make new construction very costly. It was noted that lot costs in Dillon are in the \$15,000 range. The Board explained that they toured a housing development in Billings which was providing new construction homes with a purchase price under \$50,000. It was noted the project worked because of the innovative ideas incorporated into the project by a lot of people who came together and worked to accomplish it and that the project is a high density housing development with approximately 50 homes built on 4 acres. Another area that was brought to the Board's attention is the need for college student housing. It was explained to the Board that the average monthly rent is \$425 for a one bedroom unit and the average monthly cost to service the debt on a new construction is \$435 which does not make it affordable. It was noted that some students commute daily from Twin Bridges to Dillon, a distance of approximately 30 miles, because they have not been able to find housing in Dillon. Because housing is so difficult to find students will continue to pay rent over the summer to ensure they have housing during the school year. The Board was also advised that the regulatory restrictions placed on trying to develop a tract of land and subdivide it are very cumbersome and increase the eventual cost of the home by 10% to 15%.

The Board asked if there were any city or county tax deed property that would be available for development. The Board was advised that property is so valuable that individuals will not let the property go for taxes and that the city owns very little property. Dick explained that the Recycled Single Family Mortgage Program uses mortgage funds made available through the recycling of mortgage prepayments and the Board works in partnership with local non-profit entities and governments to develop programs to target specific housing needs within the local community. Dick noted that this Program could be utilized to focus on providing housing within the \$60,000 to \$80,000 range needed in Dillon. The Board stressed the willingness to work with local groups to focus on needs and target programs to the community, utilizing innovative ideas and getting everyone working together to achieve affordable housing. Dick indicated that staff is available to offer assistance in tailoring programs to target needs in communities and they are also available to work with individuals and agencies in addressing housing issues. Dick Kain concluded by noting that he will leave with at least three items for staff to focus on, the need to develop student housing, to work with local housing providers in developing a program which would target specific housing needs and utilize recycled funds and to focus on the needs of BiCentennial Apartments in regards to rehabilitation and expansion. The Board thanked those individuals who attended the meeting and for their input on housing needs in Dillon.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

October 21, 1994

Dated

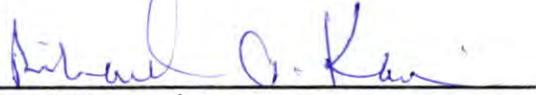
NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1994 Series C
(Federally Insured or Guaranteed Mortgage Loans)
\$20,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$20,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Wednesday, September 28, 1994, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: September 16, 1994.

MONTANA BOARD OF HOUSING

By: 

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MJM/jb



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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Phone: (406) 444-3040
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Notice having been given, the Montana Board of Housing held a public hearing on the \$20,000,000 Single Family Program Bonds Series 1994 C, the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing which was held on Wednesday, September 28, 1994, in the Board's office, began at 9:00 a.m. and was attended by Richard A. Kain, Administrator; Mike Mulrony, Luxan and Murfitt; and Janet Kunz, Administrative Assistant. No comments, either written or oral, were received and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink, appearing to read "Richard A. Kain", written over a horizontal line.

Richard A. Kain, Administrator

September 28, 1994
Dated



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NOTICE OF COMMITTEE MEETING

September 22, 1994

The Audit Committee of the Montana Board of Housing will hold a special meeting via telephone conference call on Monday, September 26, 1994 at 9:00 a.m., to review the results of the annual audit and the draft Audited Financial Statements.



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Notice having been given, the Audit Committee of the Montana Board of Housing held a special telephone conference call meeting on Monday, September 26, 1994 at 9:00 a.m. Mike McKee, Chairman of the Audit Committee; Committee Members Paul Bankhead, Dean Mart, Bill Oser, Bob Savage and Bob Thomas; Ernie Olness and Pat Cremer, Olness and Associates; and staff Karen Wynne.

Ernie Olness presented the Board's recently completed Audited Financial Statements for year ending June 30 1994 and explained that he would be reviewing with the Committee the Auditor's reports which include the Internal Control Report, the Compliance Report and the Audit Opinion; the Financial Statements and finally the Management Letter. Ernie then briefly reviewed the changes made to the Audited Financial Statements after draft copies were mailed to the Committee, significant variances to the Audited Financial Statements, the content of the of the management letter and advised the Committee that the auditing firm issued an unqualified opinion. Ernie informed the Committee that field work for the audited was completed August 26th and that an exit conference was held with management on September 22nd via the telephone, at which time the report was reviewed with staff.

The Auditor's reports that were reviewed were: the Internal Control Report which indicated that no material weaknesses were found during the audit; the Compliance Report which showed that no items of noncompliance with laws or regulations were noted; and the Audit Opinion which reported that an unqualified opinion was issued by the auditors.

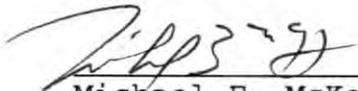
The Committee reviewed the Balance Sheet, Income Statement and Statement of Cash Flows. Changes in the report presentation were also discussed. Variances between FY93 and FY94 numbers were reviewed and the reasons for the variance were addressed. Also reviewed were the footnote disclosures. During a brief discussion the Committee requested that Note 5, Allowance for Loan Losses and Real Estate Owned be reviewed for future need, that Note 17, Subsequent Events regarding deferred bond issuance costs from the optional redemption of the 1984 Series A and 1983 Series B, to include the amortization over the shorter of the life of the new bonds or the life of the redeemed bonds and that several grammatical corrections throughout the financial statements be made. Bill Oser moved that pending the changes to Note 5, Note 17 and the grammatical corrections, that the Audited Financial Statements be approved, Paul Bankhead seconded the motion, which was unanimously approved.

Pat Cremer presented to the Committee the Management Letter and noted that items reviewed are immaterial matters of non-compliance and not significant items which were noted during the audit. Ernie explained to the Committee changes in wording in the Management Letter and that the wording change would be reflected in the

Auditor's Internal Control Report and the Auditor's Compliance Report. The Committee briefly discussed the wording and the desire to see the financial statements in final form before giving approval, after which Dean Mart moved to rescind the previous motion approving, with specified changes, the Audited Financial Statements, Bob Thomas seconded the motion which was unanimously approved. It was noted that the Committee will received a copy of the Management Letter with the printed Financial Statements at the September 30th Board meeting and upon review will take action.

Mike McKee directed staff to prepare a written response to the Management Letter within 30 days of today's Audit Committee meeting. The Committee further directed that because of the complex material discussed by the Committee that future meetings of the Audit Committee not be held via telephone conference.

There was no further discussion and the meeting adjourned at 10:35 a.m.



Michael E. McKee, Chairman

9/30/94

Dated



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NOTICE OF SPECIAL MEETING

September 22, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, September 23, 1994 at 9:00 a.m., M.S.T., to review the structure and pricing of the proposed \$20,000,000 Single Family Program Bonds, 1994 Series C; and to review and approve the Board Resolution and the bond purchase contract for the sale of \$20,000,000 Single Family Program Bonds, 1994 Series C.



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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, September 23, 1994, at 9:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Bob Savage, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, and Bill Oser. Dan Irvin, John Feery, Mitch Litke, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; John Wagner, Kutak Rock; Steve Spitz, Orrick, Herrington and Sutcliffe; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Meredith Miller, Desera Towle, Karen English, Denise Hanson, Kurt Lewis, Dolly Snyder, Connie Boyer, Marla Ducello and Janet Kunz.

Dan Irvin, Paine Webber, reported that a successful sale of a new bond issue took place on Tuesday, September 20th. John Feery, Paine Webber, briefly explained that the bonds were priced to take advantage of in-state demand for bonds. John also advised the Board of other activity in the bond market and the favorable comparison to other bond sales, such as Idaho Housing Agency's \$30,000,000 bond issue and Maryland Community Development Administration's \$27,745,000 bond issue both of which were also priced on September 20th. Dan Irvin then reviewed the structure and pricing of the \$20,000,000 Single Family Program Bonds, 1994 Series C with the Board including the principal amounts, interest rates and takedowns; the pricing wire release to co-managers; the Sources and Uses of Funds statement; the underwriting fees; the cover page of the POS; a comparison of other bond issues in the market; an explanation of interest rate activity; and articles from financing journals leading up to the bond sale. The Board briefly discussed conventional and FHA/VA mortgage rates which range between 9.00% and 8.50%.

John Wagner, Kutak Rock, presented Resolution #94-0923-S3 for the Board's consideration. John explained that the Resolution approves the 1994 Series C bond issue to finance Single Family Bond Program loans; approves the form of the Supplemental Trust Indenture and other documents; authorizes the sale of the bonds; authorizes the bond purchase contracts; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds. Dean Mart moved to approve the sale of the 1994 Series C bond issue at a mortgage rate of 7.00% and that the Board adopt Resolution #94-0923-S3, seconded by Bill Oser the motion was unanimously approved. It was noted that the issue is scheduled to close on October 5 and 6, 1994.

There was no further business and the meeting adjourned at 9:25 a.m.



Dean Mart, Secretary

9/30/94

Dated

RESOLUTION NO. 94-0923-S3

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$20,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1994 SERIES C (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; and

WHEREAS, the Board has previously implemented a mortgage purchase program 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 Program Bonds, 1994 Series C (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$20,000,000 (the "1994 Series C Bonds"), consisting of \$6,425,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series C-1 (the "1994 Series C-1 Bonds"), and \$13,575,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series C-2 (the "1994 Series C-2 Bonds"), which will be used to provide additional moneys to finance single family dwellings in the State; and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a 1994 Series C Supplemental Trust Indenture dated as of September 15, 1994 (the "Supplemental Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be

authorized to issue the 1994 Series C Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated September 14, 1994, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1994 Series C Bonds, and which will be distributed to the purchasers of the 1994 Series C Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1994 Series C Bonds at the price 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 the 1994 Series C Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1994 Series C 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 1994 Series C Bonds do not involve direct loans.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance of the Board's 1994 Series C Bonds is hereby authorized and approved. The 1994 Series C Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1994 Series C Bonds shall be at rates which will be equal to or less than 7% per annum. The 1994 Series C 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 1994 Series C Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1994 Series C Bonds. Such signatures may be in facsimile, provided, however, that such 1994 Series C 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 Disclosure Documents.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed.

Section 6. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1994 Series C Bonds is hereby approved, confirmed and ratified.

Section 7. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 8. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 9. *Execution of Non-Arbitrage Certificate.* The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue certifications as to its reasonable expectations regarding the amount and use of the proceeds of the 1994 Series C Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

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

ADOPTED by the Montana Board of Housing this 23rd day of September, 1994.

MONTANA BOARD OF HOUSING

Attest:

By Michael A. Kari
Treasurer/Administrator

By Bob Thomas
Chairman



**MONTANA
DEPARTMENT OF COMMERCE**

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

September 19, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, September 19, 1994 at 2:00 p.m., M.S.T., to review the structure and pricing of the proposed Single Family Program Bonds, 1994 Series C.



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, September 19, 1994, at 2:00 p.m. Participating in the meeting were: Bob Thomas, Chairman; Bob Savage, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead and Bill Oser; Dan Irvin, Marie DeRosa, Mitch Litke, and John Feery, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; John Wagner, Kutak Rock; Rick Sullivan, First Interstate Bank of Denver, N.A.; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Meredith Miller, Desera Towle, Kurt Lewis, Denise Hanson, Dolly Snyder, Connie Boyer, Marla Ducello and Janet Kunz.

Chairman Thomas called the conference call to order and turned the meeting over to Dan Irvin, Paine Webber Inc. Dan explained that he is sitting in for Peter Nolden who is unable to join the conference call. Dan asked John Ferry, Paine Webber to updated the Board on both the government and municipal bond markets and it was noted that the market has had a slight upward movement. John explained that the investment banking team has been focusing on achieving a mortgage rate as close to 7.0% as possible, he then reviewed the proposed bond structure with the Board which would blend \$6,000,000 of existing funds with a \$20,000,000 new money bond issue. John further reviewed the proposed pricing per maturity and proposed takedowns with the Board. Dan Irvin advised the Board that a bond issue per the proposed structure and pricing would make available approximately \$23,985,000 in lendable proceeds and produce a mortgage rate of 7.00% up to 7.25%. Dan explained that if the Board choose to go forward with the proposed bond issue, the pricing of bonds would take place September 20th. Another conference call with the Board would be held on September 26th to review the pricing and to obtain approval of the sale from the Board. The Board was advised by Dean Mart that FHA/VA 30 year mortgage rates are around 8.50%. Paul Bankhead moved to direct the banking team to proceed with the pricing of the proposed bond issue for \$20,000,000 with a mortgage rate not to exceed 7.25%, Bob Savage seconded the motion which was unanimously approved.

There was no further business and the meeting adjourned at 2:30 p.m.

A handwritten signature in blue ink that reads "Dean Mart".

Dean Mart, Secretary

9/30/94

Dated



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NOTICE OF SPECIAL MEETING

September 2, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Wednesday, September 7, 1994 at 10:30 a.m., M.S.T., to review the status of the structuring of a new Single Family Bond issue and an achievable mortgage rate.



MONTANA DEPARTMENT OF COMMERCE

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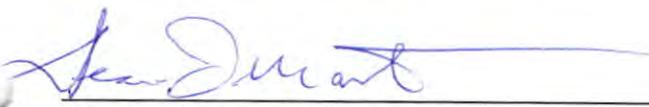
Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Wednesday, September 7, 1994, at 10:30 a.m. Participating in the meeting were: Bob Thomas, Chairman; Bob Savage, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Barbara Hamlin, Mike McKee and Bill Oser; Peter Nolden, Roan Blacker, Mitch Litke, and John Feery, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; Larry Carlile, Kutak Rock; Rick Sullivan, First Interstate Bank of Denver, N.A.; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Meredith Miller, Desera Towle, Karen English, Kurt Lewis, Denise Hanson, Dolly Snyder, Connie Boyer, Marla Ducello and Janet Kunz.

Chairman Thomas welcomed Barb Hamlin to the Board and turned the meeting over to Peter Nolden, Paine Webber. Peter explained that per Board action taken at the August 12th Board meeting, Paine Webber has worked with staff in the structuring of a new bond issue. John Feery, Paine Webber, updated the Board on both the government and municipal bond markets, noting that the markets have been very quiet with interest rates decreasing slightly. It was further noted that there has been little issuance of municipal bonds and the bonds that have been issued have been smaller in size, ranging between \$20,000,000 and \$25,000,000. Peter Nolden explained to the Board that today, 30 year AMT bonds are between 6.70% and 6.75% and a mortgage rate of 7.125% to 7.375% would be achievable per a new Board issue. Peter further explained that, they have structured a proposed bond issue which would blend \$5,000,000 of existing funds with \$20,000,000 of new funds with the result being an overall lower mortgage rate, making available approximately \$23,985,000 in lendable proceeds.

Several issues of concern were discussed by the Board including the status of 1994 Series A and 1994 Series B, demand for a new bond issue, the spread between an achievable mortgage rate and conventional mortgage rates and available housing. Bill Oser moved to direct staff, investment bankers and counsel to proceed with a bond issue incorporating a \$20,000,000 new money issue and a blending of \$5,000,000 in existing funds to make available \$23,985,000 of lendable proceeds, the motion was seconded by Bob Savage and was approved with five Board members voting in favor of the motion and Board member, Mike McKee voting against the motion.

Timeframes for pricing and sales of the bonds were briefly discussed. Dick Kain advised the Board that the agenda and advance packets would be mailed to the Board next week and briefly updated the Board on the status of travel to the 1994 NCSHA Annual Conference.

There was no further business and the meeting adjourned at 11:10 a.m.



Dean Mart, Secretary

9/30/94

Dated



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AGENDA

MONTANA BOARD OF HOUSING
STATE CAPITOL BUILDING
ROOM 312-2
HELENA, MT
AUGUST 12, 1994

- I. CALL MEETING TO ORDER - 8:00 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - July 7, 1994 Business Meeting - Billings
 - July 8, 1994 Public Meeting - Bozeman
 - July 19, 1994 Conference Call Meeting
- III. CITY OF BILLINGS - AFFORDABLE FIRST-TIME HOMEBUYER PROGRAM - John Walsh and Joe Burst, City of Billings
- IV. MISSOULA CONSOLIDATED PERMANENT FINANCING REQUEST - WESTERN MONTANA MENTAL HEALTH CENTER AND DISTRICT XI HUMAN RESOURCE COUNCIL - Patricia Kent-Mental Health Center; Jim Morton-Human Resource Council
- V. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- VI. INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING - Janet Kunz
- VII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. Status of Recycled Mortgage Programs
 - D. Review of 1994 HUD Income Levels
 - E. Homebuyers Cash Assistance Program
- VIII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- IX. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES - Desera Towle
- X. REPORT ON AUGUST 1, 1994 BOND CALL - Karen Wynne
- XI. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber
- XII. MULTIFAMILY RISK SHARING PROGRAM - Maureen Rude
- XIII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- XIV. REPORT ON STATE HOUSING TASK FORCE - Paul Bankhead

- XV. REPORT ON NATIONAL COUNCIL OF STATE HOUSING AGENCIES - BOARD MEMBER CONFERENCE - Bill Oser
- XVI. NATIONAL COUNCIL OF STATE HOUSING AGENCIES ANNUAL CONFERENCE - Chairman Bob Thomas
- XVII. OTHER BUSINESS
- XVIII. SET NEXT MEETING DATE AND LOCATION
- XIX. ADJOURN

7/25/94



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
STATE CAPITOL BUILDING
ROOM 312-2
HELENA, MT
AUGUST 12, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF:

Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen J. Rude, Administrative Officer
Desera Towle, Program Specialist
Robert D. Morgan, Administrative Officer
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulroney, Board Counsel
Luxan & Murfitt

UNDERWRITERS:

Peter Nolden, Paine Webber
Roan Blacker, Paine Webber
Gordon Hoven, Piper Jaffray Inc.

OTHERS:

Joe Burst, City of Billings
Tom Llewellyn, Yellowstone Group, Billings
Sheila Llewellyn, Yellowstone Group, Billings
Patty Kent, Western MT Mental Health Center, Missoula
Jim Morton, District XI, HRDC, Missoula
Rand Kennedy, District XI, HRDC, Missoula
John Walsh, City of Billings
Roger Lloyd, Legislative Fiscal Analyst
Jerry Boone, HUD/FHA
Margaret Morgan, MT Association of Realtors, Helena

The meeting was called to order at 8:00 a.m., by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the July 7, 1994 Business meeting in Billings, the July 8, 1994 Public meeting in Bozeman and the July 19, 1994 Conference Call meeting were approved as presented.

CITY OF BILLINGS - AFFORDABLE FIRST-TIME HOMEBUYER PROGRAM

John Walsh, Development Services Department, City of Billings, and Joe Burst, HOME Program Coordinator, City of Billings explained that the City of Billings has been designated a HOME Program Participating Jurisdiction and is proposing to implement a First-Time Homebuyer Program combining

Board of Housing permanent mortgage financing with HOME Program funds to be used to assist with downpayments, closing costs, mortgage buydowns and minor home repairs. It was further explained that the Program would target individuals and families at 60% of median income, the applicants must be first-time homebuyers as defined by HUD, eligible property includes any property within the Billings City limits not exceeding the \$83,050 FHA maximum mortgage limit and the property must meet Section 8/FHA guidelines. Joe Burst reviewed with the Board the application process noting that applicants will be pre-qualified by the City and that the City will inspect the property to determine its suitability. Income limits would range from \$16,000 for a one person household to \$30,100 for an eight person household. It was also noted that applicants will be required to make a minimum equity contribution of \$750. The City of Billings is asking the Board to set aside \$3,000,000 of 6 $\frac{7}{8}$ % recycled 30 year permanent loan financing for a period of two years for the City of Billings First-Time Homebuyer Program. Joe and John thanked the Board for their time in considering the City of Billings' proposal. Following a brief discussion which included targeting individuals and families at 60% of median income and the concern of Board members regarding the extension of setasides, Mike McKee moved to set aside for the City of Billings First-Time Homebuyer Program, \$3,000,000 of 6 $\frac{7}{8}$ % recycled 30 year permanent loan financing for a period of two years, expiring August, 1996. The motion was seconded by Bob Savage and unanimously approved.

MISSOULA CONSOLIDATED PERMANENT FINANCING REQUEST - WESTERN MONTANA MENTAL HEALTH CENTER AND DISTRICT XI HUMAN RESOURCE COUNCIL

Patricia Kent, Director of Housing and Development, Western Montana Mental Health Center, Jim Morton, Executive Director, District XI Human Resource Council, and Rand Kennedy, District XI Human Resource Council briefly explained that an analysis of housing needs in Missoula has shown that virtually no homeownership opportunities exist for individuals and families earning less than 50% of median income. The Western Montana Mental Health Center (MHC) and the District XI Human Resource Council (HRC) have combined their efforts and expertise to address the need of those earning less than 50% of median income through the development of two housing projects.

The MHC along with the Missoula Housing Authority have an option to develop 2.35 acres within a high density zoning site. The project would result in the construction of nine 4-plex units, combining a mix of one, two and three bedrooms. Patty Kent explained that nine one bedroom units would be targeted to nine chronically mentally ill individuals earning less than \$7,000. As an option for these units, MHC will purchase them as the qualified mortgagor and provide them as lease-option units until homeownership is achievable. MHC asks the Board to set aside \$171,000 of 2 $\frac{1}{2}$ % 30 year permanent financing for these nine units.

Another nine units will be targeted for sale to individuals and families at or below 50% of median income and will first be offered to existing Section 8 tenants providing them with the opportunity for homeownership. Those vouchers will then be made available to individuals and families on the Missoula Housing Authority waiting list. The remaining 18 units will be targeted to those individuals and families between 50% and 80% of median income. Patty advised the Board that a meeting was held with members of the neighborhood and the project was favorably received. MHC asks the Board to set aside \$1,330,000 of 6 $\frac{7}{8}$ % 30 year permanent financing for these 27 units.

Rand Kennedy, HRC, explained to the Board that the HRC has purchased 10 acres which is to be subdivided into 20 lots, 11 of these lots will be

sold at market rate and the proceeds will assist in subsidizing the remaining nine lots. No Board of Housing assistance is requested for the 11 market rate lots. The remaining nine lots will be developed into 18 townhouse style duplexes with a mix of two, three and four bedroom units. Eight to 10 of these units would be available for immediate sale to individuals and families with an income of 80% of the area median income. The remaining units would initially be rental units with an option to buy and would target individuals and families with an income at or below 50% of the area median income. HRC asks that the Board set aside up to \$1,500,000 of 6 $\frac{7}{8}$ % 30 year permanent financing for these 18 units.

The Board had several questions regarding the projects including funding levels, timelines for sale of the HRC's market rate lots and segregation of those funds from Board of Housing funds, timelines for completion of the projects and construction financing. It was noted that both projects are seeking multi-level funding and awards of funding from other sources will be known by the end of January, 1995. If the applications are successful in receiving funding, the units are expected to be in place and occupied by December, 1995. Rand Kennedy explained that he has met with representatives from the real estate community to get a sense of the value of the market rate lots, the length of time needed to sell the lots and project feasibility has been analyzed using lower than expected market rate sales prices. Rand also assured that Board that procedures would be in place to maintain the segregation of funds. Dean Mart moved that preliminary approval be given to set aside for the development of nine 4-plex units by the Western Montana Mental Health Center, \$171,000 of 2 $\frac{3}{4}$ % 30 year permanent financing for nine units targeting the chronically mentally ill and \$1,330,000 of 6 $\frac{7}{8}$ % 30 year permanent financing for the remaining 27 units and to set aside up to \$1,500,000 of 6 $\frac{7}{8}$ % 30 year permanent financing for the development of 18 townhouse style duplexes by the District XI Human Resource Council, final approval to be given in January, 1995. The motion was seconded by Bob Savage and unanimously approved.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, updated the Board on the Reverse Annuity Mortgage (RAM) Program as of August 9, 1994. Janet reported that the process to amend the existing ten Trust Indentures and Mortgage Loan Agreements has been completed as of July 28, 1994. It was noted that copies of the Amended Mortgage Loan Agreements and recorded Amended Trust Indentures have been sent to the borrowers for their records.

The two Public Service Announcements (PSA) continue to run throughout the state on local television stations. A total of 164 calls have been received and information packets have been sent to 95 of those inquiring. Janet further reported that she conducted a training session, with the assistance of staff from the Office on Aging, for RAM Counselors on June 16th and 17th in Helena. Ten new counselors attended the training session expanding the counseling network system and enabling the Program to reach more Montanans. Janet will also have a RAM information booth set up at the Governor's Conference on Aging in Butte on September 14th-16th. Bob Savage asked that information regarding the Disabled Accessible Affordable Homeownership Program also be made available at the information booth.

The Board was advised that four applications have been received, one each from Butte, Great Falls, Kalispell and Philipsburg. All applications have been reviewed, one application has been determined eligible and an appraisal has been ordered. Clarification of certain application information on the three remaining applications is in process. There are currently four loans in process, one loan has prepaid and 9 loans remain

active. Mike McKee noted that the RAM Program has been able to reach into many of the smaller communities around the state.

INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING

Janet Kunz, reported to the Board that since June 10th, a total of nine inquiries about the Infrastructure Financing for Affordable Housing Program have been received. In total 44 calls have been received and typically have been requests for information about the Program. The parameters for the Program were also shared with the Board. It was noted that there are currently no proposals in process. Following a brief discussion regarding the interest in the Program, a motion was made by Bill Oser to discontinue the \$400,000 setaside for the Infrastructure Financing for Affordable Housing Program as of September 30, 1994. The motion was seconded by Mike McKee and unanimously approved.

SINGLE FAMILY PROGRAM UPDATE

1994 SERIES A

Robert D. Morgan reported on the Homebuyers Cash Assistance Program (CAP), as of August 8, 1994. Of the \$2,500,000 in available proceeds the Board has purchased 35 loans for \$1,485,257 and has received 20 reservations for \$843,058. The average loan amount is \$42,435, the average borrower gross annual income is \$18,095 and there remains \$171,685 in lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Bob then presented, for the Board's review, the status of the Single Family Bond Program, as of August 8, 1994. Of the \$17,373,294 in lendable proceeds the Board has received 50 reservations for \$3,497,248 and has purchased 214 loans for \$13,612,958. The average loan amount is \$63,611, the average borrower gross annual income is \$28,942 and there remains \$263,088 in lendable proceeds. Further, Bob reviewed the lenders most active in the Program and presented a comparison of loans purchased by county.

1994 SERIES B

Bob Morgan reported to the Board on the 1994 Series B Single Family Bond Program as of August 8, 1994. Of the \$23,965,896 in lendable proceeds the Board has received 244 reservations for \$15,562,987 and has purchased 119 loans for \$7,452,246. The average loan amount is \$62,623, the average borrower gross annual income is \$29,418 and there remains \$950,663 in lendable proceeds. Further, Bob reviewed the lenders most active in the Program and presented a comparison of loans purchased by county. Of the 119 loans purchased, 111 were FHA insured and 8 were VA guaranteed.

The Board expressed concern regarding the funds remaining in both 1994 Series A and 1994 Series B and asked what interest has been shown for those funds. It was explained to the Board that the remaining funds are the result of existing reservation cancellations and the decision was made by staff based on the number of reservations that remain outstanding to wait until more reservations have been purchased before notifying lenders of available funds. Following a brief discussion the Board directed staff to initiate the process to notify lenders of the available funds as soon as possible.

Bob explained that in May, 1988 the Board made a decision to limit its exposure in the bond program for a housing condominium project or planned unit development to 10% of the living units. This decision was made as the result of the high number of foreclosures and repossessions that were made in condominium projects and planned unit developments. In December, 1992 the Board again reviewed this issue and increased the percentage of living

units in a housing condominium project or planned unit development from 10% to 25%. The Board briefly discussed the 25% limit after which Bill Oser moved to maintain the 25% limit for VA guaranteed loans and to eliminate the 25% limit for FHA insured loans, the motion was passed after being seconded by Dean Mart.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Bob Morgan presented to the Board a summary of the Recycled Mortgage Program setasides as of August 8, 1994. Setasides with a mortgage rate of 6½% include Neighborhood Housing Services, Inc., Great Falls Owners In Partnership II setaside which is \$568,000; the City of Havre First-Time Homebuyer Program setaside totaling \$271,800; and the Missoula City-County Affordable Housing Program which is \$2,133,889; for a total of \$2,973,689. It was noted that two reservations have been received for the City of Havre First-Time Homebuyer Program, which expires August 31, 1994.

Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$128,500; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$297,265.

The setaside with mortgage rates of 6½% to 2¾% is for the Montana Board of Housing's Disabled Accessible Affordable Homeownership Pilot Program which is \$2,078,295.

The setasides with a mortgage rate of 5¾% include the Montana Peoples Action Affordable Housing Program, Billings which is \$600,000; the Montana Board of Housing's two setaside programs, the Homebuyers Cash Assistance Program which is \$2,000,000 and the Residential New Construction Pilot Program which is \$3,000,000, for a total of \$5,600,000.

The setaside with a mortgage rate of 2¾% is for the Western Montana Mental Health Center, Missoula is \$240,000. The total setaside for all Programs is \$11,187,249.

REVIEW OF 1994 HUD INCOME LEVELS

Bob Morgan reviewed with the Board an analysis comparing the 1993 and 1994 HUD Median Family Incomes. The analysis included a comparison of Mortgage Revenue Bond maximum incomes based on targeted and non-targeted areas and household size. It was briefly noted that the analysis also included 1994 income limits for Counties designated as Areas of Chronic Economic Distress (ACEDs) and Census Tracts. Mike McKee voiced concern that a more uniform approach needs to be considered for setting income limits and suggested that targeted area income limits for ACEDs remain at the 1993 level until they become equal with the state income level and then increase with the state level. Mike explained he would include Census Tracts in the 1994 income levels since Census Tracts are reviewed with the Census every ten years. Bob Savage voiced his concern that at one time all of the ACEDs met criteria designating them as targeted areas and felt that if the designation allowed more individuals access to Board of Housing Programs that the limits should be increased in accordance with HUD's increased limits. Following a short discussion Bob Savage moved to increase the income limits for future Board Programs to correspond with the Federally imposed maximum income limits allowed by Treasury regulations. The motion was seconded by Bill Oser and the measure passed with three Board members voting in favor of the motion and Board members Mike McKee and Dean Mart voting against the motion.

HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan advised the Board that the Invitation to Participate in the Homebuyers Cash Assistance Program (CAP) approved by the Board at the July 7th Board meeting was mailed to lenders on August 9, 1994. Bob also shared with the Board the Terms and Conditions of the CAP Program. It was noted that staff has already begun receiving calls regarding the Program.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, presented to the Board the Disabled Accessible Affordable Homeownership Pilot (DAAHP) Program as of July 29, 1994. The Board has purchased 22 loans for \$1,294,435 and has received two reservations for a total reservation amount of \$127,270. Of the \$3,500,000 set aside there remains \$2,078,295. The average loan reservation is \$63,635, the average household income is \$17,008, the average mortgage rate is 4.25% and the average household size 2.00. The average loan amount is \$59,314, the average household income is \$15,920, the average mortgage rate is 4.19% and the household size is 2.50. The applications approved by County were reviewed and of the 167 applications received 124 have been approved for participation in the DAAHP Program; 18 are in process; 15 have been denied; and 6 canceled. The average household income of approved applications is \$13,824, the average household size is 2.40 and the mortgage rate distribution for approved applications is 50 loans at 2.75%; 28 loans at 3.75%; 19 loans at 4.75%; 19 loans at 5.75%; and 8 loans at 6.50%. It was noted that the maximum income for individuals with a mortgage rate of 2.75% is \$10,000 and the maximum income for those individuals with a mortgage rate of 6.50% is \$15,000. Desera explained that the low incomes have made it difficult for individuals who are eligible for participation in the Program to find a home they can afford. The Board asked if Cash Assistance funds could be used in conjunction with the DAAHP Program to assist with the affordability. It was explained that the funds for the Cash Assistance portion of the Homebuyers Cash Assistance Program (CAP) are to be used only with the CAP Program and that the Programs are meant to stand alone. It was further explained that the Program is in the process of being enhanced and a cash assistance feature could be addressed. The Board directed staff to pursue the development of incorporating a downpayment assistance feature to the permanent loan funds for the DAAHP Program.

Paul Bankhead advised the Board that the National Council of State Housing Agencies (NCSHA) annually holds a competition for state housing programs, noting several categories and winners of the competition are honored at the NCSHA Annual Conference. Noting the accomplishments of the DAAHP Program and its uniqueness, Paul moved that an application be submitted under the category of Special Housing Needs for the Disabled Accessible Affordable Homeownership Pilot Program, along with the \$25 application fee, the motion was seconded by Bob Savage and unanimously approved.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES

Desera Towle reported to the Board on the status of the Residential New Construction Pilot Program For Energy Efficient Homes as of August 9, 1994. Desera advised the Board that Invitations to Participate in the Program were mailed to lenders with participating utility companies in their areas and 20 lenders have returned Applications to Participate. Servicing and Purchase Agreements were then mailed to those lenders responding on July 22, 1994. Thirteen lenders have executed and returned Servicing and Purchase Agreements to the Board. Desera also explained that a limit of five reservations per community will be enforced until September 1, 1994, after which the limitation on reservations will be lifted.

REPORT ON AUGUST 1, 1994 BOND CALL

Karen Wynne, Comptroller, reported that on August 1, 1994, the 1983 Series B and 1984 Series A bonds were optionally redeemed as a result of the 1994 Series B Refunding Bond issue. Karen noted that a bond redemption premium is required as the bonds were called early. The bond redemption includes \$16,875,000 from 1983B and \$11,200,000 from 1984A for a total bond call of \$28,075,000. Karen shared with the Board a Notice of Bond Redemption which is prepared and published by the Trustee.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber, advised the Board that currently 30 year Treasury bonds are trading at 7.40% and have been going up, it was also explained that Revenue Bonds are trading at 6.37% and are expected to increase as well. Peter noted that the last two bond issues incorporated a refunding of bond issues which assisted in obtaining the low mortgage rates. At this time there is one bond issue which could be incorporated but the savings would not justify its refunding, therefore a bond issue at this time would need to be structured as a new money bond issue. Peter noted that in today's market a mortgage rate between 7¼% and 7½% would be achievable. Discussion of a new bond issue included achieving a 1½% spread to conventional mortgage rates, currently at 9%, cancellations of reservations for 1994 Series A and 1994 Series B and funds made available by those cancellations, timing for incorporating a refunding into a new bond issue, the upward trend of interest rates, demand for a new bond issue and entering the fall real estate market. Upon conclusion of the discussion Bill Oser moved to instruct Paine Webber to work with staff for the purpose of structuring of a \$25,000,000 new money bond issue with a maximum interest rate of 7½% and a 1½% spread to FHA/VA mortgage rates, the motion was seconded by Paul Bankhead and unanimously approved.

MULTIFAMILY RISK SHARING PROGRAM

Maureen J. Rude, Administrative Officer, reported to the Board that at the January 29, 1994 Board meeting the Board authorized staff to make application to participate in the HUD/FHA Risk Sharing Pilot Program. Application was made to HUD/FHA and the Board's application was approved in May, 1994. Maureen shared with the Board a letter and an information packet which was mailed on July 21, 1994 explaining the Program, a copy of the mailing list was also shared with the Board. Maureen advised the Board that, to date, she has received a total 12 calls regarding the Program, 3 from lenders, 3 from realtors, 2 from for-profit entities and 4 from non-profit entities.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude reported to the Board the status of projects approved in the first round for Low Income Housing Tax Credits (LIHTC), noting that approved projects must meet certain conditions prior to Reservation of Credits. The three projects in the Small Development Pool were all submitted by Community Oriented Affordable Development (COAD) of Missoula and are still in process. Processing of Reservation Agreements for the three projects is pending approval of zoning for the project. The remaining four projects were submitted and approved in the Open Development Pool. Fernwell Apartments, Kalispell, is in process and has met Reservation requirements, however the development team has requested a timeline extension to work out some issues related to equity financing. Reservation Agreements are in process for the Palace Hotel, Missoula and the Sandhills Park Apartments, Great Falls and staff expects to reserve credits in August. The final project, Eighth Avenue Apartments, Billings, should meet the 90 day deadline for issuance of the Reservation Agreement and it is expected that credits will be reserved in August.

Maureen advised the Board that the application submission date for the second round of 1994 Low Income Housing Tax Credits (LIHTC) was June 15, 1994. Maureen advised the Board that applications are first reviewed to meet the completeness and soundness criteria, next applications are reviewed and deemed eligible based on the allocation plan and selection criteria and whether the application received adequate points to qualify for inclusion in the application round. Lastly, comments from community officials regarding the proposed application and project were requested. Maureen explained that 13 applications were received, five applications met all criteria and are being presented to the Board today. Dean Mart explained that he is on the Board of Neighborhood Housing Services (NHS), Great Falls and will therefore abstain from any discussion and action taken in regards to NHS's application.

Maureen reviewed with the Board the tax credits available for allocation. Of the \$420,687 available in the Small Development Pool, if the application before the Board is approved there would remain \$257,882 of which \$62,021 will be transferred to the Non-Profit Development Pool and \$195,861 will be transferred to the Open Development Pool, leaving a balance of \$0. Of the \$230,296 available in the Non-Profit Development Pool combined with the Small Development Pool, if the two applications before the Board are approved all available tax credits for the Non-Profit Development Pool would have been allocated. Maureen noted that this would be the first time the Board has allocated all of its tax credits for Non-Profit Developments. Of the \$1,289,648 available in the Open Development Pool combined with the Small Development Pool, if the two applications for the Open Development Pool before the Board are approved there would remain available \$275,430. Total tax credits available for the third application round would also be \$275,430.

The first project presented for the Board's consideration was submitted by Marty Frantz for the new construction of the 32 unit Little Jon Apartments in Bigfork. The project is requesting tax credits for new construction with Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project has a placed in service date of August 1, 1994. Little Jon Apartments total eligible basis is \$1,697,061, is eligible for 130% High Cost Area increase and is requesting \$67,882 in tax credits. Staff recommends approval of credits in the amount of \$46,963 which is a different level of credit than applied for. Paul Bankhead moved to approve the reservation of \$46,963 in LIHTC for the Little Jon Apartment project in Bigfork as recommended by staff, the motion was seconded by Bill Oser and unanimously approved.

The second project presented for the Board's consideration was submitted by Housing Development Associates, Conrad and Brown and Neighborhood Housing Services (for-profit/non-profit partnership), for the new construction of the 20 unit NHS Apartments in Great Falls. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project has a placed in service date of April 1, 1995. NHS Apartments total eligible basis is \$1,341,795, is eligible for 130% High Cost Area increase and is requesting \$120,762 in tax credits. Maureen shared with the board letters of support for the NHS Apartment project from the City of Great Falls and the Great Falls Housing Authority. Staff recommends approval of the requested credits. Bob Savage moved to approve the reservation of \$120,762 in LIHTC for the NHS Apartment project in Great Falls as recommended by staff, the motion was seconded by Paul Bankhead and approved with three Board members voting in favor of the motion and one Board member abstaining.

The third project presented for the Board's consideration was submitted by William C. Dabney, Human Resources Development Council and Robert Pearson (for-profit/non-profit partnership), for the new construction of the 24 unit Farm House Apartments in Bozeman. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project has a placed in service date of April 1, 1995. Farm House Apartments-Bozeman total eligible basis is \$1,217,048, is eligible for 130% High Cost Area increase, which was not requested, and is requesting \$109,534 in tax credits. Maureen noted that the Human Resources Development Council will provide the long term management of the project, the rents will be significantly below market rents and that the community does support this project. It was also noted that the site is zoned for multifamily use however, a conditional use permit is required by the City of Bozeman. Staff recommends approval of the requested credits. Bob Savage moved to approve the reservation of \$109,534 in LIHTC for the Farm House Apartments project in Bozeman as recommended by staff, the motion was seconded by Dean Mart and unanimously approved.

The next project presented for the Board's consideration was submitted by The Alpha Group for the new construction of the 34 unit Westwind Village Apartments in Kalispell. The project is requesting tax credits for new construction with Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project has a placed in service date of May, 1995. Westwind Villages total eligible basis is \$1,985,763, is eligible for 130% High Cost Area increase and is requesting \$79,430 in tax credits. Staff recommends approval of credits in the amount of \$68,533 which is a different level of credit than applied for. Bob Savage moved to approve the reservation of \$68,533 in LIHTC for the Westwind Village project in Kalispell as recommended by staff, the motion was seconded by Paul Bankhead and unanimously approved.

The final project presented for the Board's consideration was submitted by William C. Dabney for the new construction of the 32 unit Farm House Apartments in Belgrade. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project has a placed in service date of April 1, 1995. Farm House Apartments-Belgrade total eligible basis is \$1,488,338, is eligible for 130% High Cost Area increase, which was not requested, and is requesting \$133,950 in tax credits. Staff recommends approval of the requested credits. Paul Bankhead moved to approve the reservation of \$133,950 in LIHTC for the Farm House Apartments project in Belgrade as recommended by staff, the motion was seconded by Bill Oser and approved with three Board members voting in favor of the motion and one Board member voting against the motion.

Chairman Bob Thomas explained to the Board that Tom Llewellyn, Yellowstone Group, Billings would like to briefly address the Board. Tom Llewellyn briefly update the Board on the Yellowstone Group housing project that the Board toured at their July Board meeting. Tom explained that there are 34 units under construction and two applications have been submitted to the Board using the Disabled Accessible Affordable Homeownership Pilot (DAAHP) Program. He asked the Board to consider expanding the definition of disability for the DAAHP Program, explaining that this would allow a greater number of people to achieve affordable housing. Tom expressed his thanks to the Board for their action to eliminate the 25% limitation for FHA insured loans on housing condominium projects or planned unit developments. He also asked the Board to consider setting aside a portion

of future bond proceeds to be used for new construction homes. Tom concluded by thanking the Board for their efforts in providing affordable housing and expressed his desire to work with the Board in the future.

REPORT ON STATE HOUSING TASK FORCE

Paul Bankhead reported to the Board that at the July meeting of the State Housing Task Force (Task Force), George Axlund, Executive Director of the Wyoming Community Development Authority explained to the Task Force how the Wyoming Authority is run and deals with housing. A brochure about the Wyoming Community Development Authority was shared with the Board.

Paul advised the Board that the Task Force did move to make two recommendations to the Governor. First the Task Force moved to designate the Montana Board of Housing as the housing entity within the State of Montana and all existing housing programs are to be brought into the Board of Housing (i.e. Section 8, HOME Program, the housing portion of CDBG, etc.) Secondly the Task Force moved to establish the Board of Housing as a non-profit corporation outside of state government. Paul explained that the majority of what the Task Force is recommending could be accomplished by executive order, however legislation may be required to establish the Board as a non-profit corporation. Paul also noted that discussion surrounding the institution of a Housing Trust Fund would follow the organization of the new entity.

REPORT ON NATIONAL COUNCIL OF STATE HOUSING AGENCIES - BOARD MEMBER CONFERENCE

Bill Oser reported on his attendance at the National Council of State Housing Agencies Board Member Conference held in Jackson Hole, Wyoming, July 30th through August 2nd. Bill reported that the Conference was very interesting and well worth attending. A couple of items that were shared with the Board were in the area of Low Income Housing Tax Credits, problems that need to be monitored and the necessity of good application review and monitoring by staff and changing the terminology of low income housing to affordable housing. Bill also explained that he spoke with members of peer Housing Agencies (i.e. Idaho, South Dakota and Wyoming) in regards to holding a meeting to discuss similar problems facing each agency and they were very receptive to holding such a meeting in the future.

NATIONAL COUNCIL OF STATE HOUSING AGENCIES ANNUAL CONFERENCE

Chairman Bob Thomas advised the Board that the National Council of State Housing Agencies (NCSHA) would be holding their Annual Conference in New Orleans, October 9th through 11th. It was explained that Board action was needed to approved out-of-state travel. Following a brief discussion regarding attending the Annual Conference, Dean Mart moved that four Board members and one staff member be authorized to attend NCSHA's 24th Annual Conference in New Orleans, October 9th through 11th. Seconded by Bill Oser the motion was unanimously approved.

OTHER BUSINESS

Chairman Bob Thomas advised the Board that the Montana Bankers Association and the Montana Association of Realtors have requested a meeting with the Board. The Board briefly discussed when the meeting could be held and directed staff to invite the Montana Bankers Association and the Montana Association of Realtors to a separate meeting to be held in conjunction with the September meeting in Butte.

Bob Savage explained that he has encountered confusion when he has handed out the Board of Housing business cards which have his name and the Board of Housing's address and telephone number and would like to business cards

made with the individual Board members name, address and telephone number on them. Bob then moved to direct staff to obtain for the Board business cards which reflect the individual Board member's name, address and telephone number, seconded by Paul Bankhead the motion was unanimously approved.

Bob Savage also acknowledged the role that Mike Mulroney as Board Counsel contributes to the Board and the outstanding job he does in advising the Board. Bob then moved that Mike Mulroney sit with the Board at future Board meetings and directed staff to obtain a nameplate for Mike Mulroney reflecting his name and title. The motion was seconded by Paul Bankhead and unanimously approved.

SET NEXT MEETING DATE AND LOCATION

The Board set a public meeting in Butte, on Thursday, September 29, 1994, at 1:30 p.m. in the City/County Council Chambers, 3rd Floor, Courthouse, 155 West Granite. The Board also set the September Board meeting for Friday, September 30, 1994, at 8:30 a.m. in Dillon, in the Emeric Room, Library/Administration Building, 710 South Atlantic, University of Montana-Western, with a public meeting to follow.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

9/30/94

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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NOTICE OF COMMITTEE MEETING

August 10, 1994

The Audit Committee of the Montana Board of Housing will hold a meeting on Thursday, August 11, 1994 at 3:00 p.m., in the Board office, 2001 11th Avenue, Helena, Montana.



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Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, August 11, 1994 at 3:00 p.m in the Board's office. Participating were: Mike McKee, Chairman of the Audit Committee; Committee Members Paul Bankhead, Dean Mart, Bill Oser, Bob Savage and Bob Thomas; Ernie Olness and Pat Cremer, Olness and Associates; and staff Karen Wynne.

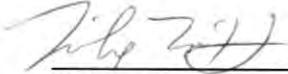
Karen Wynne explained to the Audit Committee that the contract with Anderson ZurMuehlen and Company expired with the completion of the comfort letter for 1994 Series B bond issue. The Legislative Auditors Office (LAO) initiated the Request For Proposal (RFP) process to select an auditing firm for the next three years and the contract was awarded to Olness and Associates, P.C. Karen reviewed with the Audit Committee the RFP process explaining that the LAO requested proposals from qualified auditing firms for a one year contract with a possible two year extension. It was noted that LAO reviews each proposal submitted, determines the eligibility of the firm using various selection criteria and selects the lowest bid of a qualified firm. Karen then reviewed with the Audit Committee the executed Audit Contract. Upon review Bob Savage recommended the Item 13, regarding indemnification be reviewed and changes made if possible prior to the next executed contract, to coincide with the wording used with executed legal contracts.

Karen then introduced to the Audit Committee, Ernie Olness and Pat Cremer from Olness and Associates, P.C. Pat Cremer reviewed the experience and background of Olness and Associates including working for Peat Marwick and serving clients such as Municipalities, Non-Profit Entities and School Districts. This in part represents the qualifications for which they were selected by LAO. Pat then presented the proposed outline of the Scope and Approach to the audit. Timelines were discussed and it was noted that it is critical that the timelines are met and that the audit is completed in a timely manner to ensure deliverance of the Annual Audited Financial Statements to LAO by September 30, 1994.

There was a general discussion surrounding the presentation of the Audited Financial Statements. Items affecting the presentation include the implementation of GASB-23 Bond Refunding for financial statements completed after June 15, 1994, which requires that losses from the redemption of a refunding be amortized over the shorter life of either the refunded debt or the new debt. It was explained to the Audit Committee that the Montana Board of Housing has the option to implement or not implement this GASB rule for FY94. Presentation of the Statement of Cash Flows was also discussed using either the direct or indirect method. It was noted that the Board of Housing currently uses that indirect method and it was the recommendation of Pat Cremer to continue presenting Statement of Cash Flows using this method.

Presentation of the audit findings and draft Financial Statements to the Audit Committee by Olness and Associates will take place via a conference call the morning of September 22, 1994.

There was no further discussion and the meeting adjourned at 5:15 p.m.



Mike McKee, Chairman

9/30/94

Dated



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NOTICE OF SPECIAL MEETING

July 18, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, July 19, 1994, at 10:30 a.m., M.S.T., to discuss various items.



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday, July 19, 1994, at 10:30 a.m. Participating in the meeting were: Bob Thomas, Chairman; Bob Savage, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Mike McKee and Bill Oser; Mike Mulroney, Luxan and Murfitt and staff members Dick Kain, Karen Wynne and Janet Kunz.

Chairman Thomas indicated that the purpose of the conference call was to take action on two memos from Mike Mulroney regarding the purchase of three loans submitted by Intermountain Mortgage for the Homebuyers Cash Assistance Program. The Board asked Mike Mulroney to review the circumstances leading up to the call today, to bring all of the Board members up to date with the situation. Mike explained that he received a call from Dick Kain expressing concern over three Homebuyers Cash Assistance Program (CAP) loans. One of which had already been purchased and the other two had been submitted for purchase and there was concern that the three loans did not qualify as eligible loans under the 1994 Series A CAP Program. Mike indicated that he has looked into the situation with Dick and staff. It was explained that the final HUD 1 form (closing statement) showed that the borrowers were receiving funds back at closing and the amounts being received back were almost identical to the amount of the Montana Board of Housing CAP loan. A letter was sent to Intermountain Mortgage indicating that the Board would not purchase the two loans submitted for purchase and requested Intermountain Mortgage to buy back the CAP loan portion of the other loan. Intermountain Mortgage's counsel then became involved and sent Mike additional documents for his review. Mike advised the Board that it is Intermountain Mortgage's contention that there is no rule specifying that cash can not be received at closing and that the loans were discussed with Board staff prior to closing, that the final HUD 1 forms were given to staff prior to closing and that Intermountain Mortgage was misled. It was further explained that Intermountain Mortgage has asserted that they feel it would be necessary to bring legal action if the loans are not purchased. Mike suggested to the Board that a letter be written to Intermountain Mortgage indicating that the Board will purchase the remaining two submitted provided Intermountain Mortgage agrees that future submissions to the CAP Program will be in such a manner that no cash will be received by the borrower at closing and that Intermountain return to the Board the CAP loan portions of the three loans in question.

Dick advised the Board that he became aware of the situation after a telephone call he received from the City of Billings asking if the Board was aware that the City through their Homeownership Program was covering on a given purchase transaction the

downpayment and closing costs, which was also receiving the benefits of a Montana Board of Housing CAP loan and that the borrower was receiving cash at closing. Dick explained that the programs are intended to be distinct. This raised the issue of eligibility of the borrower for the CAP Program, in that closing costs were being covered by the City of Billings and therefore the borrower did not need cash assistance offered by the CAP loan. Dick also advised the Board that based on research by Bob Morgan there has been no problem of this sort in the past, these are the first loans in this scenario and there no similar problem has occurred with other lenders.

Dick advised the Board that there are not sufficient funds in the 1994A CAP Program to purchase the two loans. Funds from 1992 Series RA could be setaside at a mortgage rate of 5% to purchase the two loans and it was explained that the loans would otherwise qualify under 1992 Series RA. Following a brief discussion Bob Savage moved to setaside funds from 1992 Series RA at a mortgage rate of 5%, in an amount sufficient to purchase two loans from Intermountain Mortgage, subject to Intermountain Mortgage concurrence to the following items, to be corresponded in writing: Intermountain Mortgage agrees that future submissions to the Board of Housing CAP Program will be in such a manner that no cash will be received by the borrower at closing and that Intermountain Mortgage agrees to return to the Board of Housing the CAP loan portions of the three loans in question. The motion was seconded by Mike McKee and the motion was approved with four Board members voting in favor of the motion and Board member Paul Bankhead voting against the motion.

The Board directed Mike Mulroneu correspond to Intermountain Mortgage per Board action and to invite Intermountain Mortgage to resubmit the two loan packets for purchase.

The Board voiced concern regarding future submissions of loans by any lender and the lender using the same tactic to insist a purchase of a loan be made and verbal communications being misconstrued. Dick indicated that staff has been directed in the future to request that inquiries of a technical or complex nature be sent to the staff in writing so as to gain a clearer understanding of the issue at hand.

There was no further business and the meeting adjourned at 11:20 a.m.



Dean Mart, Secretary

August 12, 1994

Dated



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AGENDA

MONTANA BOARD OF HOUSING
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA
JULY 7, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - June 10, 1994 Business Meeting
 - June 20, 1994 Conference Call Meeting
- III. RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES - Robert Morgan
- IV. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. Status of Recycled Mortgage Programs
 - D. Proposed Enhancements to Homebuyers Cash Assistance Program
 - E. Review of 1994 HUD Income Levels
 - F. Quarterly Delinquency Reports - March 20, 1994
- V. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Richard Kain
- VI. MONTANA PEOPLES ACTION AFFORDABLE HOUSING PROGRAM - Patt Leikam
 - A. Status Report
- VII. HOUSING AUTHORITY OF BILLINGS - Lucy Brown, Executive Director
 - A. Status Report on Rental Housing Project
- VIII. CITY OF BILLINGS, DEVELOPMENT SERVICES DEPARTMENT - John Walsh
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE AND LOCATION
- XI. MEETING WITH LOCAL HOUSING PROVIDERS AND ADVOCATES
(11:00 a.m. to 1:30 p.m.)
- XII. ADJOURN

The Montana Board of Housing has scheduled a meeting with local housing providers and advocates in Bozeman on July 8th from 8:30 a.m. to 11:00 a.m. in the Gallatin County Courthouse, 311 W. Main, Room 303.



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
BILLINGS PUBLIC LIBRARY
THIRD FLOOR MEETING ROOM
510 NORTH BROADWAY
BILLINGS, MONTANA
JULY 7, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead, (Present)
Mike McKee, (Present)
Bill Oser, (Present)

STAFF: Richard A. Kain, Administrator
Robert D. Morgan, Single Family Program Officer
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan & Murfitt

OTHERS - BILLINGS:

Maureen Jurovich, FBS Mortgage
Tom Llewellyn, private citizen
Agnes Hoffman, First Interstate Bank of Commerce
Eleanor Dickinson, Glacier Bank, FBS
Ken Schrad, Eagles Nest Homes
Joe Burst, City of Billings
Beverly Owens, Developmentally Disabled Council
Representative Royal Johnson
Jody Jetmore, Western Federal Savings Bank
Esther Bengtson, private citizen
Patt Leikam, Montana Peoples Action
Pat Berger, Berger Properties
Lucy Brown, Housing Authority of Billings
John Walsh, City of Billings
Marilyn Kramer, Senator Max Baucus' Office
Mary Hulbert, Norwest Bank
J. Rick Scanlan, Norwest Mortgage Inc.
Dan Hickey, Housing Development Associates
Deborah Kuykendall, First Trust Montana
Lynn Caraveu, First Trust Montana
Tom Howard, Billings Gazette
M. P. Wilson, Real Estate Broker
Sandra Wong, Security Bank, FSB
Senator Bruce Crippen
Scott Sanders, Security Bank FSB
Gayle Trusler, Senator Conrad Burns' Office
Angila Wendel, Representative Pat Williams' Office
Gary Buchanan, Dain Bosworth

OTHERS - BILLINGS (continued):

Peggy Cabe, FBS Mortgage
LaVonne Peck, Human Resource Development Council
Joe Gerbase, private citizen
Ed Pluhar, Counselor, RAM Program
Charles H. Hamwey, Real Estate by Hamwey
Jeff Leuthold, private citizen

CITY OF BOZEMAN
GALLATIN COUNTY COURTHOUSE
311 WEST MAIN, ROOM 303
JULY 8, 1994
8:30 A.M. TO 11:00 A.M.

OTHER - BOZEMAN:

C. V. Shewey, First National Park Bank, Livingston
Jackie Engdahl, Reach, Inc.
Julie Bornhoeff, Bozeman Area Battered Women's Network
Pauline Heiser, The Salvation Army
Roger Meredith, Farmers Home Administration
Shelene Rens, Farmers Home Administration
James Goehrung, City of Bozeman
Dick Parker, Farmers Home Administration
Kate Reid, Mandeville Real Estate
Linda Maus, Mandeville Real Estate
Bob Baldwin, Mandeville Real Estate
Jeff Rupp, Human Resource Development Council
Wendy Visscher, Help Center
Darla Joyner, Bozeman Area Chamber of Commerce
Lori Christophersen, American Federal Savings Bank, Bozeman
Carol Sullickson, American Federal Savings Bank, Bozeman
Eric Steingruber, Empire Federal Savings, Livingston
Tom Wagner, Western Federal Savings, Bozeman
Rod Gilbert, Helen Johnson Real Estate
Bob Kern, Century 21-Summit Realty
Terry Profata, S.W. Montana Building Industry Association
Mary Rauch, Gallatin County Planning
Joan Rudberg, United Way
Caren Couch, Human Resource Development Council
Dab Dabney, The Dabney Company
Don Stueck, Bozeman City Commissioner
Barb Clark, First Bank, Bozeman

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Regarding the June 10, 1994 Business meeting minutes, clarification of the motion to extend the setaside for the City of Havre First-Time Homebuyer Program was requested. It was explained that the motion was to extend the setaside in a net amount of loans in process. A brief discussion of the motion by the Board further clarified the motion and no change was requested. Mike McKee requested in regards to the motion approving Montana Mortgage Co., Kalispell's application to become a Board approved lender that the name associated with the nay vote, which he made, be listed as such. Mike further requested that his name be listed with any dissenting vote he would make. Paul Bankhead moved to approve the minutes of the June 10, 1994 Business Meeting as amended and the June 20, 1994 Conference Call Meeting as presented, Bill Oser seconded the motion which was unanimously approved.

RESIDENTIAL NEW CONSTRUCTION PILOT PROGRAM FOR ENERGY EFFICIENT HOMES

Robert D. Morgan, Administrative Officer, updated the Board on the status of the Residential New Construction Pilot Program for Energy Efficient Homes (Residential New Construction). Bob reviewed with the Board a memo to mortgage lenders, mailed on June 24, 1994, explaining the Residential New Construction Program. The memo included an Invitation to Participate in the Residential New Construction Program and noted that applications will be accepted from participating lenders beginning July 22, 1994. Bob explained that Residential New Construction mortgages, up to a maximum of \$95,000, are structured with both a first mortgage and a second mortgage. The first mortgage, in an amount up to the FHA maximum mortgage limit for a given area, will be insured by the FHA 203(b) Program. The second mortgage, up to a maximum amount of \$19,500, will be insured by a self-insurance pool via a commitment per home from the Department of Natural Resources and Conservation (DNRC) and the appropriate utility company and will be maintained for the life of the mortgage. The monthly mortgage payment is structured to allow only one monthly payment with the second mortgage a participation of the first. Bob briefly reviewed the Terms and Conditions, which were enclosed with the memo to mortgage lenders.

A pamphlet designed by DNRC was presented to the Board. Bob explained the pamphlet reviews the Energy Efficiency Requirements for both electric and gas homes and outlines the step-by-step procedures for the Residential New Construction Program. It was noted that inspections will be completed by the participating utility and a letter from the utility indicating the home meets the Energy Efficiency Requirements will be sent to the lender. To allow equal participation of communities throughout the state, a limit of five mortgages per community will be in effect through September 1, 1994. After September 1, 1994 the mortgage application limit will be lifted and mortgage applications will be accepted for all communities. As a final note Bob advised the Board that 20 lenders have signed up to participate in the Residential New Construction Program and that the both the homebuilders and utilities have been notified of the Program's availability beginning July 22nd.

SINGLE FAMILY PROGRAM UPDATE

1994 SERIES A

Bob Morgan reported on the Homebuyers Cash Assistance Program (CAP), as of June 30, 1994. Of the \$2,500,000 in available proceeds the Board has purchased 19 loans for \$818,349 and has received 39 reservations for \$1,632,850. The average loan amount is \$43,071, the average borrower gross annual income is \$18,100 and there remains \$48,801 in lendable proceeds. Bob noted that since June 30th additional reservations have been received and as of July 6th there remained \$15,000 lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Bob presented for the Board's review the status of the Single Family Bond Program, as of June 30, 1994. Of the \$17,373,529 in lendable proceeds the Board has received 90 reservations for \$6,055,144 and has purchased 176 loans for \$11,162,329. The average loan amount is \$63,422, the average borrower gross annual income is \$28,955 and there remains \$156,056 in lendable proceeds. It was explained that the additional proceeds resulted from cancelled reservations and that lenders will be notified of the additional lendable proceeds in 1994 Series A. Further, Bob reviewed the lenders most active in the Program and presented a comparison of loans purchased by county. Of the 195 loans purchased for both the CAP Program and the Single Family Bond Program, 174 were FHA insured and 21 were VA guaranteed.

1994 SERIES B

Bob Morgan reported to the Board on the 1994 Series B Single Family Bond Program as of July 1, 1994. Of the \$23,968,200 in lendable proceeds the Board has received 376 reservations for \$23,857,730. The average reservation amount is \$63,451, the average borrower gross annual income is \$29,521 and there remains \$110,770 in lendable proceeds. The most active lenders in the Program were also reviewed.

STATUS OF RECYCLED MORTGAGE PROGRAMS

A summary of the Recycled Mortgage Program setasides as of June 30, 1994, was presented to the Board by Bob Morgan. Setasides with a mortgage rate of 6½% include Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$568,000; the City of Havre First-Time Homebuyer Program setaside totaling \$330,850; and the Missoula City-County Affordable Housing Program which is \$2,263,848. It was noted that to date no new reservations for the City of Havre First-Time Homebuyer Program have been received, however staff is aware of 3 reservations that are in process.

Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$190,616; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$359,381.

The setaside with a mortgage rate of 5½% is for the Montana Peoples Action Affordable Housing Program, Billings is \$600,000. The total setaside for all Programs is \$4,122,079.

PROPOSED ENHANCEMENTS TO HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan presented for the Board's review enhancements to the Homebuyers Cash Assistance Program. Bob briefly reviewed with the Board the existing homebuyer eligibility (i.e. homebuyer, purchase price, income limit, assets), the existing first mortgage loan terms (i.e. purchase price, 30 year term, FHA/VA) and the existing cash assistance loan terms (i.e. amount, rate, 30 year term, payoff amount, interest accrual). Bob noted that areas of potential enhancement included changing homebuyer eligibility criteria, change the terms of the first mortgage loan and/or change the terms of the CAP second loans. During the Board's discussion it was noted that a total of 160 CAP loans have been purchased since inception of the CAP Program, 23 loans have prepaid and of those only three of the CAP loans have not been paid in full. It was also noted that CAP delinquencies are in line with delinquencies for the Single Family Bond Program. Further discussion by the Board included the ten year interest accrual period on the CAP loan, the terms of prepaying the CAP loan and the family liquid asset limit of \$3,500. Based on the Board's discussion, Mike McKee moved, effective August 1, 1994 with a new enhanced program, to modify the terms of the Homebuyers Cash Assistance Program such that the Maximum Purchase Price Limit is increased to \$60,000, to exclude in the calculation of Family Liquid Assets any non-vested retirement funds, to continue accruing interest on the CAP loan for the life of the CAP loan and that the amount of the CAP loan payable upon sale of the home is the amount of the loan plus accrued interest up to the sale. The motion was seconded by Bill Oser and unanimously approved.

REVIEW OF 1994 HUD INCOME LEVELS

Bob Morgan presented an analysis comparing the 1993 and 1994 HUD Median Family Incomes. The analysis also included a comparison of Mortgage

Revenue Bond maximum incomes based on targeted and non-targeted areas and household size. Bob explained that in determining the Mortgage Revenue Bond maximum incomes the greater of the statewide median income or the area median income was used, in non-targeted areas a small household is figured at 100% of median income, a large household is figured at 115% of median income and in targeted areas a small household is figured at 120% of median income, a large household is figured at 140% of median income. Briefly reviewed were the County and Census Tract income limits for 1994. Mike McKee voiced concern that a more uniform approach needs to be considered for setting income limits. Mike noted that many areas of the state that received a targeting designation in the late 1970's and early 1980's as a result of economic distress, have not been reviewed by HUD since that time and the economic situation for many of those areas has changed. Following a discussion by the Board, Mike McKee moved that targeted area income limits be held at the current level, all other areas of the state would be increased to the 1994 HUD levels and the 1994 Census Tracts would be included as targeted areas at the designated 1994 HUD income limits for future Board Programs, the motion was seconded by Dean Mart. After further discussion Paul Bankhead moved that staff be directed to complete an analysis for presentation at the August Board meeting of how the aforementioned motion would affect Board programs and to table any action regarding income limits until that time, seconded by Mike McKee the motion was unanimously passed. Staff was also directed to provide the Board with an analysis of whether or not those areas currently designated as targeted based on chronic economic distress still meet that targeting criteria.

QUARTERLY DELINQUENCY REPORTS - MARCH 20, 1994

Bob Morgan presented the Board's loan delinquency statistics, as of March 20, 1994. There were 7,766 loans outstanding with 2.55% in a delinquent status, and .39% in foreclosure status. These figures, however, compare favorably with delinquency rates for Montana of 2.64%; the Mountain Region of 3.15%; and National rates of 3.83%. The delinquencies by bond series were reviewed and it was noted that the highest concentration of delinquencies are in the bond series' which also have higher mortgage rates. Bob also presented a distribution of delinquencies per loan servicer.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Richard A. Kain, Administrator, presented to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) as of June 30, 1994, and explained that the Program was extended by the Board at the June 10th Board meeting to September 30, 1994. The Board has purchased 19 loans for \$1,118,050 and has received five reservations for a total reservation amount of \$304,262. Of the \$3,500,000 setaside there remains \$2,077,688. The average loan reservation is \$60,852, the average household income is \$14,418, the average mortgage rate is 3.95% and the average household size 1.80. The average loan amount is \$58,875, the average household income is \$16,430, the average mortgage rate is 4.26% and the household size is 2.70. The applications approved by County were reviewed and of the 157 applications received 122 have been approved; 19 are in process; 15 have been denied; and 6 canceled. The average household income of approved applications is \$13,879, the average household size is 4.00 and the mortgage rate distribution for approved applications is 49 loans at 2.75%; 27 loans at 3.75%; 19 loans at 4.75%; 19 loans at 5.75%; and 8 loans at 6.50%. The monthly activity was reviewed, which shows that the Program is still quite active.

MONTANA PEOPLES ACTION AFFORDABLE HOUSING PROGRAM
STATUS REPORT

Patt Leikam updated the Board on the status of the Montana Peoples Action (MPA) Affordable Housing Program. Patt briefly reviewed with the Board the \$600,000, 5% setaside approved by the Board at their April, 1994 meeting to provide permanent financing for approximately 15 homes acquired and renovated by MPA. Patt explained that applications will be prioritized by a nine member committee, based on such items as income, family size and need. Cash assistance will be available for downpayment, closing costs and mortgage buydown and will be provided as a deferred payment second mortgage. Homebuyers are required to attend a homeownership workshop and the first scheduled workshop is July 26th. Patt advised the Board that MPA has run into some technical problems and they are learning a great deal as they proceed with the Program. Currently they are in the process of hiring a project manager. Patt reported to the Board three houses should be completed by September, 1994, they are working on five more and that the Board should see loan reservations for this Program as early as August. Patt expressed MPA's appreciation to the Board for the time and energy the Board and staff have placed making this Program available and explained that the MPA looks forward to a continued working relationship with the Board.

HOUSING AUTHORITY OF BILLINGS
STATUS REPORT ON RENTAL HOUSING PROJECT

Lucy Brown, Executive Director, presented a status report on the Housing Authority of Billings' Rental Housing Project that received a preliminary commitment from the Board's Pilot Program for Multifamily Rental Housing Program in September, 1993. Lucy explained that in the Housing Authority's original proposal to the Board, application for HOME funds was still in process. Lucy reported that the Housing Authority did receive an award of \$300,000 in HOME funds, the Department of Commerce also awarded match funds of \$30,000, with these awarded funds it is anticipated that the preliminary commitment requested from the Board of Housing will be greatly reduced from the original request of \$340,000 to \$99,000. Lucy advised the Board that the City of Billings has completed purchase of the land and is ready to begin infrastructure work once funds are released from the Department of Commerce. It was also noted that the environmental review as required by the HOME Program has been completed and subject to the release of funds the bid process for construction can begin. It is anticipated that construction will begin this fall in either September or October. The Housing Authority is expecting to finance the construction with permanent financing being put in place in January or February of 1995.

Lucy explained to the Board that the Housing Authority has discussed with the City of Billings the possibility of completing another four to eight units on the same site by using City of Billings HOME funds. The Housing Authority would then propose using a portion, approximately \$120,000, of the original \$340,000 preliminary commitment from the Board to assist with these additional housing units.

CITY OF BILLINGS, DEVELOPMENT SERVICES DEPARTMENT

John Walsh, City of Billings, explained to the Board that the City of Billings (City) is interested in pursuing a partnership with the Board to provide affordable housing in Billings and that today he would like to explain to the Board the City's past experiences in providing affordable housing. John explained that the City has been involved in providing affordable housing in several areas including demolishing homes that were beyond rehabilitation and providing funds to build on the vacant lots, making repos available to first-time homebuyers, developing both single family and multifamily new construction projects, funding repairs for both mobile and manufactured homes and the City's Community Development Block

Grant was developed with input from the public. Existing programs include Housing Rehabilitation Program which utilizes both a deferred loan approach and a low interest rate loan to provide up to \$15,000 for rehabilitation, properties 25 years old or older are eligible and 300 homes have been rehabilitated using this program. Another rehabilitation program that is available is for rental properties. Financing for this program was developed with a grant from HUD and funds from the 1993 HOME Program, \$1,300,000 in funding has been committed with an average cost of \$10,000. Recent activities include developing a homebuyer program using HOME Program funds targeted to families at 60% of median income. To date 76% of the applications received are below the targeted income and one application is less than 30% of median income. In the area of new construction, a HUD market analysis showed a need of 900 new units of housing in the Billings area with 60% to be single family units and 40% multifamily units. John explained that of the 1,200 new construction permits that have been issued, only 18 of those are for multifamily construction, this being the case the City intends to concentrate on affordable multifamily housing. The City has worked in partnership with several groups including the Montana Peoples Action and Habitat for the Humanities and has encouraged the development of vacant lots, replacing or rehabilitating aging housing stock, infrastructure, landscapes and diseased trees. Future directions for the City include continuing their first-time homebuyer program, working with the Housing Authority of Billings in completing Phase II of their multifamily rental project and using HOME Program funds to continue and develop homebuyer programs. As a final note John explained that the City anticipates returning to the Board in August with a First-Time Homebuyer proposal targeting families at 60% of median income or less.

OTHER BUSINESS

Dick Kain drew the Board's attention to an informational mailing from the National Council of State Housing Agencies (NCSHA) regarding the 24th Annual Conference to be held in New Orleans October 9th through October 11th.

Dick shared with the Board a memo from the Department of Housing and Urban Development (HUD) regarding the reorganization within HUD and noted that there is a movement of control back to the states.

Two reports were shared the Board showing the activity of the Board Programs in Billings and Bozeman from July 1, 1990 through December 1, 1993. Attached to this report was a summary of loan activity for 1994 Series A and 1994 Series B in Billings, Laurel, Livingston, Bozeman and Belgrade.

Chairman Thomas advised the Board that a new chairman for the Audit Committee was needed and appointed Mike McKee, subjected to Mike's acceptance. Mike McKee thanked the Chairman and accepted the appointment.

The Board thanked Tom Llewellyn for the tour of the Yellowstone Group development on Wednesday, July 6th.

SET NEXT MEETING DATE AND LOCATION

The August Board meeting was tentatively scheduled for Thursday, August 18, 1994 with a public meeting to follow. A public meeting was also tentatively scheduled for Friday, August 19, 1994, with possible locations of Butte and Dillon, final decision of a meeting date and location was tabled at this time.

The Board took a five minute recess and reconvened.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its purpose and to obtain from the local housing providers input about needs of the local community. Bob then turned the meeting over to Dick Kain to act as facilitator.

Dick explained that the Board was last in Billings in December, 1992 and briefly presented an overview of the Board's Programs including the Single Family Bond Program, the Disabled Accessible Affordable Homeownership Pilot Program, the Homebuyers Cash Assistance Program, Recycled Setaside Programs, Mortgage Credit Certificate Program, Multifamily Pilot Loan Program, Low Income Housing Tax Credit Program and Reverse Annuity Mortgage Loan Program. Dick reviewed the Residential New Construction for Energy Efficient Homes and the Infrastructure Financing Program for Mobile Homes, which are the Board's newest Programs and further explained that in late July the Board will make available a permanent Multifamily Program. Dick shared a report showing the activity of Board Programs from July 1, 1990 through December 1, 1993 in Billings and as part of that report there was included a summary of loan activity for 1994 Series A and 1994 Series B in Billings, Laurel, Livingston, Bozeman and Belgrade. The meeting is intended to be informal and to get input regarding the Board's Programs and what needs to be done.

Dick explained that Lucy Brown, Executive Director, Housing Authority of Billings, was unable to stay for the public meeting but did indicate the Housing Authority has 1,300 individuals and families on their waiting list for public housing and 900 individuals and families on their waiting list for Section 8 vouchers/certificates.

Esther Bengtson, asked if there will be any difficulties resulting from adequate staffing given the Board has received no legislative authorization for additional staff for the new programs offered by the Board. Dick explained that the Board has not requested additional staff and the Board is trying to better utilize the current staff. Dick also explained that the Board does rely on it's partnerships with lenders, realtors, non-profits and others in designing and offering new programs.

Concern was raised regarding affordable housing and the fragmentation of agencies within State government that deal with affordable housing. It was noted that many feel the Board of Housing should be a clearing house and coordinating housing efforts and the Board was asked to comment. The Board explained that through public meetings around the State they are trying to inform the public about the Board, their mission for affordable housing and that through the sale of tax-exempt bonds funds are made available for mortgage loans at a lower mortgage rate. It was also explained that the Board is doing all it can do to provide affordable housing within the State and that as the need for housing escalates State agencies and housing providers are being called upon to develop programs to address the housing needs, that no one group can keep up and they all need to work together. It was also noted that the Federal government has given clear indication that housing is an issue that needs to be dealt with at the State level. Dan Hickey, Housing Development Association, explained that he is also on the State Housing Task Force and the issue of housing fragmentation is a main topic at every meeting and an issue the Task Force is attempting to address. It was also noted that the potential of a State Housing Trust Fund for affordable housing is being researched as are impediments to

building affordable housing. Dan Hickey explained that in larger communities a multifamily project can be made to work using the Low Income Housing Tax Credit Program but in smaller communities, particularly in rural Montana, the income levels are too low to make the Federal Program work and that Montana has to have something like the Tax Credit Program. Dan also noted that he is very interested in the Board's permanent Multifamily Rental Loan Program for smaller communities.

Representative Royal Johnson, thanked the Board for holding their meeting in Billings and also thanked the Board for the time and effort they spent in looking at a Reverse Mortgage Program that he had put forth in February for their consideration.

Several questions regarding the sale of bonds, such as what determines the sale of bonds and how big can a bond issue be, were asked of the Board. It was explained that the Board tries to achieve a 1½% rate spread below conventional mortgage rates. In 1992 and through the fall of 1993 the mortgage rates continued to drop and the Board found it difficult to achieve a 1½% spread. It was further explained that in the early to mid 1980's the Board was in a high mortgage rate environment and after the Board came out with bond issues, conventional rates dropped and the Board's bond proceeds were then unattractive for mortgage loans. When the Board came out with 1994 Series A, conventional rates increased providing a spread to conventional rates of 2½% to 3% and the Board's funds became very attractive. The \$18,000,000 of available proceeds was committed within 10 days and as in the past a waiting list was put into place. By the time 1994 Series B closed the \$23,000,000 in available proceeds was fully committed. Of the 700 loans that have received reservation commitments, 200 have been purchased. The remaining 500 are in process and more loans will need to be purchased before the Board looks at a new issue. The Board also explained that there is a difference in the size of a bond issue and the amount of available proceeds. Both 1994 Series A and 1994 Series B incorporated refundings to achieve lower mortgage rates and as an example the 1994 Series B bond issue was \$40,800,000 of which lendable proceeds are \$23,000,000. The Board explained that they prefer to do smaller issues more frequently this also allows more of the bonds to be sold in state which helps achieve a lower mortgage rate. It was noted by the Board that the bonds are sold by a group of investment bankers all of whom have a presence in Montana. The investment bankers help in structuring the bond issue and then sell the bonds to the market and it was explained that approximately 80% of the 1994 Series A bonds were sold in Montana, figures for the 1994 Series B bonds have not yet been completed. Gary Buchanan, Dain Bosworth, expressed his appreciation in the way the Board is tailoring their bond issues for sale within the State.

The Board was asked to briefly explain the permanent Multifamily Program that is to be made available. Dick explained that the Multifamily Risk Sharing Program will make available for terms of 30 to 40 years permanent loan financing for the new construction and acquisition and rehabilitation of multifamily units. The Board is looking to provide financing for 5-24 units per project. HUD will insure up to 90% of the project with the remaining 10% will be insured by the Board. It was noted that partnerships and local involvement will be needed to get rental levels down to an affordable level.

Peggy Cabe, FBS Mortgage, explained that based on feedback she has received regarding the Board's Disabled Accessible Affordable Homeownership Program (DAAHP) she would suggest that a homebuyer education program be made a

mandatory part of the Program and possibly made the responsibility of the Independent Living Centers (ILC). Dick explained that the ILC's are working on enhancements to a permanent DAAHP Program, which was scheduled to expire on June 30th and has been extended to September 30, 1994. One of the items the ILC's are working on is incorporating a homebuyers education program to be implemented at the ILC level. Peggy also ask if there was a possibility of a new Homebuyers Cash Assistance Program (CAP) becoming available. Dick explained that the Board did look at enhancements to the CAP Program at the business portion of the meeting today with an effective date of August 1, 1994. Peggy thanked the Board for coming to Billings and noted that the Board's programs are vital to providing affordable housing and housing providers would have a very difficult task if not for the Board.

Inquiry was made regarding integration of the HOME Program with other Board Programs. It was explained that the HOME Program is a Federal Program and that the Board is not necessarily given the opportunity to administer all Federal Housing Programs. Paul Bankhead explained that he is the Governor's representative to the State Housing Task Force and one of the frustrations expressed is the many different directions that someone trying to provide affordable housing has to go to complete a project. Paul indicated that the Task Force will be looking at the concept of "one stop shopping" as a means to bring all of the programs together.

Joe Burst, City of Billings, explained that he sees numerous first-time homebuyers that have become discouraged because of rumors and misinformation, primarily from new realtors and asked the Board if there was a mechanism to educate new realtors regarding available programs. Charlie Hamwey, Real Estate by Hamwey and Billings Board of Realtors, explained that the Billings Board of Realtors does provide education regarding Board of Housing Programs but because of the attrition rates in the Real Estate Industry it is difficult to educate new realtors. Charlie further noted that those brokers who are in the business for the long stay know they have to be educated and educate themselves. Charlie explained to the Board that the Montana Association of Realtors is very supportive of the Board in its present form and if legislation is introduced to diminish the Board's present form the realtors will be in line to fight it.

The Board was asked if there would be another bond issue yet this year, Dick explained that staff have been proceeding with weekly purchases of loans and hope to have a handle on purchases in August. It is anticipated that the Board will be in position by late summer or early fall to look at possibly another issue, assuming both sufficient demand and an achievable spread to the conventional market.

Concern was expressed to the Board over the resignation of Gerry Hudson from the Board given Gerry's years of real estate and lending experience. The Board was asked how Gerry's position would be filled. It was explained that the Board members are appointed by the Governor and that Governor Racicot is in the process of making a new appointment.

Beverly Owens, Developmentally Disabled Council, explained that she was at the meeting to learn more about the Board and available programs for the developmentally disabled. Dick explained that the Board has been involved with its Low Income Housing Tax Credit Program in a group home project for the developmentally disabled. It was also explained that because the Health Facility Authority sells bonds and uses the proceeds to build group homes the Board does not want to be in a position of duplicating existing

programs. Beverly indicated that she would like to see programs developed to go the next step beyond group homes, where a person with a proven ability to learn and live independently could purchase a home. Dick briefly explained that a program with a similar concept is being developed in Missoula through the Western Montana Mental Health Center, in which 4-plexes are being built as rental units for individuals with severe and persistent mental illness. Beverly asked that information about the Missoula project be sent to her so she could take a look at the way Missoula addressed their need.

Ed Pluhar explained that he is a counselor in the Billings area for the Board's Reverse Annuity Mortgage Loan Program and that he was glad to see the Public Service Announcements (PSA) regarding the Program and hope that the advertising would draw more interest in the Program. Dick advised Ed that the PSAs have been running about 3 months and over 100 calls have been received inquiring about the program and approximately 80 information packets have been sent out.

LaVonne Peck, Human Resources Council, advised the Board that their office oversees the Section 8 Program for five counties. There is currently 350 families on their waiting list for Section 8 housing. It was noted that the greatest need is for 2 and 3 bedroom units with a greater demand for 3 bedroom units.

Jeff Leuthold, advised the Board that realtors have taken up the issue of affordable housing and commended the Board for its efforts and the Programs made available by the Board. Jeff also expressed concern over having so many different housing programs administered by different agencies. Jeff reiterated the realtors support of the Board and thanked the Board for coming to Billings.

Angila Wendel, Representative Pat Williams' Office, advised the Board that she was there to as a means to learn what the Board does and what is going on.

Gayle Trusler, Senator Conrad Burns' Office, advised the Board that she was also there to learn what the Board does and what is going on. Gayle noted that it was great to see the Board reaching out and going communities around the state.

The Board thanked those individuals who attended the meeting and for their input on housing needs in Billings and their comments on the Board's existing programs. There was no further business and the meeting adjourned.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - BOZEMAN
GALLATIN COUNTY COURTHOUSE - ROOM 303
JULY 8, 1994, 8:30 A.M.-11:00 A.M.

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its purpose and to obtain from the local housing providers input about needs of the local community. Bob also explained that the Board has successfully completed two bond issues so far in 1994 and has assisted over 18,000 Montana become homeowners. Bob then turned the meeting over to Dick Kain to act as facilitator.

Dick explained that the Board's purpose in meeting in communities around the State is obtain input regarding existing programs and to get a sense of potential areas the Board should be involved. Dick briefly presented an overview of the Board's Programs including the Single Family Bond Program, the Disabled Accessible Affordable Homeownership Pilot Program, the Homebuyers Cash Assistance Program, Recycled Setaside Programs, Mortgage Credit Certificate Program, Multifamily Pilot Loan Program, Low Income Housing Tax Credit Program and Reverse Annuity Mortgage Loan Program. Dick reviewed the Board's newest two Programs which are the Residential New Construction for Energy Efficient Homes and the Infrastructure Financing Program for Mobile Homes. Dick shared a report showing the activity of Board Programs from July 1, 1990 through December 1, 1993 in Bozeman and as part of that report there was included a summary of loan activity for 1994 Series A and 1994 Series B in Bozeman, Belgrade, Livingston, Billings and Laurel.

Caren Couch, Human Resources Development Council, asked the Board to elaborate on the Multifamily Program and the groups that will be targeted. Dick explained that the groups targeted by Multifamily Program will be much the same groups as the Low Income Housing Tax Credit (LIHTC) Program. It was further explained that the Multifamily Program can be used in conjunction with the LIHTC Program. Projects receiving construction financing will be limited to 11 units and those receiving permanent loan financing will be limited to 24 units. It is hoped that projects using Multifamily financing will achieve a market mix within the units. Dab Dabney, The Dabney Company, asked if a project did utilize both the LIHTC Program and the Multifamily Program would the amount of tax credits received be affected. It was explained that the amount of tax credits to be awarded would be offered at a lower level.

Don Stueck, Bozeman City Commissioner, advised the Board that among low income families, the income is not sufficient to acquire a downpayment to purchase a home. Further the Board was asked if consideration could be given to increasing the purchase price limit for the Homebuyers Cash Assistance Program (CAP). Dick explained the Board did take action at their business meeting in Billings on July 7th, to make available it's fourth CAP Program and did incorporate an increased purchase price limit of \$60,000. It was further explained that the average borrower income for the CAP Program is between \$16,000 and \$18,000 and that if the purchase price is high the affordability of the home becomes a factor. Don asked if there was a way to develop a mechanism within the CAP Program for borrowers to repay the CAP loan to regenerate funds for the Program. The idea being that as time progresses the first-time homebuyer's income will

increase and they can with graduated payments pay back into a fund to assist others become first-time homebuyers. It would be important that as income increases the homebuyer not lose their low income loan and to implement a system to review the borrowers income over time.

Kate Reid, Mandeville Real Estate, advised the Board that finding financing for mobile homes without placement on a permanent foundation is becoming more difficult to achieve. Kate also explained that the cost of putting a mobile home on a permanent foundation, which is between \$8,000 to \$12,000, changes the affordability factor for many individuals, eliminating it as a viable option. The Board explained to Kate that the Single Family Bond Program does not allow for loans on personal property and that a mobile home not on a permanent foundation is considered personal property. The Board also explained that the HUD Title I Program does insure mobile homes on leased property. Kate indicated that financing can be obtained through Greentree Financial, but that it is becoming increasingly difficult and that all the regulations are keeping people out of a viable way for first-time homebuyers to get started in a home. It was also explained to the Board that the cost of land, zoning problems that arise when developing mobile home parks and the viewpoint of many that they don't want mobile homes in their neighborhood make affordability very difficult. It was noted that the cost per acre of land recently for sale was \$40,000 to \$50,000. It was further explained that the average income in Bozeman is \$26,000 and the average sales price per home is \$103,000 per the Multiple Listing Service.

Pauline Heiser, The Salvation Army, advised the Board that many of the families in Bozeman don't even make in excess of \$16,000 and there are many single parent families struggling. Pauline cited an example of rents increasing from \$350 to \$500 within a one year time span.

The Board asked if there was any tax deed land available that could be utilized or if the City Commissioners could set aside a percentage of tax deed land each year to be used for low income development. The Board was advised that any tax deed land that becomes available is immediately bought up by developers. Jeff Rupp, Human Resources Development Council (HRDC), explained that there just is not any tax deed land available. Another issue that was explained to the Board as an impediment is the impact of increasing real estate taxes. It was explained that in Gallatin County as a property is sold a tax form is completed and recorded at the selling price of the home, property taxes are then based on the selling price of the home.

Jeff Rupp, advised the Board that the HRDC maintains the Section 8 Voucher/Certificate Program for Gallatin, Park and Meagher Counties and the average waiting period to get a voucher/certificate is three years, with the greatest need for two and three bedrooms units. Jeff further explained that four years ago the HRDC bought 10 acres for the development of 26 single family homes and a 24 unit multifamily rental project. The City awarded grants to develop the infrastructure and HOME Programs funds were awarded to used for equity buydown and HRDC is hoping to bring the homes in with a purchase price of \$60,000. Economics has played into the project in that many jobs in Bozeman are service industry jobs with a \$5.00 an hour wage rate and how do they afford a \$60,000 home. The HRDC has looked into the concept of Land Trusts in which the home is leased for 99 years while the HRDC would keep title to the land, Jeff indicated that local lenders have been very helpful regarding this project.

The Board asked if Bozeman had a housing authority, explaining that a housing authority can focus low income housing issues and can bond. James Goehrung, City of Bozeman, advised the Board that the City of Bozeman has made the decision on two different occasions not to develop a housing authority. The City has signed an agreement with the HRDC in respect to housing issues. The Board indicated the need for local groups to get involved at the local level and to work in partnership to address the barriers that deter the development of affordable housing. The Board was asked what assistance they could offer at the local level or does the Board just to financing. The Board explained that the sale of bonds to finance mortgage loans is one aspect of the Board's function and that their mission clearly indicates other avenues for assisting in providing affordable housing. It was indicated that staff is available to offer assistance in tailoring programs to target needs in communities and they are also available to work with individuals and agencies in addressing housing issues. An Affordable Housing Task Force has been in place and are in the process of submitting a report to the City and Gallatin County.

Jim Goehrung explained to the Board that he has been asked to briefly update them on the Bozeman Interfaith project for which the Board has provided a preliminary commitment. Jim advised the Board that additional HOME funds have been obtained via the City of Bozeman applying to the Department of Commerce. The land has been purchased, the environmental review is in process and should be completed by August 10th at which time bids for construction can begin.

Several issues of impediments were brought to the attention of the Board including the negative perception of a low income housing project, educating the public, HUD eligibility requirements which disqualify families from purchasing a home yet the house payment would be lower than the rent they are paying, SID's and impact fees, zoning and city codes. The Board noted that eligibility requirements may depend upon who is doing the underwriting for the financial institution and some are able to consider the ability to pay rent. The participants were also advised that HUD is in the process of reorganization and looking for input, it was suggested that they write to HUD and explain any problems with HUD regulations which inhibit the provision of affordable housing. Additionally, it was noted that the State Housing Task Force is looking into the issue of housing fragmentation in state agencies, one possibility that is being researched is one stop shopping. No one agency is large enough to deal with all of the housing issues and partnerships will need to be developed at all levels including the state, city, county, non-profits, private developers, lenders, realtors and others to address housing issues and to eliminate barriers. It will take innovative ideas and alternative options to traditional views will need to be explored.

Tom Wagner, Western Federal Savings Bank, indicated that with the strength in the real estate market, that even with FHA raising their maximum mortgage insurance limit to \$100,650, nothing was going on with FHA loans in Bozeman.

Eric Steingruber, Empire Federal Savings, Livingston, discussed their interest in financing the development of land for affordable housing in the Manhattan-Three Forks area. However, local impact fees may preclude the development being done.

Mary Rauch, Gallatin County Planning, discussed the rationale for impact fees and in particular the need to share costs of street and fire protection.

Barb Clark, First Bank, advised the Board that in the last two years they have had between 20 and 30 applications for Board of Housing loan funds and although the borrowers pre-qualified the loans were not completed because the borrowers were not able to find an affordable home to buy. Barb also advised the Board that the last bond issue was very confusing for lenders in regards to definition of the acquisition and purchase price of a home.

Chuck Shewey, First National Park Bank, Livingston, indicated that Livingston is seeing the same kind of problems as Bozeman with little affordable housing available. However, Chuck informed the Board that they do provide a valuable service and encouraged the Board to continue selling bonds.

Dick Parker, Farmers Home Administration (FmHA), also noted that the increased cost of land has made affordable housing an almost impossible situation. Dick explained that FmHA does have block grants available to do subdivisions, although FmHA is only able to work in rural areas with a population of 20,000 or less.

Julie Bornhoeff, Battered Women Network, expressed the need for more multifamily low income housing and explained that their function is an emergency crisis shelter and they can provide temporary shelter but they are not able to provide a transitional setting. Julie further explained that many of the people they serve are not able to wait for the three or four years it is sometime necessary to achieve housing in which they will feel safe.

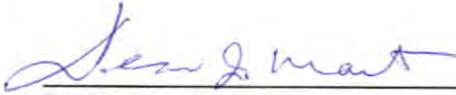
Terry Profata, Southwest Montana Building Industry Association, explained it was imperative to work together and develop solutions to problems and in turn make sure that the solutions do not become greater problems. Concessions may have to be given from all participants and further noted the importance of educating the public to the problems and listening to alternatives they may have. Builders are concerned and want to be a part of the solution.

Jackie Engdahl, Reach Inc, advised the Board that Reach Inc. works with the mentally ill and they are seeing problems arise as group homes age. Costs have made it nearly prohibitive to replace group homes or to build new group homes. Jackie asked if the a land trust situation would work with mobile homes as well with the possible utilization of the Board's Infrastructure Program. The Board advised Jackie this was an avenue they could look into.

Bob Thomas expressed the Board's thanks to those who attend the public meeting and the many issues that they raised and further expressed the Board's willingness to work together in anyway to achieve solutions to the problems addressed. Paul Bankhead referred to a housing development in Billings that the Board toured and noted that two things made the project work, first that a lot of people came together and worked to accomplish it and secondly that the project is a high density housing development. Paul Bankhead noted that alot has been accomplished at the meeting today and encouraged the participants to stay together. Dick Kain concluded by noting that he will leave with at least three items for staff to focus on, for the CAP Program incorporating a system of graduated repayment of the CAP loan as the borrowers income increases, developing a financing mechanism for mobile homes and looking into the use of mobile homes for the mentally ill.

The Board thanked those individuals who attended the meeting and for their input on housing needs in Bozeman and their comments on the Board's existing programs.

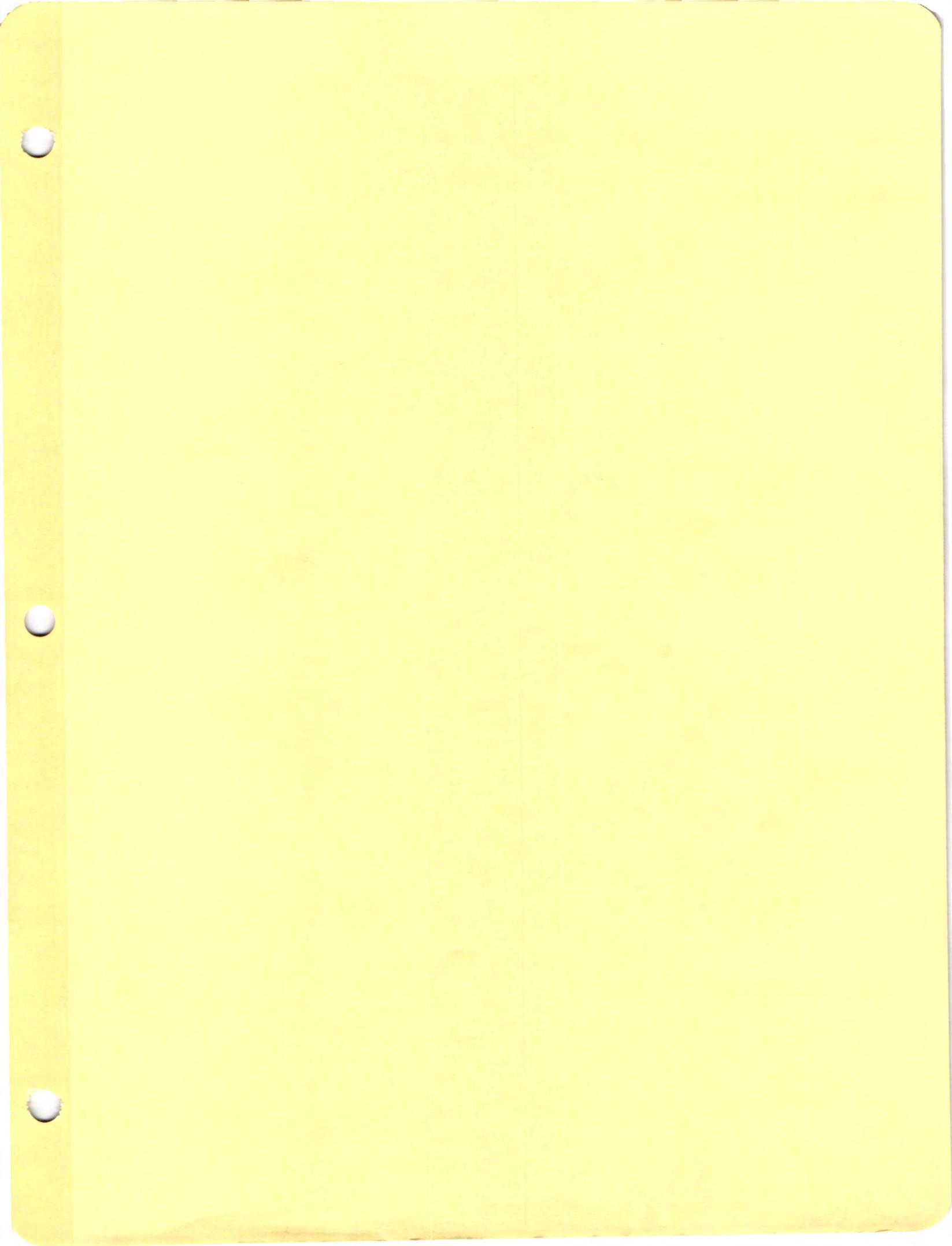
There was no further business and the meeting adjourned.



Dean Mart, Secretary

August 12, 1994

Dated





MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

June 20, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, June 20, 1994, at 2:30 p.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to discuss the location of the July Board meeting and various items.



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, June 20, 1994, at 2:30 p.m. Participating in the meeting were: Bob Thomas, Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, Mike McKee, and Bob Savage and staff member Dick Kain.

Chairman Thomas announced that he received a resignation letter from Gerry Hudson and that he has verbally informed the Lieutenant Governor of such and will transmit the resignation letter to the Governor as well.

A discussion then ensued as to the election of a new Vice Chairman and Dean Mart moved to elect Bob Savage as Vice Chairman, which was seconded by Mike McKee. With no other names being offered, Bob Savage was elected as Vice Chairman.

Finally, it was determined that the next Board meeting would be July 7th in Billings from 8:30 a.m. to 10:30 a.m., with a public meeting from 10:30 a.m. to 1:00 p.m. A public meeting will be held July 8th in Bozeman from 8:30 a.m. to 10:30 a.m.

There was no further business and the meeting adjourned at 3:20 p.m.

Dean Mart, Secretary

July 7, 1994
Dated



MONTANA DEPARTMENT OF COMMERCE

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AGENDA

MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JUNE 10, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - May 9, 1994 Business Meeting-Great Falls
 - May 10, 1994 Public Meeting-Havre
 - May 16, 1994 Conference Call Meeting
 - May 17, 1994 Conference Call Meeting
 - May 20, 1994 Conference Call Meeting
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- IV. INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING - Janet Kunz
- V. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Quarterly Budget Status Report - March 31, 1994
 - B. Review of March 31, 1994 Consolidated Financial Statements
 - C. Report on June 1, 1994 Bond Call
- VI. STANDARD AND POOR'S CORPORATION - Patrick Howard
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- VIII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Annual Income Limit Review
 - B. 1994 Series A
 - C. 1994 Series B
 - D. Status of Recycled Mortgage Programs
 - E. Proposed Enhancements to Homebuyers Cash Assistance Program
 - F. New Lender Application - Montana Mortgage Co., Kalispell
- IX. OTHER BUSINESS
 - A. 1994 Series B Bond Orders/Allotments
- X. SET NEXT MEETING LOCATION AND DATE
- XI. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

5/31/94



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MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
1424 9TH AVENUE
HELENA, MONTANA
JUNE 10, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Absent)
Dean Mart, Secretary (Absent)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Karen Wynne, Comptroller
Robert D. Morgan, Administrative Officer
Marla Ducello, Administrative Support
Janet Kunz, Administrative Assistant
Desera J. Towle, Program Specialist

COUNSEL: Mike Mulrone, Luxan & Murfitt
Board Counsel

UNDERWRITER: Gene Huntington, Dain Bosworth

OTHER: Pamela Berkowitz, Standard and Poor's
Patrick Howard, Standard and Poor's
John Grant, Jackson, Murdo, Grant & McFarland, PC
Sharon Haugen, Department of Commerce, HOME Program

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the May 9, 1994 Business Meeting and Public Meeting in Great Falls, the May 10, 1994 Public Meeting in Havre, the May 16, 1994 Conference Call Meeting, the May 17, 1994 Conference Call Meeting and the May 20, 1994 Conference Call Meeting were approved as presented.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, updated the Board on the Reverse Annuity Mortgage Program as of June 7, 1994. Nine of the 10 executed Amended Trust Indentures and Amended Mortgage Loan Agreements have been received from borrowers with active RAM loans and the recording of the executed Amended Trust Indentures is in process.

The two Public Service Announcements (PSA) continue to run throughout the state on local television stations. A total of 74 calls have been received and information packets have been sent to 52 of those inquiring. Also as

a result of the PSA's, a Great Falls television station has scheduled an interview to discuss the RAM Program with Molly Munro on June 27th. The Board was advised that Molly Munro, who lives in Great Falls, was a spokesperson in one of the PSA's and is both a RAM Counselor and on the Governor's Advisory Council on Aging.

Further outreach of the RAM Program includes a training session in Helena for RAM Counselors to be held on June 16th and 17th. Janet will be conducting the training with the assistance of staff from the Office on Aging. The intent of the training is to expand the counseling network system to reach more Montanans. Janet will also have a RAM information booth set up at the Governor's Conference on Aging in Butte on September 14th-16th.

The Board was advised that an application from Butte has been received, determined eligible and an appraisal has been ordered. There are currently 10 active loans with one loan in process.

INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING

Janet Kunz, reported to the Board, as of June 7th, a total of 35 inquires about the Infrastructure Financing for Affordable Housing Program have been received. Calls have been received from the Billings area; the Bozeman area; Columbus; Dillon; Great Falls; Helena; the Missoula area; and the Kalispell area. Further it was reported that one proposal from the Three Forks/Manhattan area has been received and reviewed by staff. The proposed project was for the development of manufactured housing on a permanent foundation for homeownership in a subdivision setting, was deemed ineligible and returned to the financial institution which submitted the proposal. Discussion followed regarding eligibility and the differences between manufactured and mobile homes. It was explained that one of the main reasons the proposal was deemed ineligible was because the project was for manufactured homes on permanent foundations rather than being for mobile homes.

ACCOUNTING AND REPORTING UPDATE

QUARTERLY BUDGET STATUS REPORT- MARCH 31, 1994

Karen Wynne, Comptroller, presented the Board's budget status, as of March 31, 1994. The Board has spent \$585,664 or 39% of the \$1,484,638 appropriation for fiscal year 1994. Expenditures of note were reviewed with the Board.

REVIEW OF MARCH 31, 1994 CONSOLIDATED FINANCIAL STATEMENTS

Karen Wynne, presented the Board's unaudited consolidated financial statements for the period ending March 31, 1994 and March 31, 1993 and reviewed significant changes between 1994 and 1993.

REPORT ON JUNE 1, 1994 BOND CALL

Karen Wynne, presented the June 1, 1994 bond call report to the Board for the Single Family II Indenture from mortgage prepayments. This includes \$8,970,000 from 1979A, \$2,740,000 from 1983B, \$6,599,993 from 1983C, \$3,320,000 from 1985A, and \$3,140,000 from 1985B for a total call of \$24,769,993. Karen shared with the Board a bond call history for each of these series' and a Notice of Bond Redemption which is prepared and published by the Trustee

STANDARD AND POOR'S CORPORATION

Patrick Howard, Standard and Poor's (S&P), New York, thanked the Board for inviting them to attend the meeting today and introduced Pam Berkowitz, S&P, San Francisco. Patrick explained that they would like to review with the Board what a rating agency does and how they review the Board's programs. Patrick provided the Board with informational materials including articles regarding past Montana Board of Housing bond issue reviews and noted that another article will be published in July or August. It was further noted that Patrick and Pam had a very favorable meeting with staff on Thursday morning (June 6th) in which the Board of Housing and its programs were reviewed.

Patrick explained to the Board that the area within S&P rating state housing agencies has changed in that they have moved from the Structured Finance Department back into the Municipal Finance Department. Two new analysts with experience in multifamily development and public policy have been added to the team, additionally, offices in San Francisco, Boston and Chicago have been opened in an effort to be more accessible to investors and the public. The Municipal Finance Department functions as a team, however, one person is assigned to be the primary analyst for an agency. This person performs the analysis and presents findings to the rating committee for review and assignment of a rating.

Patrick advised the Board that the rating criteria for S&P has evolved into a blended rating approach in which several aspects of a portfolio are considered. New areas of rating development were cited and include multifamily bond issues, a general obligation rating for a Housing Agency and work with the new FHA Risk-Sharing Program. Pam Berkowitz, explained to the Board that currently S&P does not rate the Montana Board of Housing's multifamily bond issues but that they are considered leaders in multifamily rating and have expanded this area. Pam next reviewed the criteria used to establish a general obligation bond rating which includes the agencies financial stability, financial ratios, the overall management of the agency and the relationship between the agency and the state. It was also noted that this rating factors in the changing market conditions. Pam explained that currently there are two agencies with general obligation ratings and these agencies feel this gives them greater access to bond markets along with a greater creditability of being able to stand alone. The Board inquired into the procedure and asked how long the rating process would take if the Board were interested in pursuing such a rating. The Board was advised that while a different analysis is performed which takes a closer look at numbers, the rating process could be completed in a short period of time. Pam briefly reviewed the rating criteria of their Affordable Housing Project Program noting that a full explanation was included in the informational material provided to the Board. S&P tries to get a good feel for the project by reviewing the financial feasibility and whether the project will produce enough revenue to pay the bonds back. Another aspect reviewed is whether a project's debt service coverage is sufficient to cover expenses. The last Program that Pam reviewed is the FHA Risk-Sharing Program. Pam noted that S&P has worked and continues to work closely with FHA to develop the rating criteria for this Program. Two main areas have been focused on, the first from a credit standpoint is the FHA insurance which they continue to work on with HUD. Secondly, is an analysis of the risk the agency is assuming.

Patrick then presented an overview of S&P's bond ratings for the Board's Single Family I through X bond indentures. Patrick advised the Board that the issues are very strong and S&P recently upgraded these bond issues from "AA" to "AA+". It was noted that for each issue rated S&P reads all of the legal documents to ensure they are in order, cashflows are reviewed and analyzed to make sure they will perform as they are suppose to, the performance of the loan portfolio is reviewed, foreclosure ratios are analyzed as is the liquidity of investments. All of the data is compiled on to a worksheet and presented to a committee which assigns the bond rating. Following the assignment of a bond rating, an article reviewing S&P's analysis of the bond issue and bond rating is published and available to investors. It was further noted the Board's rating compares very favorable to peer agencies. Only two other agencies have an equal rating of "AA+" and only one other agency has a higher rating of "AAA". Patrick indicated this was a good reflection of the management of agency and what has been accomplished given the size of the agency.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, presented to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) as of June 6, 1994. The Board has received nine (9) reservations for a total reservation amount of \$484,174. Fifteen (15) loans have been purchased for \$939,937, of the \$3,500,000 setaside there remains \$2,075,889. The average loan reservation is \$53,797, the average household income is \$13,730, the average mortgage rate is 3.86% and the average household size 2.11. The average purchase price is \$62,662, the average household income is \$17,380, the average mortgage rate is 4.40% and the household size is 2.73. Desera reviewed with the Board the approved applications by County and of the 153 applications received, 121 have been approved; 16 are in process; 15 have been denied; and 1 canceled. The average household income of approved applications is \$13,444, the average household size is 2.47 and the mortgage rate distribution for approved applications is 48 loans at 2.75%; 27 loans at 3.75%; 19 loans at 4.75%; 19 loans at 5.75%; and 8 loans at 6.50%.

Desera shared with the Board a letter from Mike Mayer of Summit Independent Living Center, Inc. on behalf of Montana's Independent Living Centers, requesting an extension of the DAAHP Program from June 30, 1994 to September 30, 1994. The extension is requested to provide a continuation of the Program while potential enhancements are refined. Based on staff recommendation of extension, Paul Bankhead moved to extend the Disabled Accessible Affordable Homeownership Pilot Program from June 30, 1994 to September 30, 1994. Bill Oser seconded the motion which was unanimously passed.

SINGLE FAMILY PROGRAM UPDATE ANNUAL INCOME LIMIT REVIEW

As required by the Administrative Rules of the Board, Robert D. Morgan, Administrative Officer, presented a review of the Federally imposed maximum income limits allowed by Treasury Regulations. Bob advised the Board that the income limits for 1994 were received by staff on June 9th. A review of the 1994 income limits, due to the insufficient amount of time to prepare, was postponed until the July Board meeting. Bob explained to the Board that the maximum income limit is based on family size and location of the property in the state. The method of calculating the maximum limits was reviewed and as were the income limits adopted in June, 1993. There

was a brief discussion of the income limits, targeted and non-targeted designation and possible alternative methods for setting maximum income limits and it was noted that this would again be reviewed at the July Board meeting.

1994 SERIES A

Bob Morgan reported on the Homebuyers Cash Assistance Program (CAP), as of June 2, 1994. Of the \$2,500,000 in available proceeds the Board has purchased five loans for \$228,999 and has received 54 reservations for \$2,232,631, with reservations averaging \$41,345. The average purchase amount is \$45,800, the average gross annual income is \$18,262 and there remains \$38,370 in lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Bob next reported to the Board the status of the Single Family Bond Program, as of June 2, 1994, explaining that of the \$17,287,665 in lendable proceeds the Board has received 201 reservations for \$13,354,709 and has purchased 66 loans for \$3,953,372. The average reservation amount is \$66,441, the average purchase price is \$59,899 and the average gross annual income is \$28,980. Further, Bob reviewed the lenders most active in the Program and presented a comparison of loans purchased by county, noting that the numbers included both loans for the CAP Program and the Single Family Bond Program.

1994 SERIES B

Bob Morgan, explained to the Board that as of May 26, 1994, 416 packets have been received and placed on the waiting list for 1994 Series B. Of the packets received five packets were moved off of the waiting list and have been reserved for purchase with 1994 Series A funds and an additional 15 packets have been cancelled. The remaining 396 packets on the waiting list have a total request of funds in the amount \$25,161,507. Bob noted that with the successful bond closing on June 9th and upon the lender receiving confirmation of reservation for a packet on the waiting list the lender can then schedule the closing date. The first scheduled purchase of 1994 Series B is June 24, 1994 with the second purchase date being July 1, 1994.

Bob drew the Board's attention to a memo from Marie DeRosa, Paine Webber, advising the Board that as a result of final arbitrage yield calculations the amount of 1994 Series B lendable proceeds has increased to \$23,848,402.

STATUS OF RECYCLED MORTGAGE PROGRAMS

Bob Morgan presented to the Board a summary of Recycled Mortgage Program setasides as of June 6, 1994 and explained that setasides with a mortgage rate of 6½% include Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000, to be used to provide permanent financing for 12 homes that are in the process of being built; the City of Havre First-Time Homebuyer Program setaside totaling \$546,400, which expired on May 31, 1994; and the Missoula City-County Affordable Housing Program which is \$2,544,048.

Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$190,579, is beginning to see more activity; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$359,344.

The setaside with a mortgage rate of 5% is for the Montana Peoples Action Affordable Housing Program, Billings, which was approved by the Board at their April 13th meeting and totals \$600,000. The total setaside for all Programs is \$4,507,792.

Bob presented a letter to the Board from Nancy Stephenson, Executive Director, Neighborhood Housing Services (NHS), Inc. of Great Falls requesting an additional \$120,000 in 6% funds be added to the Owners In Partnership II setaside. A continued increase in building costs, appraisals and a request for a Federal Home Loan Bank grant that was not awarded were reasons cited for NHS's request for the additional \$120,000 in funding. Mike McKee moved that an additional \$120,000 in 6% monies be setaside for Neighborhood Housing Services' Owners In Partnership II Program resulting in a total setaside \$568,000, seconded by Bob Savage the motion was unanimously approved.

Bob then presented a letter from Annmarie Robinson with Bear Paw Development Corporation of Northern Montana, which administers the City of Havre's First-Time Homebuyer Program, requesting an extension of the remaining setaside of \$546,400 of 6% funds to August 30, 1994. It was brought to the Board's attention that this Program has been encouraging homebuyers to use the 1994 Series A or 1994 Series B programs over the setaside monies when possible, using the setaside as a last option resulting in the Board competing with itself. Following a discussion of the extension request and a review of loans in process both utilizing the City of Havre setaside and other Board Programs, Bill Oser moved to extend for 90 days to August 30, 1994, the City of Havre's First-Time Homebuyer Program but the setaside is to be reduced by the net of loans in process. The motion was seconded by Bob Savage and approved unanimously.

PROPOSED ENHANCEMENTS TO HOMEBUYERS CASH ASSISTANCE PROGRAM

Bob Morgan, submitted for review by the Board the existing Homebuyers Cash Assistance Program and Potential Enhancements, one dated October 18, 1993 and the other dated June 6, 1994. Bob reviewed program eligibility, the first mortgage loan terms and the cash assistance loan terms for each enhancement. Bob also reviewed other Board assisted cash assistance programs and noted potential areas of enhancement such as homebuyer eligibility criteria (i.e. homebuyer, purchase price, income limit, assets), terms of the first mortgage (i.e. purchase price, 30 year term, FHA/VA) and the cash assistance loan (i.e. amount, rate, 30 year term, payoff amount, interest accrual). It was noted that Board action was not requested at this time and the potential enhancements were presented for informational purposes for action at a future Board meeting.

NEW LENDER APPLICATION - MONTANA MORTGAGE CO., KALISPELL

Bob Morgan, presented for the Board's consideration and action an application from Montana Mortgage Co., Kalispell to become an approved lender for Montana Board of Housing Single Family Bond Programs. The Board was advised that Montana Mortgage Co. has met all the of the eligibility requirements to be an approved lender as required by the Board's Administration Rules. Bob reviewed the application with the Board and noted that servicing of loans originated by Montana Mortgage Co. would be assigned to Security Bank, FBS, Billings. Concern was expressed regarding an originator of loans not servicing the loans they have originated. A brief discussion ensued following which Bill Oser moved to approve the application from Montana Mortgage Co., Kalispell to become a Board approved

lender subject to verification by the Secretary of State's Office that Montana Mortgage Co. is a corporation in good standing, having filed all of their annual reports. The motion, seconded by Paul Bankhead and was approved with three Board members voting in favor of the motion and Board member, Mike McKee voting against the motion.

OTHER BUSINESS

1994 SERIES B BOND ORDERS/ALLOTMENTS

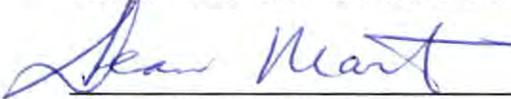
Dick shared with the Board an analysis of bond orders versus allotments as prepared by Paine Webber, noting that members of the underwriting team bring orders to the senior underwriter for allotment. Dick also explained that Peter Nolden, Paine Webber, is preparing a distribution of allotments by bond buyer as was provided for the 1994 Series A bond issue.

Dick shared with the Board a National Council of State Housing Agencies (NCSHA) news release summary as of June 3, 1994. Noted were California's 97% Insured Conventional Loan Program, which requires a 3% downpayment. Idaho has made \$30 million in available at a mortgage rate of 6.96%. New Hampshire is making available \$30 million, 30 year mortgage funds at a rate of 7.75%. North Carolina has made available 30 year, fixed mortgage at 7.35% and "step" mortgages with an initial rate of 6.85%, borrowers may also be eligible for downpayment assistance. Finally, Utah is making available \$25 million at a mortgage rate of 6.99%. It was noted that the Montana Board of Housing is producing some of the lowest mortgages rates across the nation making Montana very competitive with other housing finance agencies.

SET NEXT MEETING LOCATION AND DATE

The July Board meeting was scheduled for Thursday, July 7, 1994, with a public meeting to follow. A public meeting was also scheduled for Friday, July 8, 1994. Possible locations included Billings, Bozeman, Dillon and Butte, a final location decision was tabled at this time.

There was no further business, and the meeting adjourned.



Dean Mart, Secretary

August 12, 1994

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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NOTICE OF SPECIAL MEETING

June 8, 1994

The Montana Board of Housing will hold a worksession meeting on Thursday, June 9, 1994, at 2:00 p.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to discuss various items.

NOTICE OF PUBLIC HEARING
MONTANA DEPARTMENT OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1994 Series B
(Federally Insured or Guaranteed Mortgage Loans)
NOT TO EXCEED \$45,000,000

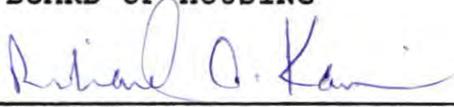
NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to but not to exceed \$45,000,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Tuesday, May 24, 1994, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: May 10, 1994.

MONTANA BOARD OF HOUSING

By: _____


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Administrator
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MJM/jb



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a public hearing on the \$40,815,000 Single Family Program Bonds Series 1994 B, the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing which was held on Tuesday, May 24, 1994, in the Board's office, began at 9:00 a.m. and was attended by Richard A. Kain, Administrator; Mike Mulrony, Luxan and Murfitt; and Janet Kunz, Administrative Assistant. No comments, either written or oral, were received and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink, appearing to read "Richard A. Kain", written over a horizontal line.

Richard A. Kain, Administrator

May 24, 1994
Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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NOTICE OF SPECIAL MEETING

May 19, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, May 20, 1994, at 9:00 a.m., M.S.T., to review the structure and pricing of the proposed \$40,815,000 Single Family Program Bonds, 1994 Series B; and to review and approve the Board Resolution and the bond purchase contract for the sale of \$40,815,000 Single Family Program Bonds, 1994 Series B.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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TDD: (406) 444-2978

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, May 20, 1994, at 9:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Mike McKee, Bill Oser, and Bob Savage. Peter Nolden, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; John Wagner, Kutak Rock; Steve Spitz, Orrick, Herrington and Sutcliffe; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Lynn Rolland, Meredith Miller, Desera Towle, Denise Hanson, Kurt Lewis, Dolly Snyder and Janet Kunz.

Peter Nolden reported that pricing for a new bond issue took place on Tuesday, May 17, 1994 after the conference call with the Board and a successful transaction occurred in which they were able to achieve a mortgage rate of 6.15%. Peter reviewed the structure and pricing of the \$40,815,000 Single Family Program Bonds, 1994 Series B with the Board including the principal amounts, interest rates and takedowns; the confirmation of the Board's "Aa" rating with Moody's Investors Service and "AA+" rating with Standard and Poor's; the pricing wire release to co-managers; the Sources and Uses of Funds statement; the underwriting fees; the cover page of the POS; a comparison of other bond issues in the market; an explanation of interest rate activity; and articles from financing journals leading up to the bond sale.

John Wagner, Kutak Rock, presented Resolution #94-0520-S2 for the Board's consideration. John explained that the Resolution approves the 1994 Series B bond issue to finance Single Family Bond Program loans; approves the form of the Supplemental Trust Indenture and other documents; authorizes the sale of the bonds; authorizes the bond purchase contracts; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds. John further explained that the Supplemental Indenture provides the terms and conditions of the sale of the bonds. Steve Spitz, Orrick, Herrington and Sutcliff, reviewed with the Board the Bond Purchase Contracts. Dean Mart moved that the Board approve the signing of the Bond Purchase Contracts and the adoption of Resolution #94-0520-S2, seconded by Bill Oser the motion was unanimously approved. It was noted that the issue is scheduled to close on June 8 and 9, 1994.

There was no further business and the meeting adjourned at 9:15 a.m.



Bob Thomas, Chairman

June 10, 1994
Dated

RESOLUTION NO. 94-0520-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY PROGRAM BONDS AND APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$40,815,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1994 SERIES B (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; and

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

WHEREAS, in 1983 and 1984 the Board issued its Single Family Program Bonds, 1983 Series B and 1984 Series A (the "Prior Issues") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Program Bonds, 1994 Series B (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$40,815,000 (the "1994 Series B Bonds"), consisting of \$28,075,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series B-1 (the "1994 Series B-1 Bonds") which will be used to refund the bonds of the Prior Issues which are subject to optional redemption, and \$12,740,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series B-2

(the "1994 Series B-2 Bonds") which will be used to provide additional moneys to finance single family dwellings in the State; and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a 1994 Series B Supplemental Trust Indenture dated as of May 1, 1994 (the "Supplemental Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1994 Series B Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated May 5, 1994, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1994 Series B Bonds, and which will be distributed to the purchasers of the 1994 Series B Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1994 Series B Bonds at the price 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 financed through the issuance of the Prior Issues and to be financed through the issuance of the 1994 Series B Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1994 Series B 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 Prior Issues and the 1994 Series B Bonds do not involve direct loans.

Section 2. **Approval of Supplemental Indenture.** The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. **Authorization of Bonds.** The issuance of the Board's 1994 Series B Bonds is hereby authorized and approved. The 1994 Series B Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1994 Series B Bonds shall be at rates which will be equal to or less than 7% per annum. The 1994 Series B 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 1994 Series B Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1994 Series B Bonds. Such signatures

may be in facsimile, provided, however, that such 1994 Series B 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 Disclosure Documents.*** The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. ***Sale of the Bonds.*** The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed.

Section 6. ***Ratification of Prior Actions.*** All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1994 Series B Bonds is hereby approved, confirmed and ratified.

Section 7. ***Execution of Documents.*** In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 8. ***Additional Actions Authorized.*** The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 9. ***Execution of Non-Arbitrage Certificates.*** The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue certifications as to its reasonable expectations regarding the amount and use of the proceeds of the 1994 Series B Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

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

ADOPTED by the Montana Board of Housing this 20th day of May, 1994.

[SEAL]

MONTANA BOARD OF HOUSING

Attest:

By _____
Chairman

By _____
Treasurer/Administrator



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

May 16, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, May 17, 1994 at 10:00 a.m., M.S.T., to review the status of the structuring of a new Single Family Bond issue and an achievable mortgage rate.



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday, May 17, 1994, at 10:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, Mike McKee, and Bob Savage. Peter Nolden, Mitch Litke, and John Feery, Paine Webber Inc.; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Lynn Rolland, Meredith Miller, Desera Towle, Denise Hanson, Kurt Lewis, Connie Boyer and Dolly Snyder.

John Feery updated the Board on both the government and municipal bond markets and indicated that there had been no interest rate action yet as a result of the Federal Open Market Committee (FOMC) meeting and recommended that the Board enter the market at the pricing scale for 1994 Series B as reviewed on May 16th. Peter Nolden, indicated that the mortgage rate, assuming achieving the pricing scale, would be 6.10% to 6.15% and that Standard and Poor's had issued a "AA+" rating on the bonds and Moody's a "Aa" rating.

Dean Mart moved to proceed with the pricing and sale, which was seconded by Gerry Hudson and unanimously approved.

There was no further business and the meeting adjourned at 10:10 a.m.



Bob Thomas, Chairman

June 10, 1994

Dated



MONTANA DEPARTMENT OF COMMERCE

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Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

May 13, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, May 16, 1994 at 2:00 p.m., M.S.T., to review the status of the structuring of a new Single Family Bond issue and an achievable mortgage rate.



MONTANA DEPARTMENT OF COMMERCE

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, May 16, 1994, at 2:00 p.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, and Bob Savage. Peter Nolden, Mitch Litke, and John Feery, Paine Webber Inc.; and staff members Dick Kain, Maureen Rude, Karen Wynne, Bob Morgan, Lynn Rolland, Meredith Miller, Desera Towle, Denise Hanson, Kurt Lewis, Connie Boyer, Dolly Snyder and Janet Kunz.

Peter Nolden, Paine Webber, reviewed the Preliminary Official Statement (POS) and its mailing into the market, advising the Board that a bond issue per the proposed structure and pricing would make available approximately \$20,000,000 of lendable proceeds and produce a mortgage rate of 6.00% up to 6.25%. Peter then introduced John Feery who updated the Board on both the government and municipal bond markets and presented an overview of the proposed pricing scale for the bonds. John then explained that the market is waiting for the Federal Open Market Committee (FOMC) to meet on May 17th and the announcement following the meeting of any interest rate action taken. It is anticipated that following the announcement, scheduled for 12:00 p.m. Eastern Standard Time, the Federal Reserve will adjust interest rates, increasing them by 25 to 50 basis points. Activity in the municipal bond market is light with no other pricings scheduled for the 16th or 17th. It was the recommendation of Paine Webber that the Board wait to price and sell the bond issue until after the FOMC announcement and additionally schedule another conference call for Tuesday, May 17th at 10:00 a.m. Mountain Time to review the proposed pricing scale and whether to proceed. Following a short discussion the Board decided to table action until after the FOMC announcement and scheduled a conference call for Tuesday, May 17, 1994, at 10:00 a.m. Mountain Time.

There was no further business and the meeting adjourned at 2:30 p.m.

A handwritten signature in blue ink that reads "Bob Thomas".

Bob Thomas, Chairman

June 10, 1994

Dated



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AGENDA

MONTANA BOARD OF HOUSING
GREAT FALLS CIVIC CENTER
GIBSON ROOM
2 PARK DRIVE SOUTH
GREAT FALLS, MONTANA
MAY 9, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - April 13, 1994 Business Meeting
 - April 22, 1994 Conference Call Meeting
 - April 26, 1994 Conference Call Meeting
- III. INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING - Janet Kunz
- IV. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- V. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VI. NCSHA TAX CREDIT CONFERENCE - Richard Kain
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Richard Kain
- VIII. SINGLE FAMILY PROGRAM UPDATE - Richard Kain
 - A. Status of Recycled Mortgage Program Setasides
 - B. 1994 Series A
- IX. REPORT ON STATE HOUSING TASK FORCE - Paul Bankhead
- X. PROPOSAL FOR PERMANENT LOAN FINANCING OF RENTAL UNITS FOR THE MENTALLY ILL CLIENTS OF THE WESTERN MONTANA MENTAL HEALTH CENTER - Patricia Kent, Director of Housing and Development
- XI. NEIGHBORHOOD HOUSING SERVICES (NHS) INC. - GREAT FALLS -
Nancy Stephenson, Executive Director
 - A. Update on Existing NHS/Montana Board of Housing Programs
- XII. OTHER BUSINESS
- XIII. SET JUNE MEETING DATE
- XIV. MEETING WITH LOCAL HOUSING PROVIDERS AND ADVOCATES***
(11:00 a.m to 1:00 p.m.)
- XV. ADJOURN

*** The Montana Board of Housing has scheduled a meeting with local housing providers and advocates in Havre on May 10, 1994 from 9:00 a.m. to 11:30 a.m. in the Havre City Council Chambers, 520 4th Street.



MONTANA DEPARTMENT OF COMMERCE

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Helena, MT 59620-0528
MONTANA BOARD OF HOUSING
GREAT FALLS CIVIC CENTER
GIBSON ROOM
2 PARK DRIVE SOUTH
GREAT FALLS, MONTANA
MAY 9, 1994

Phone: (406) 444-3040
TDD: (406) 444-2978

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Michael McKee (Present)
William Oser (Present)
Robert Savage (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Administrative Officer
Janet Kunz, Administrative Assistant

UNDERWRITERS: Mark Semmens, D. A. Davidson and Co.

COUNSEL: Mike Mulroney, Luxan & Murfitt
Board Counsel

OTHER-GREAT FALLS:

Representative Dick Simkins
Representative Bill Wiseman
Representative Pat Galvin
Ron Ostberg, Representative Pat Williams
Greg Eklund, Senator Max Baucus
Patty Kent, Western MT Mental Health Center, Missoula
Bonnie Bacon, Council for Concerned Citizens, Great Falls
Toni Austad, Council for Concerned Citizens, Great Falls
Vickie Johnston, Heritage Bank, Great Falls
Nancy Stephenson, Neighborhood Housing Services Inc.
Butch Larcombe, Great Falls Tribune
Lee Gibbs, First State Bank, Shelby
Kris Honrud, First State Bank of Fort Benton
Dean Nelson, First Interstate Bank-Great Falls and Great Falls
Chamber Housing Task Force
Lyndy Chartier, Norwest Mortgage, Great Falls
Jim Basta, Great Falls Association of Realtors
Father Erickson, Governor's Advisory Board on Aging, Fort Benton
Stu Lekander, North Central Independent Living Svcs., Great Falls
Cheryl Patton, City of Great Falls
Kevin Hager, Great Falls Housing Authority
Allison Price, Opportunities Inc., Great Falls
Frank Shaw, Norwest Bank, Great Falls
Kim Kaufman, Farmers State Bank, Cut Bank
Terry Pehan, President, Great Falls Chamber of Commerce
Bobbie Smedsrud, Dahlquist Realty

CITY OF HAVRE
CITY COUNCIL CHAMBERS
520 4TH STREET
MAY 10, 1994
9:00 A.M. TO 11:00 A.M.

OTHER-HAVRE: Nora Miner, Oliver Realty
Duane Naber, First Bank-Havre
Kim Cripps, Flynn Realty
Audrey Barge, McKay Realty
Loyall Kisse, United Savings Bank, Havre
Lynda Taplin, Security Bank, FSB, Havre
Joelle Grassman, Havre Daily News
Jim Frey, Co-op Student, Bear Paw Development
Cameron Worstell, Havre
Linda McKay, McKay Real Estate
Linda Rice, McKay Real Estate
Betty Ann Morgan, McKay Real Estate
Mary Blair, Flynn Realty
Nora Nelson, Hill County Commissioner
Kathy Bessette, Hill County Commissioner
Becky Ross, Koefod Agency
Phyllis Leonard, Mayor, City of Havre
Diane Savasten, District IV, Human Resource Development
Council, Section 8
Walter Ray Denny, Rocky Boy Housing Authority
Michelle Billy, Rocky Boy Housing Authority
L. S. Bear, Rocky Boy Housing Authority
Chris Lucero, Flynn Realty
Annmarie Robinson, Bear Paw Development
Paul Koss, Triangle Realty, Malta
Judy Sinclair, Oliver Realty

The meeting was called to order at 8:30 a.m., by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee advised the Board that in the April 26, 1994 Conference Call minutes, his motion to proceed with a bond issue did not specify a mortgage rate of 6% and that particular reference should be eliminated.

Chairman Thomas also advised the Board that an error was discovered and corrected in the April 13, 1994 meeting minutes after the minutes were mailed to the Board. The error occurred on page four, agenda item REQUEST OF REPRESENTATIVE ROYAL JOHNSON, line five the last word should read reverse instead of the incorrect word of revenue. The minutes for the April 22, 1994 Conference Call meeting were approved as presented and the minutes for the April 13, 1994 Business meeting and the April 26, 1994 Conference Call meeting were approved as amended.

INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING

Janet Kunz, Administrative Assistant, reported to the Board that on April 25th an update memorandum on the Program was sent to mortgage lenders, the real estate community, local governments and non-profit entities, copies of the memorandum and mailing list were provided for the Board's information. Janet advised the Board that most inquiries have been for information regarding the lending parameters. A total of 26 calls have

been received including 7 from Billings, 2 from Bozeman, 1 from Dillon, 2 from Great Falls, 4 from Helena, 3 from Missoula and 7 from Kalispell. Further it was reported to the Board that staff has received a serious inquiry from the Bozeman area and expects to receive a proposal within the week. Mike McKee advised the Board that there is still potential for the Board to receive a proposal from the mobile home park for seniors in Hamilton as they are still working on the purchase of the park.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, explained that at the March 22nd Board meeting the Board directed staff to work with General Counsel to draft amended loan documents to correct a typographical error which occurred in both the Trust Indenture and the Mortgage Loan Agreement for all active Reverse Annuity Mortgage (RAM) Loans. An Amended Trust Indenture and Amended Mortgage Loan Agreement were drafted as was a letter to current borrowers explaining the reason for the amended loan documents. Copies of the amended documents and letter were shared with the Board. On April 15th letters and amended loan documents were mailed to each of the 10 current borrowers, with follow-up calls to each borrower made between April 20th and April 28th. Janet advised the Board that borrower response to executing the amended loan documents and returning them has been very positive with none of the borrowers expressing concern regarding executing the documents. As of May 5th, seven of the 10 borrowers have executed and returned both documents.

Janet reported that the two Public Service Announcements (PSA) that were produced with the assistance of the Office on Aging began running throughout the state on local television stations the week of April 18th. Through May 5th, 35 calls have been received and Program information has been sent to 24 of those individuals who after discussing the Program felt they would qualify or would benefit from the Program. Mike McKee advised the Board that he had also heard one of the PSAs on the radio. Finally, Janet advised the Board that an application is in process with an applicant working with the RAM counselor in Kalispell.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen Rude, Administrative Officer, advised the Board that the application submission date for the first round of 1994 Low Income Housing Tax Credits (LIHTC) was April 18, 1994 and explained that more tax credits were requested than is available. Maureen advised the Board that applications are first reviewed to meet the completeness and soundness criteria, next applications are reviewed and deemed eligible based on the allocation plan and selection criteria and whether the application received adequate points to qualify for inclusion in the application round. Lastly comments from community officials regarding the proposed application and project were requested. Maureen explained that 12 applications were received, seven applications met all criteria and are being presented to the Board today.

Maureen reviewed with the Board the tax credits available for allocation. Of the \$420,687 available in the Small Development Pool, if the three applications before the Board are approved there would remain available \$304,844. No applications were received from non-profit entities and there remains available in the Non-Profit Development Pool \$168,275. Of the \$1,093,787 available in the Open Development Pool, if the four applications before the Board are approved there would remain available \$282,052,

leaving a total of \$755,172 in tax credits available for the second application round.

The first three applications to be presented were submitted by Community Oriented Affordable Development (COAD) of Missoula and Maureen explained that the projects are very similar except for the locations being on scattered sites and the make up of the partnerships. Maureen reviewed the information in the three applications that would be the same including: support letters from Mayor Dan Kemmis and the Missoula Housing Task Force, the ranking matrix for each project and application narrative. The first application, COAD 1, is for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is scheduled to begin June, 1994 with a placed in service date of December, 1994. Qualified basis for the project \$425,707 and is requesting \$38,314 in tax credits. Staff recommends approval of the requested credits.

COAD 2, is for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is slated to begin June, 1994 with a placed in service date of December, 1994. The qualified basis for the project is \$432,577 and is requesting \$38,932 in tax credits. Staff recommends approval of the requested credits.

The last of the COAD applications was then presented, COAD 3 is also for six family units, one of which will be handicapped accessible, and is requesting tax credits for new construction without Federal subsidies. One hundred percent (100%) of the units will serve tenants at 60% of the median income, construction is slated to begin June, 1994 with a placed in service date of December, 1994. The qualified basis for the project is \$434,854 and is requesting \$39,137 in tax credits. Staff recommends approval of the requested credits. The Board asked Maureen to explain the partnership information and why limited partners were not listed and the Board's risk in regards to reservation and allocation of Tax Credits. It was briefly explained that the Board allocates tax credits to the partnership and the general partner, at this stage the limited partnership is generally not formed and the tax credits are used as a mechanism for investment in the partnership, also the Allocation Plan outlines the responsibility of the Board to allocate no more tax credits to any development than required to make the development economically feasible and that no member of the Board or staff is liable concerning matters arising out of allocation of tax credits. Bill Oser moved to approve the reservation of \$38,314 in LIHTC for the COAD 1, \$38,932 in LIHTC for the COAD 2 and \$39,137 in LIHTC for the COAD 3 projects in Missoula as recommended by staff, the motion was seconded by Gerry Hudson and unanimously approved.

The next project presented for the Board's consideration was submitted by Edgar and Margaret White for the reconstruction of the 36 unit Fernwell Apartments in Kalispell which had been destroyed by a fire. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project is to begin construction June, 1994 with a placed in service date of January, 1995. Fernwell Apartments eligible basis is \$1,493,490 and is requesting \$134,414 in tax credits.

Staff recommends approval of the requested credits. Mike McKee moved to approve the reservation of \$134,414 in LIHTC for the Fernwell Apartment project in Kalispell as recommended by staff, the motion was seconded by Dean Mart and unanimously approved.

The next project presented was submitted by Community Development Services Inc., for a 60 family unit project, including 12 large family units and 8 handicapped units, known as the Palace Project in Missoula. The project is requesting tax credits for acquisition and substantial rehabilitation without Federal subsidy. At least 20% of the units would serve tenants at 50% of the median income (20/50 setaside option), the project is to begin construction August 1, 1994 and is slated to be placed in service on June 30, 1995. The Palace acquisition eligible basis is \$585,000 and the rehabilitation eligible basis is \$3,079,848 and is requesting a total for both acquisition and rehabilitation of \$300,586 in tax credits. Staff recommends approval of the requested credits. Paul Bankhead moved to approve the reservation of \$300,586 in LIHTC for the Palace Project in Missoula as recommended by staff, the motion was seconded by Gerry Hudson and unanimously approved.

James Talcott Construction submitted for the Board's consideration the 48 family unit Sandhills Park Apartments in Great Falls. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project is slated to begin June, 1994 and is to be placed in service December, 1994. Sandhills Park Apartments eligible basis is \$2,259,934 and is requesting \$203,394 in tax credits. Staff recommends approval of the requested credits. Bob Savage moved to approve the reservation of \$203,394 in LIHTC for the Sandhills Park Apartments project in Great Falls as recommended by staff, the motion was seconded by Paul Bankhead and unanimously approved.

The final project presented for the Board's consideration was submitted by Housing Development Associates for the 26 family unit 8th Avenue Apartments in Billings. The project is requesting tax credits for new construction without Federal subsidy. At least 40% of the units would serve tenants at 60% of the median income (40/60 setaside option), the project is scheduled to begin June 1, 1994 and is slated to be placed in service on October 1, 1994. 8th Avenue Apartments eligible basis is \$1,926,015 and is requesting \$173,341 in tax credits. Staff recommends approval of the requested credits. Paul Bankhead moved to approve the reservation of \$173,341 in LIHTC for the 8th Avenue Apartments in Billings as recommended by staff, the motion was seconded by Bob Savage and unanimously approved.

NCSHA TAX CREDIT CONFERENCE

Richard A. Kain, Administrator, advised the Board that the National Council of State Housing Agencies (NCSHA) will be holding its 1994 Tax Credit Conference on June 23rd and 24th in San Diego, California. Dick recommended to the Board that Maureen Rude attend the conference and explained that travel out-of-state needs to be approved by the Board. Bob Savage moved that Maureen Rude attend NCSHA's 1994 Tax Credit Conference in San Diego on June 23rd and 24th, Dean Mart seconded the motion which was unanimously approved.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Dick Kain presented to the Board the Disabled Accessible Affordable Homeownership Pilot (DAAHP) Program as of May 4, 1994. Seven (7) loans have been reserved for \$361,990 and 15 loans have been purchased for \$939,937. Of the \$3,500,000 setaside there remains available \$2,198,073 in lendable proceeds. The average purchase price is \$62,662, the average household income is \$17,380, the average mortgage rate is 4.40% and the average household size is 2.70. Dick briefly reviewed the approved applications by County, the number of applications received, approved, in process, denied and the distribution of mortgage rates of approved applications and noted that it is expected that the Board will have purchased 25 loans by July 1, 1994. Also reviewed was the monthly activity of the program and the architectural modifications by disability for the 15 loans purchased.

Dick advised the Board that staff met with the Independent Living Centers (ILC) in early April to discuss the DAAHP Program, its expiration and expanding the Program. As part of the discussion the ILCs are undertaking the responsibility to expanded the definition of disability beyond those with a mobility impaired disability and staff is waiting to hear back from the ILCs to determine the future direction of the DAAHP Program.

SINGLE FAMILY PROGRAM UPDATE

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDES

Dick Kain reviewed with the Board the Recycled Mortgage Program setasides as of May 3, 1994, explaining that the setasides with a mortgage rate of 6% include Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$546,400; and the Missoula City-County Affordable Housing Program which is \$2,713,565. Dick noted that the Missoula City-County Affordable Housing Program has been very active. The total for setasides with a mortgage rate of 6% is \$3,707,965,

Setasides with a mortgage rate of 6% were reviewed and include: Neighborhood Housing Services' two setaside programs, the Affordable Housing II setaside, which is \$190,597, is beginning to see more activity; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$359,362.

The setaside with a mortgage rate of 5% is for the Montana Peoples Action Affordable Housing Program, which was approved by the Board at their April 13th meeting and totals \$600,000. The total setaside for all Programs is \$4,667,327.

1994 SERIES A

Dick Kain reported on the Homebuyers Cash Assistance Program (CAP), as of May 2, 1994. Of the \$2,500,000 in available proceeds the Board has purchased two loans for \$86,976 and has received 23 reservations for \$979,517, with reservations averaging \$42,588. The average purchase amount is \$43,488, the average gross annual income is \$17,429 and there remains \$1,433,507 in lendable proceeds. Activity by lender was reviewed and the most active lenders noted.

Dick next reported to the Board the status of the Single Family Bond Program, as of May 2, 1994, explaining that of the \$17,287,665 in lendable proceeds the Board has received 258 reservations for \$16,853,608 and has

purchased 8 loans for \$416,044. The average reservation amount is \$65,324, the average purchase price is \$52,005 and the average gross income is \$29,047. Dick explained that reservation amounts have increased by \$13,000 to \$14,000 from the last bond issue and consequently fewer loans than anticipated will be made. There remains available \$18,013 in lendable funds. Dick briefly reviewed the activity by lender noting the most active lenders.

Dick explained that the waiting list concept which has been used in the past has been instituted. Dick then reviewed the waiting list for the period of April 19th through May 3rd with the Board, noting that it was sorted by lending institution and contained 168 loans for a total of \$10,956,051. The Board was advised that as funds become available from a new bond issue, staff will have a better sense of the number of loans that will be closed. The Board was also advised that reservations may be withdrawn at anytime by the borrower or lender depending on their situation. The Board continues to receive 5 to 10 applications per day, which are placed on the waiting list.

Dick advised the Board that the Preliminary Official Statement (POS) for the 1994 Series B bond issue was mailed May 6, 1994 and the bond market should be receiving them today, May 9th. Dick reviewed a timeline for the proposed bond issue, a Board conference call scheduled for May 16th at 2:00 p.m. Mountain Time to discuss preliminary pricing and the status of the market. Another Board conference call scheduled for May 20th at 9:00 a.m. Mountain Time to review the pricing of bonds with a proposed closing on June 8th and 9th. Dick advised the Board that Peter Nolden, Paine Webber, felt confident a mortgage rate under 6½% was achievable.

REPORT ON STATE HOUSING TASK FORCE

Paul Bankhead, reported to the Board that the State Housing Task Force (Task Force) met on May 2, 1994 and received a proposal from the Task Force to Renew State Government to move Section 8 and the HOME Program, currently in the Department of Commerce, to the Department of Social and Rehabilitation Services. The basis for the move would be to create "one stop shopping" for those Montanans needing assistance (i.e food stamps, housing, family assistance, etc.). Housing needs, however, would remain fractured if this proposal were acted upon and the Task Force is looking at how other state housing agencies are organized and the consolidation of housing within one agency. Paul also advised the Board that the Task Force is looking at proposing the establishment of a Housing Trust Fund and has asked the Legislative Council to research allowing the Board of Housing (BOH) to offer grants for a specific program. The next meeting of the Task Force is scheduled for June 6th and at that meeting the Task Force will be examining the delivery system for affordable housing including programs currently available through the Board of Housing, Department of Commerce and the Department of Social and Rehabilitation Services, financing issues and regulatory issues with the intent to develop proposed legislation.

PROPOSAL FOR PERMANENT LOAN FINANCING OF RENTAL UNITS FOR THE MENTALLY ILL CLIENTS OF THE WESTERN MONTANA MENTAL HEALTH CENTER

Patricia Kent, Director of Housing and Development, presented for the Board's consideration a proposal for the development of affordable housing for individuals with severe and persistent mental illness. Patty explained that the proposal before the Board is based on the structure and funding concept of the Disabled Accessible Affordable Homeownership Pilot Program

and will be serving individuals with an income between \$5,000 and \$7,000. The Western Montana Mental Health Center (MHC) is a private non-profit under Section 501(c)(3) and is proposing the development of two 4-plexes into either studio or one bedroom apartments, which the MHC will own and manage. The proposed rent is \$130 per month and will include utilities, 100% of the occupants will be individuals with severe and persistent mental illness and Section 8 vouchers will be accepted. Patty advised the Board that MHC has an option on an identified property and development would be completed by October 1, 1994 providing housing assistance for the mentally ill right away. The Western Montana Mental Health Center (MHC) is requesting from the Board of Housing a setaside of \$240,000, 2¾% permanent loan financing for a term of 20 years, with the MHC owning and managing the project and guaranteeing the occupancy of the units by eligible tenants. Staff recommends approval of MHC's proposal subject to the MHC becoming an approved FHA mortgagor and the loans having FHA 203(b) insurance. Mike McKee moved to setaside \$240,000 of 2¾% 20 year permanent loan financing for the development of two 4-plexes by the Western Montana Mental Health Center. The motion was seconded by Bob Savage and approved unanimously.

NEIGHBORHOOD HOUSING SERVICES (NHS), INC. - GREAT FALLS

Nancy Stephenson, Executive Director, appeared before the Board to request the extension of two setasides which are both scheduled to expire on July 1, 1994. The first setaside is for the Affordable Housing II Program which is the Neighborhood Housing Services (NHS) downpayment grant program. Nancy advised the Board that 17 loans have been closed, 3 reservations are in process and there remains available funding for another 3 to 4 loans. Nancy explained that available housing in the neighborhood has become much tighter and requested an extension to January 1, 1995 to provide time to find housing for the remaining funds. Nancy also requested an extension to January 1, 1995 of the FHA Repo Rehabilitation setaside, explaining that NHS currently has 4 major rehabilitations in process. Gerry Hudson moved that the two setasides for Neighborhood Housing Services' Affordable Housing II Program and FHA Repo Rehabilitation Program be extended to January 1, 1995. the motion was unanimously approved after being seconded by Paul Bankhead.

OTHER BUSINESS

Dick Kain drew the Board's attention to an invitation list to the Board's public meeting in Great Falls and also shared with the Board a report showing the activity of Board programs in Great Falls, Cut Bank and Shelby from July 1, 1990 through December 1, 1993.

Bill Oser advised the Board of the National Conference of State Housing Boards' Educational and Developmental Workshop to be held July 31, 1994 through August 2, 1994 in Jackson Hole, Wyoming and solicited interest in Board members attending. Following a brief discussion Dean Mart moved that Bill Oser attend the National Conference of State Housing Boards' Educational and Developmental Workshop, Bob Savage seconded the motion which was unanimously approved.

SET JUNE MEETING DATE

The regular Business meeting was scheduled for June 10, 1994, at 8:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building, 1424 9th Avenue, Helena.

The Board took a five minute recess and reconvened.

MEETING WITH LOCAL HOUSING PROVIDERS AND ADVOCATES

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its mission, purpose and funding sources and to obtain from the local housing providers input about needs of the local community. Bob then turned the meeting over to Dick Kain to act as facilitator. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Great Falls area and comments relative to the Board's current programs.

Nancy Stephenson, Neighborhood Housing Services (NHS), advised the Board that there is a tremendous lack of housing to buy in Great Falls and explained that within the NHS neighborhood, housing has to either be new construction or the rehabilitation of existing housing. Nancy explained that even with the rehabilitation that has been done and the multifamily projects approved for Great Falls there is still a need for both multifamily and single family projects to ease the housing crisis.

Kim Kaufman, Farmers State Bank, Cut Bank, indicated that the Board of Housing has assisted in the development of a 19 unit rental housing project in Cut Bank. The local Community Development Organization conducted a community needs assessment to determine the needs in the Cut Bank area. The assessment showed that Cut Bank is experiencing an increase of Native Americans moving into the area, an enormous need for low income rental housing particularly for two and three bedroom housing. Kim was also interested in finding out more about the Multifamily Pilot Program.

Frank Shaw, Norwest Bank, Great Falls, explained that Norwest Bank has been working with Norwest Mortgage on an internal program to assist individuals who are not able to obtain conventional loans because of past financial difficulties (i.e. bankruptcy, late payments, etc.) and the average loan for this program runs between \$45,000 and \$50,000. Norwest is working on a couple of multifamily projects using tax credits noting that the housing inventory in Great Falls is non-existent.

Kris Honrud, First State Bank, Fort Benton, advised the Board that they see a lot of requests for rural housing and finding comparables is non-existent, also finding a secondary market is difficult because the acreage is smaller than Farmers Home Administration wants to work with. Dick advised Kris that the Board does a lot of smaller loans in rural areas around the state and that the Board would be happy to send her more information of available Board Programs.

Kevin Hager, Great Falls Housing Authority, noted that the Board of Housing has done some wonderful things trying to meet housing needs but explained that when putting together a housing project, the developer has to deal with more than one funding source and it is very difficult to pull all of the sources together to complete the project. If one source of funding falls out generally the project has to begin all over again, Kevin also cited the time consumed in completing various program applications. Kevin advised the Board that he is on the State Housing Task Force (Task Force) and one major area that the Task Force is looking at is the housing delivery system including consolidation of all housing programs into one agency. Kevin also reported that the Great Falls Housing Authority currently has 300 families on their waiting list and it continues to grow while the supply of housing continues to be depleted.

Cheryl Patton, City of Great Falls, briefly explained that she would like to echo the comments made regarding the enormous need for more housing. Cheryl also explained that the City of Great Falls/Great Falls Housing Authority project that received funding from the Board of Housing in December, 1993 would allow rents to be low enough that ongoing federal subsidies would not be required.

Lee Gibbs, First State Bank, Shelby explained that the biggest difficulty they have as a small bank with local community ownership is receiving information about available programs and trying to coordinate a block of loans for movement into the secondary market which will both keep interest rates down and meet the needs of low income housing programs. Lee advised the Board that the biggest problem facing Shelby is affordable housing. Further they have been working to put together a tax credit project and have had a great deal of difficulty coordinating the requirements of the Tax Credit Program and Farmers Home Administration (FmHA). Lee asked if there would be a contact person available within the Board of Housing to obtain information. Dick Kain advised Lee that he would be available as a contact person and further explained that staff is available to do workshops around the state to provide information and assistance. Dick also explained that the Board has the ability to use recycled monies to target groups for specific homeownership programs within certain communities if the needs of the community are known. Dick noted the setaside to the Western Montana Mental Health Center approved by the Board at the Business portion of the meeting today and indicated that the Board would be available to work with the community to develop a similar program.

Toni Austad, Director, Council for Concerned Citizens, explained that the Council for Concerned Citizens has offices in Great Falls and Billings and they work to achieve equal housing and the elimination of housing discrimination. Toni also explained that she is familiar with many of the Board's programs and the relationships fostered with local housing providers. Toni advised the Board that the housing crisis is critical and the Council for Concerned Citizens has seen an increase over the past year, of 30 day no cause eviction notices, explaining that these eviction notices are being used as a method to increase rents. Toni expressed the need to assist the increased number of poor in substandard housing and the homeless Montanans who will never be homeowners and to establish a mechanism to prevent homeless. The Montana Landlord/Tenant Act does not give much help to tenants and many call the Council for Concerned Citizens seeking help. Toni recommended that the Board work in partnership with rental housing advocates to make changes to the 30 day no cause eviction notice. Toni also advised the Board that Montanans systematically exclude Native Americans from affordable housing and we need to develop co-operative efforts with the reservations to address their unique housing needs. Recommendations made to the Board included using Section 8 vouchers for house payments, expanding the first-time homebuyers definition to include divorced women and included women in the decision making process. Dick Kain explained that the Board has been working with the Kathleen Fleury, Coordinator of Indian Affairs to establish a relationship with the tribal councils to provide home ownership opportunities on reservations. The Board also has the ability through its targeted programs with housing providers to make an exception to the first-time homebuyers requirement to include single parent families. Dick asked Toni to put in letter form some specifics regarding the 30 day no cause eviction issue and explained that while the Landlord/Tenant Act is in the state laws there has not been an

agency directed to facilitate the Act. A general discussion of this issue included: getting a facilitator appointed; jurisdiction of cities and counties; whether it would be within the scope of the Board of Housing's mission to enforce the Act; and having the legislature re-address this issue at the next Legislative Session. Further discussion included Montana's history of no growth and a recent forecast of 25-30% growth for the next 10 to 15 years and what can be done to prepare for the anticipated the growth. There was concern expressed that Montana needs to look at other states that have experienced rapid growth and how they have handled the situation. It was explained that the State Housing Task Force is trying to look at the state as a whole and focus on the foundations that already exist, building on those. It was also explained that the Board has looked at peer agencies which contain all functions of housing within one agency and receive state funding. Also other states have been looking at establishing a state tax credit program similar in concept to the federal tax credit program, to promote additional units of low income rental housing.

Terry Pehan, President, Great Falls Chamber of Commerce, advised the Board that they are seeing other states with some of the some problems attacking the problems and finding success and suggested that inquiries to that success be sought. Terry also noted that financing of new home construction has been an inhibitor to doing new home construction and that a program is needed to address the needs of those families and individuals that are just above income limits established to be considered low income. It was suggested that the tax structure may be the problem and needs to be restructured.

Dean Nelson, First Interstate Bank and Great Falls Chamber Housing Task Force, explained to the Board that the housing situation at Malmstrom Air Force Base (MAFB) has also affected housing in the Great Falls area. As permanent housing on base has filled those needing housing are placed in temporary housing or funneled into the Great Falls community. Dean advised the Board that it is difficult to put property together for moderate income families and there is little in the housing market in their price range of \$50,000 to \$90,000. Contractors are hesitate to do new construction for small homes, preferring construction of homes over \$100,000. As a result housing stock is not being added and housing that would historically be taken out of stock because it is substandard is currently being used. Paul Bankhead explained that he is also on the State Housing Task Force and that beyond examining the coordination and delivery system of housing, one of the areas they are addressing is the how the cost of new construction regulation contributes to the overall price burden of housing.

Further discussion focused on the need to find a mechanism to assist families in the 80% to 115% of median income range who are not first-time homebuyers. The Board was advised that loan financing for these families is difficult to come by and that a financing gap does exist for these families. The Board explained that they have looked at a Wyoming program, funded by taxable bonds, which provides funding for upper end homes as move up homes and in turn making lower priced homes available to lower income families.

Greg Eklund, Senator Max Baucus' Office, inquired as to what changes could be done at a federal level to assist at the state level. Dick Kain explained that one area which the Congressional delegation could help would

be in obtaining a greater degree of flexibility in the Treasury regulations attendant to tax-exempt bond issuance, particularly the first-time homebuyer regulation which requires that tax-exempt bond proceeds be used for first-time homebuyers except in targeted areas. Dick explained that in the 1980's in areas of economic distress, a targeted area status was designated allowing the first-time homebuyer requirement to be waived. He also explained that the Board was pursuing the identification of Areas of Chronic Economic Distress to submit applications to the Department of Housing and Urban Development (HUD) for consideration to be included as a targeted area. It was noted that it would also be helpful if the state were looked at as a whole versus specific areas of the state when HUD is establishing the maximum FHA 203(b) insurance limits.

Allison Price, Opportunities Inc., advised the Board that she works for the Human Resource Development Council that is responsible for administration of the Section 8 Program in six counties. Allison advised the Board that they currently have 1,400 families on their waiting list for Section 8 housing. Allison explained that Sunburst, which is in Toole County, has experienced an increase in growth and currently there are no houses available for rent. Allison further asked if the Board's Multifamily Pilot Loan Program was going to continue to be available. It was explained that the Pilot Program has been very successful and that the Board, as a means to make the Program permanent, is working in partnership with the Federal Risk-Share Program in which HUD would insure 90% of a project and the remaining 10% would be insured by the Board of Housing. Allison explained to the Board that the highest need in Toole County is for 2 and 3 bedrooms, that more Section 8 certificates are needed for people with disabilities and projects targeted to the mentally ill are also needed.

Bobbie Smedsrud, Dahlquist Realty, advised the Board that there are waiting lists for all of the mobile home parks in Great Falls and inquired if the Board could assist in this area. The Board made available, in February, 1994, \$400,000 for the development of infrastructure associated with mobile homes. It was also noted that the Board had established a secondary market for manufactured homes and that no loans were made and one of the difficulties has been that FHA only allows the mobile home to be moved once and still be insured by FHA.

A concluding discussion briefly touched on several issues including: senior homeownership and the advantages of aging in place; medicaid liens against property in the event a senior owner is placed in a nursing home; statistics of homes for sale in Great Falls one year ago (550) versus today (225) and houses in the \$60,000 to \$90,000 price range remaining on the market for an average of only seven days; increasing the limits associated with the Board's Homeowners Cash Assistance Program; and discrimination in housing at all levels.

The Board thanked those individuals who attended the meeting and for their input on housing needs in the Great Falls area and their comments on the Board's existing programs. There was no further business and the meeting adjourned.

MEETING WITH LOCAL HOUSING ADVOCATES AND PROVIDERS - HAVRE
CITY OF HAVRE - CITY COUNCIL CHAMBERS
MAY 10, 1994, 9:00 A.M.-11:00 A.M.

Bob Thomas, Chairman, introduced the Board members and staff to participants in the Public Meeting. Bob briefly explained that the Board feels it is important to conduct meetings in communities across the State to inform the public about the Board of Housing, its mission, purpose and funding sources and to obtain from the local housing providers input about needs of the local community. Bob then turned the meeting over to Dick Kain to act as facilitator. Dick gave an overview of the reasons for the meeting, requested input from the participants on housing needs in the Havre area and comments relative to the Board's current programs. Dick briefly presented an overview of the Board's Programs including the Single Family Bond Program, the Disabled Accessible Affordable Homeownership Pilot Program, the Homebuyers Cash Assistance Program, Recycled Setaside Programs, Multifamily Pilot Loan Program, Low Income Housing Tax Credit Program, Reverse Annuity Mortgage Loan Program and the Infrastructure Financing Program for Mobile Homes. Dick also shared with the participants to the meeting a report showing the activity of Board programs from July 1, 1990 through December 1, 1993 in Havre and Chinook. The Single Family Bond Program has assisted 126 homebuyers in Havre, committed \$5,627,160 in loan funds for an average purchase price of \$45,075 and an average loan amount of \$44,450. There have been six active lending institutions involved. The Single Family Bond Program has assisted 13 homebuyers in Chinook, committed \$503,748 in loan funds for an average purchase price of \$41,602 and an average loan amount of \$38,673. There have been two active lending institutions involved. The Mortgage Credit Certificate Program has assisted one homebuyer in Havre, \$8,890 in Federal Tax Credits have been committed, an average purchase price of \$43,500 and an average loan amount of \$44,450. The Low Income Housing Tax Credit Program has assisted in one project of 16 low income rental units in Havre, \$24,159 in Federal Tax Credits have been committed with projected cost of construction \$618,248.

Becky Ross, Koefod Realty, advised the Board that Havre's population has a lot of low income families but that there is not much being developed to address their housing needs. Becky also asked the Board to address the issue of not allowing a portion of the property to be rented under the Single Family Bond Programs. Becky advised the Board that many people would benefit from the additional income if renting were allowed as it currently is allowed by FHA. Gerry Hudson explained that many of the regulations that are required in Board Programs are imposed upon the Board by the Internal Revenue Service (IRS) and the Treasury as a result of the issuance of tax-exempt bonds. Gerry explained that the rental restriction is one of the regulations and that use of the property is very strict and clearly defined.

Kim Cripps, Flynn Realty, inquired into how to go about getting the income limit increased on Board Programs such as the Homebuyers Cash Assistance (CAP) Program as they feel that the existing \$23,000 income limit is too low. Kim also advised the Board that a request to increase the maximum FHA mortgage insurance limit for Havre (Hill County) has been sent to HUD and they have received a positive response. Kim felt they should have an answer in 2 to 3 weeks whether the maximum mortgage insurance limit will be raised and what it will be. Dick Kain explained that the Board does have some latitude with some of their Programs as to setting homebuyer eligibility criteria and that the Board with the CAP Program tried to target homebuyers who might otherwise qualify for a mortgage loan but were

not able to accumulate a downpayment. Further it was explained the Board does have the flexibility with the CAP Program to increase the income limit and the Board would ask for input today regarding where the income limit needs to be set. Kim and several other participants advised the Board that they felt the income limit should be increased to an amount between \$26,000 and \$28,000. There were also several comments explaining that the housing stock at \$50,000 or less has been depleted and those left need extensive rehabilitation to meet FHA appraisal standards. It was felt that the CAP Program's purchase price should be increased above \$50,000. The Board noted that it tries to structure it's programs so they will not be in competition with local programs and asked if the limits were increased would that place the Board's CAP Program in competition with the City of Havre's First-Time Homebuyer Program. Consensus of the participants felt there would be no competition.

Paul Koss, Triangle Realty, Malta, reported that the housing situation is very tight in Malta because of the 250 mining employees in that area and advised the Board that with the lack of rentals, he personally knew of two families with six children that were living in motels because they could not find a home to move into. Paul explained that there were no existing homes between \$25,000 and \$75,000 that would meet FHA qualifications without lots of work and any new construction being done, of which there is little, was being done by individuals. He further explained that the mine poses a unique situation for Malta because of the environmental concern. It is uncertain that there will be permits issued to expand the mine and because people don't know how long they will be there prefer to rent rather than buy.

Diane Savasten, District IV, Human Resource Development Council, Section 8, informed the Board that many of the units that were formerly available as rental units have been sold making the rental situation in Havre very tight which in turn has made rents very high. Diane said she knows of three families consisting of 15 people living in one household because the rental situation is so desperate. Diane advised the Board that they administer 200 Section 8 vouchers/certificates and currently there are 387 families on their waiting list for the three counties they serve. Need is about equal for 2 bedroom units and 3 to 4 bedroom units. The Board asked if there was land available and if it was affordable whether there would be a mechanism to get non-profit entities involved in the development of new rental units. The Board was advised that there was land available and that it was affordable however all land that was being held for taxes or failed SIDs are gone.

Kim Cripps, asked the Board what the normal procedure was when FHA increased their maximum mortgage insurance limit. It was explained that the Board has in the past followed FHA increases up to the limits allowed by the Treasury. Kim noted that Havre has a real possibility of having its maximum mortgage insurance limit increase by FHA to \$80,650 and further asked for an explanation of the problems being seen with the Board's current bond issue regarding acquisition cost versus purchase price. It was explained the maximum purchase price defines what can be included and what has to be excluded from the purchase price, the Treasury regulations attendant to bond issuance requires that the points have to be deducted from the purchase price. It was further noted that this regulation has been in effect since 1986, but because of the strong market this is the first time the difference between acquisition and purchase price has been encountered. The Board was asked if there was anything that could be done to change the regulations and they recommended that letters could be written, as an individual or as part of a membership, to the Congressional

delegation explaining how the regulation impedes the ability to put people in homes.

Betty Ann Morgan, McKay Real Estate, asked the Board to address the availability of funds for mortgage loans. The Board explained that a conference call was held a week ago and they are in the process of doing a new bond issue with a mortgage rate not to exceed 6½% and trying to achieve at least a 1½% spread to conventional FHA/VA mortgage rates. Also a waiting list has been initiated, reservations have been placed on the list in a first-come, first-served basis and those on the list will receive a priority for the new issue. It was the general feeling of the participants that the proposed 6½% funds will be gone as fast as the most recent issue and would it be possible to ask the Board to make more funds available. The Board explained that it is difficult to gauge the demand for the funds and it is their preference to do smaller issues more often than doing larger issues and have the market move against them making the funds unattractive to borrowers. It is their intent to keep funds available as constantly as possible. Another question posed to the Board was if the 6½% recycled funds were still available. Dick explained that the recycled funds were made available by recycling prepayment proceeds from mortgage loans made prior to 1980. The Board has the option to use the prepayment proceeds to redeem bonds or to recycle them into new mortgage loans. When the Board went forward with the 1994 Series A bond issue they also made a decision to use the recycled funds to redeem bonds. Recycled funds have fewer regulations attached to them allowing greater flexibility by the Board to target groups such as the Western Montana Mental Health Center project to acquire two 4-plexes for the severely mentally ill in the Missoula area.

Because of the demand for the low mortgage rate monies the question was asked if there is any criteria for sending in the reservation fee and the Board indicated that the reservation at a minimum should include employment verification, an application and have the property picked out. Eligibility criteria will be the same as the 1994 Series A bond issue. It was also noted the reservation amounts have increased by approximately \$13,000 to \$14,000 which reduces the number of loans the Board is able to make. The reservation will remain viable for 120 days for existing homes and for 180 days for new construction with a mechanism available for extensions. There was a general discussion of yearly income limits received from HUD and ended with a discussion of targeted areas. It was explained that in the late 1970's and early 1980's HUD and the IRS identified Areas of Chronic Economic Distress (ACED), within these targeted areas the first-time homebuyer requirement is waived and higher income limits can be used. The Board has reviewed the most recent criteria data to establish new ACED's and are completing a mailing to the counties closest to meeting the criteria.

Cameron Worstell, thanked the Board for coming to Havre and suggested that meetings be held more often as a general information session. Cameron also suggested that the Board drive around the community to see the work that has been accomplished using Board funds. Cameron advised the Board there are four or five subdivisions in or adjoining the community two of these are close to the golf course and available for new construction. He also indicated that there are several mobile home courts with surplus spaces available and further that 100 homes are being built on the Rocky Boy Reservation.

Annamarie Robinson, Bear Paw Development, advised the Board that she was asked to report to the Board on the City of Havre First-Time Homebuyers Program, which they are administering. Since the mortgage rates have dropped they have not been able to utilize the Montana Board of Housing setaside of 6% funds as they try to obtain the best rate possible for their borrowers. This Program also received funding from the HOME Program for downpayment assistance and explained that if funding from the HOME Program is not used by June 1, 1994 it is lost. An extension for 30 days may be granted, but the State is also looking at losing its HOME funding in August and the State wants to utilize as much of the funds as possible.

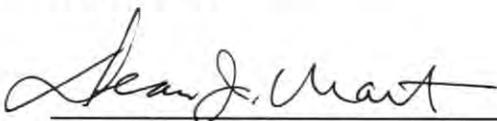
Nora Nelson, Hill County Commissioner, advised the Board that there are few housing developments going on and that the County is being very cautious on new SIDs as in the past they have been left with incomplete subdivisions. Nora also explained that she is also on the State Housing Task Force and they are looking at the problem of scattered housing programs. One idea that has been put forward is consolidating all housing programs into one agency creating a one-stop shopping scenario for housing.

The Board was asked about its Disabled Accessible Affordable Homeownership Pilot Program and would the Program continue. Dick Kain explained that the Program was developed with the assistance of the Independent Living Centers (ILC) and currently the Board is working with the ILCs to expand the definition of disability, to enhance and make the Program permanent. Expansion of the Network is also proposed.

Mary Blair, Flynn Realty, explained that the community appreciates the help the Board has offered in the past and continues to need. Mary noted that she would like to reiterate the previous discussion regarding the need to increase the income and purchase price limits for the CAP Program and the purchase price limits in the Single Family Bond Program.

Linda McKay, McKay Real Estate, asked the Board to elaborate on its Infrastructure Financing Program and explained that local contractors are building small projects and building one home at a time and that contractors are not interested in building homes for less than \$75,000. Linda inquired about the Infrastructure Financing Program for Mobile Homes asking if a similar program could be developed for new construction of single family homes. The Board was advised that if a combination of bridge and permanent financing could be provided the homes could be pre-sold and provide affordable homeownership opportunities. The Board asked the lenders and realtors to formulate their thoughts and put them in writing regarding a Montana Board of Housing bridge and permanent loan financing mechanism for new construction.

The Board thanked those individuals who attended the meeting and for their input on housing needs in the Havre area and their comments on the Board's existing programs. There was not further business and the meeting adjourned.



Dean Mart, Secretary

June 10, 1994

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

April 22, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Tuesday, April 26, 1994, at 9:00 a.m., M.S.T., to review the structure and pricing of the proposed \$25,725,000 Single Family Program Bonds, 1994 Series A; and to review and approve the Board Resolution and the bond purchase contract for the sale of \$25,725,000 Single Family Program Bonds, 1994 Series A.



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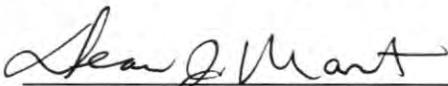
Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Tuesday, April 26, 1994, at 9:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, Mike McKee and Bob Savage; Peter Nolden, Paine Webber, Inc.; and staff members Dick Kain, Bob Morgan, Karen Wynne, Desera Towle, Meredith Miller, Lynn Rolland, Denise Hanson, Connie Boyer, Dolly Snyder, Kurt Lewis and Janet Kunz.

Dick Kain updated the Board on the status of the 1994 Series A Single Family Bond Programs, noting that of the \$17,700,000, 5.50% Single Family Bond Program mortgage funds, have been fully reserved and a waiting list of approximately 140 reservations has been initiated. Of the \$2,500,000, 5.0% Homebuyers Cash Assistance Program, 25 reservations have been received and there remains available \$1,500,000 in lendable funds.

Peter Nolden advised the Board that the current market has been very volatile and explained that the 30 year Treasury bond market in the last three weeks has varied from 6.65% on April 1st, to 7.42% on April 13th to 7.14% today, April 26th. Peter further explained in the current market if a bond issue making available \$20,000,000 in lendable proceeds were structured similar to the 1994 Series A, combining a refunding of existing bonds with a new bond issue, a mortgage rate of 6.0% would be achievable. Peter explained that if a bond issue were structured with new bonds only the achievable mortgage rate would be approximately 7.25%. The Board discussed the bonds that would be refunded, costs involved with a new issue, the size of a new bond issue, corresponding demand and timelines for a new bond issue. Mike McKee moved to direct staff, investment bankers and counsel to proceed with a bond issue incorporating a new money issue and a refunding of existing bond issues to make available \$20,000,000 of lendable proceeds, the motion was seconded by Bob Savage. Following a brief discussion the measure was unanimously approved.

The Board was advised that those reservations on the waiting list will be confirmed with lenders and the waiting list will be maintained until 1994 Series B funds become available. Further mortgage lenders will be updated on the status of a 1994 Series B bond issue.

There was no further business and the meeting adjourned at 9:40 a.m.



Dean Mart, Secretary

May 9, 1994

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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NOTICE OF SPECIAL MEETING

April 20, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, April 22 1994, at 9:00 a.m., M.S.T., to discuss the status of available lendable funds from the \$25,725,000 Single Family Program Bonds, 1994 Series A bond issue.



MONTANA DEPARTMENT OF COMMERCE

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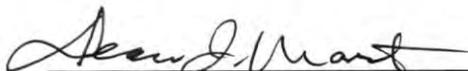
Phone: (406) 444-3040
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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, April 22, 1994, at 9:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, Mike McKee and Bob Savage; and staff members Dick Kain, Bob Morgan, Desera Towle, Meredith Miller and Janet Kunz.

Dick Kain advised the Board that a memo had been sent to lenders on April 18th advising them that there remained approximately \$2,000,000 in available funds for the 1994 Series A Single Family Bond Programs 5.5% mortgage funds. Further a waiting list would be initiated and the Board would continue to entertain, review and approve reservations until such time that market conditions warranted a 1994 Series B bond issue which would achieve a mortgage rate of at least a 1½% spread to FHA mortgage rates and not exceed a mortgage rate of 6.5%. The Board was updated on the number of reservations they have been received and current availability of funds. Discussion by the Board included timing of a new bond issue, when to take action to proceed with a new bond issue, continued demand, current market conditions and an achievable mortgage rate. Bill Oser moved to direct staff to contact Peter Nolden, Paine Webber, Inc., to review with the Board the status of structuring of a new bond issue and an achievable mortgage rate via conference call the week of April 25th, the motion was seconded by Bob Savage and unanimously passed. The Board scheduled a telephone conference call for Tuesday, April 26, 1994, at 9:00 a.m.

Further discussion included status of the Homebuyers Cash Assistance Program (CAP) and whether a new bond issue should include funding for the CAP Program. Based on the remaining availability of funds for the CAP Program, a new issue would include funding exclusively for the Single Family Bond Program.

There was no further business and the meeting adjourned at 9:30 a.m.



Dean Mart, Secretary

May 9, 1994

Dated



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AGENDA

MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
APRIL 13, 1994

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- March 22, 1994 Business Meeting
- III. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. Status of Recycled Mortgage Program Setasides
 - B. 1993 Bridge Recycling Program
 - C. 1994 Series A
 - D. Quarterly Delinquency Report - December 20, 1993
 - E. FHA Single Family Mortgage Limits - Lewis and Clark County
- IV. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- V. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber
- VI. REQUEST OF REPRESENTATIVE ROYAL JOHNSON - Richard Kain
- VII. AREAS OF CHRONIC ECONOMIC DISTRESS - Richard Kain
- VIII. PROPOSAL FOR PERMANENT LOAN FINANCING FOR NEW RENTAL UNITS FOR THE MENTALLY ILL CLIENTS OF THE WESTERN MONTANA MENTAL HEALTH CENTER - Patricia Kent, Director of Housing and Development
- IX. MONTANA PEOPLES ACTION, AFFORDABLE HOUSING PROGRAM - BILLINGS - Dennis McCord, Montana Peoples Action
- X. OTHER BUSINESS
 - A. Montana Bank of Billings - Loan Servicing
 - B. Nebraska First-Time Farmers Program
 - C. HUD Risk-Sharing Program
- XI. CONFIRM NEXT MEETING DATE AND LOCATION
- XII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.



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MONTANA BOARD OF HOUSING
GOVERNOR'S RECEPTION ROOM
STATE CAPITOL BUILDING
ROOM 204
HELENA, MONTANA
APRIL 13, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Karen Wynne, Comptroller
Maureen J. Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

UNDERWRITERS: Peter Nolden, Paine Webber, Inc.
Marie DeRosa, Paine Webber, Inc.
Mark Semmens, D.A. Davidson and Co.
Gordon Hoven, Piper Jaffray Inc.
Gene Huntington, Dain Bosworth

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt
John Wagner, Bond Counsel
Kutak Rock

OTHERS: Rick Sullivan, First Interstate Bank of Denver
Stephen Spitz, Orrick, Herrington and Sutcliffe
John Grant, Jackson, Murdo, Grant and McFarland
Dale Creel, HUD/FHA
Charles Rehbein, Office on Aging
Rusty Redfield, Dept. of Corrections and Human
Services, Mental Health Division
Jane Tremper, Western MT Mental Health Center, Missoula
Patty Kent, Western MT Mental Health Center, Missoula
Patt Leikam, Montana People's Action, Billings
Dennis McCord, Montana People's Action, Billings
Ann Atkinson, Kutak Rock

The meeting was called to order at 9:00 a.m. by Chairman Bob Thomas and guests at the Board meeting were introduced.

APPROVAL OF MINUTES

Bob Thomas advised the Board that the date on the March 22nd meeting minutes was incorrect and has been changed from March 22, 1993 to March 22, 1994. There were no other changes and Mike McKee moved that the minutes be approved by the Board, seconded by Gerry Hudson, the minutes of the March 22, 1994 Business Meeting were approved as corrected.

SINGLE FAMILY PROGRAM UPDATE

STATUS OF RECYCLED MORTGAGE PROGRAM UPDATES

Robert D. Morgan, Administrative Officer, presented an update of the Recycled Mortgage Program setasides as of April 6, 1994. Setasides with a mortgage rate of 6 $\frac{1}{2}$ % totaling \$3,943,354 were first reviewed including: Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$546,400; and the Missoula City-County Affordable Housing Program which is \$2,948,954.

Setasides with a mortgage rate of 6 $\frac{1}{2}$ % were reviewed which include: Neighborhood Housing Services' two setaside programs, the Affordable Housing Setaside II setaside is \$328,867; and the Federal Housing Administration (FHA) Repo Rehabilitation setaside is \$168,765; for a total of \$497,632. The total setaside for all programs is \$4,440,986. It was noted that delay in funding awards from other sources has been instrumental in delaying activity for some of these Programs and they may return to the Board to ask for extensions of setasides but staff felt that the setasides would be fully utilized.

1993 BRIDGE RECYCLE STATUS OF PROGRAM

Bob Morgan presented to the Board the status of the 1993 Bridge Recycling Program as of April 6, 1994. The Board has received 16 reservations for a total reservation amount of \$762,546. Total purchases are \$1,859,852 for a total of 44 loans. The average purchase amount is \$42,269 and the average gross annual borrower income is \$24,382. Of the 44 loans purchased 32 were FHA, 2 were VA and 10 were FmHA. The statewide distribution of loan reservations and purchases by area and lender were then reviewed.

1994 SERIES A

Bob Morgan updated the Board on the progress of the 1994 Series A Bond Programs as of April 7, 1994. For the Single Family Bond Program, which has a mortgage rate of 5.50%, a total of 60 reservations for \$3,566,764 have been received through April 7th. The greatest concentration of reservations is in the Billings, Great Falls and Kalispell areas. Bob explained that since April 7th the number of reservations and funds reserved has doubled and there remains approximately \$10,000,000 in available funds. Five reservations for \$233,536, have been received for the Homebuyers Cash Assistance Program, which has a mortgage rate of 5.00%. Three of the reservations were received from Billings area and two from the Great Falls area.

Bob reported that as of April 13th the Board will begin receiving mortgage loan packages for purchase. The first two purchases are scheduled for April 25th and May 2nd. Purchases will be scheduled as often as required according to the demand. Bob shared with the Board a listing of the lending offices, as of April 7th, who have signed up to participate in the 1994 Series A Bond Programs.

QUARTERLY DELINQUENCY REPORT - DECEMBER 20, 1993

Bob Morgan presented the Board's loan delinquency statistics, as of December 20, 1993. There were 8,213 loans outstanding with 2.46% in a delinquent status, and .44% in foreclosure status. These figures, however,

compare favorably with delinquency rates for Montana of 2.85%; the Mountain Region of 3.69%; and National rates of 4.36%. The delinquencies by bond series were reviewed and it was noted that the highest concentration of delinquencies are in the bond series' which also have higher mortgage rates. Bob also presented a distribution of delinquencies per loan servicer.

FHA SINGLE FAMILY MORTGAGE LIMIT - LEWIS AND CLARK COUNTY

Bob Morgan reported to the Board that on March 10, 1994 FHA increased their maximum mortgage limit for Lewis and Clark County from \$75,500 to \$87,600. Bob briefly reviewed with the Board, FHA's maximum mortgage limit increases over the past 15 months and resultant increases in the Board of Housing's purchase price limits. Staff recommended to the Board that the purchase price limit for Lewis and Clark County be increased from \$75,500 to \$87,600. Dean Mart moved to increase the purchase price limit, for Lewis and Clark County from \$75,500 to \$87,600, the motion was seconded by Gerry Hudson and unanimously approved.

Charlie Rehbein, Aging Coordinator, Office on Aging was introduced and it was explained that with Charlie's expertise two Public Service Announcements (PSA) have been completed for the Reverse Annuity Mortgage (RAM) Loan Program. Charlie advised the Board that he brought with him the video tape of the PSAs and which were played for the Board. Charlie advised the Board that the PSAs have been mailed to Montana television stations for inclusion in the their rotation of PSAs for one year. Charlie also noted that the narrative portions were sent to radio stations for airing and should begin being run soon. The Board thanked Charlie for his assistance with the PSAs.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, presented to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) as of April 5, 1994. The Board has received four (4) reservations for a total reservation amount of \$194,808. Fourteen (14) loans have been purchased for \$863,953, of the \$3,500,000 setaside there remains \$2,441,239. The average loan reservation for the 4 reservations is \$48,702, the average household income is \$13,052, the average mortgage rate is 3.75% and the average household size is 2.7. Of the 14 purchased loans the average purchase price is \$61,752, the average household income is \$17,203, the average mortgage rate is 4.38% and the household size is 2.6. Desera reviewed with the Board the approved applications by County and of the 136 applications received, 110 have been approved; 11 are in process; and 15 have been denied. The average household income of approved applications is \$13,930, the average household size is 2.5 and the mortgage rate distribution for approved applications is: 43 loans at 2.75%; 24 loans at 3.75%; 19 loans at 4.75%; 17 loans at 5.75%; and 7 loans at 6.5%.

Desera briefly reviewed the architectural modifications by disability for loans purchased by the Board and the monthly application activity. The average processing time of a loan from first contact with the Independent Living Centers to purchase of the loan by the Board was shown to be approximately 6 months.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber Inc., advised the that a successful closing of the 1994 Series A bond issue was completed earlier in the morning and shared with the Board and analysis of bond orders versus allotments, noting that of the \$25,725,000 in bonds sold \$19,975,000 were placed with individual investors in Montana. Peter further explained that the mortgage rates achieved would not have been attained without the active involvement of the co-managers.

Peter reported that currently 30 year Treasury bonds are trading at 7.19%, if a new bond issue were structured similar to the 1994 Series A it would translate into a mortgage rate of 6.0% to 6.25%. The municipal bond market is expected to be relatively quiet the next couple of months as investors get past tax deadlines. The speed with which the 1994 Series A bond issue may be reserved, purchased and a new bond issue could be made available were discussed and Peter advised the Board that, using the same structure as the 1994 Series A issue that they could be in the bond market with two weeks notice. It was also explained that if the 1994 Series A bond issue were fully reserved before the May Board meeting the same waiting list concept that has been used in the past could be implemented.

REQUEST OF REPRESENTATIVE ROYAL JOHNSON

Richard A. Kain, Administrator, submitted for the Board's review Representative Royal Johnson's February 20, 1994 letter and a copy of the legislation similar in concept to Representative Johnson's request which had been introduced as House Bill 78 in the December Special Legislative Session. Representative Johnson has asked the Board to plan a reverse mortgage program what would allow a property owner who experienced a substantial tax increase due to reappraisal and/or mill levy increase to keep their home and the Board would loan the incremental or differential amount of annual taxes. The loan would be paid to the County Treasurer and applied to the taxes and the loan security would be a lien on the home and property. Dick advised the Board that there were three areas of consideration that need to be addressed, first whether a property tax deferral and loan program would be within the scope of current statutes pertaining to the Board of Housing. Secondly, whether the trust indentures for the Board of Housing allow reserves to be used for this kind of a loan or investment and lastly, whether or not the Board could bond for this kind of program. Dick indicated that he had asked General Counsel, Bond Counsel and the Board's Senior Investment Banker to review these considerations and asked each to present their thoughts.

Mike Mulrone, General Counsel, advised the Board that the concept of providing loan funds to assist with substantial property tax increases is not currently addressed in statute, further the Board of Housing's mission statement provides for the funding of loans for affordable housing and does not provide for the direct loaning of funds. Mike noted that with this type of loan generally the Board would not be in a first lien position. Mike also advised the Board this type of program may effect the Board's tax-exempt status and if a program of this nature were to be designed he would recommend writing to the IRS to get a revenue ruling.

John Wagner, Bond Counsel, advised the Board that the trust indentures which control the Board's reserves do not anticipate this kind of investment and as such they could not be invested in the proposed reverse mortgages. John further advised the Board that if bonds for this kind of program were issued they would have to be on a taxable versus tax-exempt basis due to Treasury regulations, and an amendment to the Board's enabling legislation would also be needed.

Peter Nolden, Paine Webber, advised that Board that the only Program of this type that he is aware of is the Oregon Veterans Program which is highly subsidized and taxable bonds are issued as one year obligations. Peter also explained to the Board that a mechanism to secure the bonds would need to found, as he is uncertain investors would pay the price necessary to make the program workable unless there were some involvement by the state, possibly in the form of a moral or general obligation.

Discussion by the Board included areas such as who may request such assistance, potential demand, the Governor's Property Tax Committee's handling of the tax deferral issue in advance of the December Special Session and the previously introduced legislation House Bill 78. The Board directed staff to respond to Representative Johnson's request and to communicate the findings of research into this issue, including the thoughts of Mike Mulrone, John Wagner and Peter Nolden.

AREAS OF CHRONIC ECONOMIC DISTRESS

Dick Kain explained that at the March 22, 1994 Board meeting the Board, after reviewing criteria for Areas of Chronic Economic Distress (ACED) prepared for Richland County, requested that data for all Montana counties relating to the criteria for ACED be compiled and presented to the Board. Dick then shared with the Board the portion of the Board's enabling legislation providing for the Board's adoption of standards to determine ACEDs, the section of the Board's Administrative Rules dealing with ACED's and a listing of the current ACEDs in Montana.

Dick presented for the Board's consideration the data that was compiled by the Census and Economic Information Center, Department of Commerce, for all Montana Counties, noting that Blaine County, which is designated as an ACED, and Roosevelt County, which is not a designated ACED area, meet all criteria showing greater distress than the state. Further the counties which show greater distress than the state in six or more of the criteria were highlighted. Dick explained that data was compiled from 1990 census information with the exception of number and percentage of food stamp recipients, number and percentage of Aid to Families with Dependent Children recipients and number and percentage of unemployed, which comes from the most recent annual data available.

Dick reported that the ACED criteria for Richland County had been communicated to Richland County officials as directed by the Board after the March Board meeting. Satisfaction with the data compiled was expressed by Richland County officials. Dick then advised the Board that staff has contacted the Denver Office of the Department of Housing and Urban Development (HUD) and it has not been established that an application for ACED designation would be entertained by HUD. Applications to designate cities or areas within counties as ACED may be entertained, however, it may be possible that HUD would require that a new ACED area replace an existing ACED area. Dick reviewed the process to submit an application to HUD including receiving a request for ACED designation including good area support, review of the request and action by the Board, submission to the Governor for approval and submission to HUD. It was suggested that the county information along with the process for designation as an ACED be sent to realtors, lenders and county commissioners and request comments on the data. Bob Savage moved that Roosevelt County, based on meeting all criteria showing greater distress than the state, be designated an ACED and the application process to HUD be initiated by staff. Paul Bankhead seconded the motion. Following a discussion of the number of Board loans in Roosevelt County, demand and interest by County officials of pursuing an ACED designation, Bob withdrew his motion until such interest could be determined. The Board agreed to consider which ACED criteria they feel is the most important and return to this issue at a future Board meeting.

PROPOSAL FOR PERMANENT LOAN FINANCING FOR NEW RENTAL UNITS FOR THE MENTALLY ILL CLIENTS OF THE WESTERN MONTANA MENTAL HEALTH CENTER

Patricia Kent, Director of Housing and Development, explained that she was appearing before the Board to request their consideration for the development of a program for the mentally ill similar in concept to the Board's Disabled Accessible Affordable Homeownership Program (DAAHP).

Patty briefly explained that the Western Montana Mental Health Center (MHC) was established in the 1960's when institutions for the mentally ill were being closed. The MHC provides a variety of services for the mentally ill in seven western Montana counties. Housing for the mentally ill has traditionally relied on Section 8 assistance, this is no longer a viable alternative with increased competition for available vouchers from all sources. The average monthly income for a MHC consumer is approximately \$434, which must meet all of their needs and the average monthly rent in Missoula is \$400. Patty explained that the increases in the price of a home coupled with a vacancy rate of 0% to 1% in western Montana has advanced a bottleneck situation in the rental housing market. Because of the current housing market situation and competition for federal funding and grants, MHC is looking to new construction and permanent loan financing to ease the cycle of poverty among the mentally ill.

Jane Tremper was introduced to the Board and Patty explained that Jane is a MHC success story, she came to MHC as a client and has graduated to becoming a case manager for MHC. Jane explained to the Board that she grew up and was educated in Montana and was very active in high school. At age 19 she experienced her first bout with manic depression and because of a limited income had to share housing with roommates when she wanted to live by herself. Jane advised the Board that she attributes her success, among other things, to finding good affordable housing. Jane explained to the Board that mental illness is a genetic illness, not a life style choice and when the condition presents itself the individual's life dramatically changes and it is frightening. Jane explained that the hardest part of her job as a case manager is to find decent affordable housing where clients can feel safe. She detailed situations in which the mentally ill are discriminated against in regards to housing and told the Board of a client that recently tried to commit suicide and is currently hospitalized because of her housing situation. Jane thanked the Board for their time and their attention to the issue of housing for the mentally ill.

Patty briefly reviewed with the Board the proposal for development of a program for the mentally ill. Initially MHC would like to set up the program as lease/option housing for persons with severe and persistent metal illness with the MHC as the qualified mortgagor. The program would be similar to the Board's DAAHP Program, in which monthly rents would no exceed \$135 including utilities. To achieve this rental rate and make the proposal feasible, MHC would ask for a mortgage rate of 2.75%. Following a brief discussion Mike McKee made a motion to pursue development of a program for the mentally ill based on Western Montana Mental Health Center's proposal and using the Board's DAAHP Program as a model. The motion was seconded by Dean Mart and unanimously approved.

MONTANA PEOPLE'S ACTION, AFFORDABLE HOUSING PROGRAM - BILLINGS

Patt Leikam and Dennis McCord, Montana People's Action (MPA), explained to the Board that the MPA is a community organization and has worked with low and moderate income individuals since 1988. The vacancy rate in the Billings area is less than 1% and there are currently 3,000 individuals and families on housing waiting lists in the Billings area. Patt and Dennis presented for the Board's consideration a proposal, the Montana People's Action (MPA) Affordable Housing Program, the purpose of which is to assist low income individuals and families to become homeowners by providing downpayment assistance and closing cost assistance through a deferred second mortgage and with a setaside of \$600,000 Montana Board of Housing (MBOH) 5%, 30 year permanent loan financing. Eligible properties under this Program include, but are not limited to, single family residences located in Census Tract 1.00, 2.00 and 3.00 North Park and South Park which are being acquired and renovated by MPA. MPA reserves the right to give

assistance priority to purchasers of renovated properties under its control until they are sold. The MPA has raised \$78,000 from private sources, received an award of \$58,000 from the State HOME Program and has applied to the City of Billings HOME Program for an additional \$75,000, these funds would be used for downpayment and mortgage buy down assistance. Patt advised the Board that as part of the Program borrowers would be required to attend a year long homebuyers course which provides education in the purchase and ownership of a home. The course provides assistance with credit history and home visits by MPA staff to assist homebuyers deal with problems that may occur.

MPA will determine the eligibility of applicants with Program criteria. A selection committee made up of nine (9) members will prioritize eligible applicants for assistance. The maximum purchase price is not to exceed \$50,000. Buyer and Seller are to pay their usual and reasonable settlement and financing costs. The maximum family income for a family of 2 is \$15,150; for a family of 3 is \$17,000; for a family of 4 is \$18,900; for a family of 5 is \$20,375; and for a family of 6 is \$21,905. Total Family Assets are not to exceed \$30,000 and families are required to use their private resources as downpayment before Program assistance will be made available. Families are required to have a minimum of \$600 personal downpayment funds. Eligible homebuyers are to be either pure first-time homebuyers, displaced homemakers who owned a home with a spouse, single parents who owned a home with a spouse while married or individuals who own a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with state, local or model building codes or other applicable codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. The property is to be owner-occupied and to be maintained as the mortgagor's principal residence while any portion of the mortgage loan remains outstanding. The number of properties/homebuyers served will be approximately 15 and assumptions of loans will require prior approval by the Board of Housing and those assuming the loan must qualify under the terms of this Program. The maximum mortgage loan amount is \$55,000; shall be insured by FHA Section 203(b) Program and shall have a fixed mortgage rate of 5%. The Board of Housing will not charge any discount or reservation fees; lenders may charge an origination fee not to exceed 1% of the loan amount and a discount point not to exceed .50% of the loan. MPA will negotiate with each lender and distribute to the potential homebuyers the fees charged by participating financial institutions. Cash assistance, not to exceed \$6,000, will be available for downpayment, closing costs and mortgage buy down through a grant. Cash assistance is provided as a deferred payment second mortgage with no monthly payments required, however funds are subject to recapture under the terms and conditions of the Program if the property is sold within the term of the FHA first mortgage, which is thirty (30) years. The Montana People's Action Affordable Housing Program is asking for the funds to be set aside for a period of two years, expiring on May 1, 1996. The Board briefly discussed MPA's proposal and Dean Mart moved to approve a two year setaside of \$600,000 at a mortgage rate of 5% to be insured by FHA 203(b) Program to be used as permanent financing, seconded by Bob Savage the motion was unanimously approved.

OTHER BUSINESS

Mike Mulrone, General Counsel, advised the Board that Desera Towle, Program Specialist for the Board of Housing, has applied for Board of Housing Single Family Bond Program funds to construct a new home. Mike explained that in the past the situation has arisen where family members have received funding for a home, but this is the first time that staff has applied for Board funds. Because of the uniqueness of this situation and

Desera's possible involvement, through her position, with this loan, a procedure with which to handle the situation has been employed. First a memorandum to Desera as an employee of the Board of Housing requiring a commitment of compliance was issued, next a memorandum from Desera to the Board of Housing outlining those commitments was received. Desera has received a copy of the code of ethics for state employees and has agreed to reasonable internal control procedures be implemented related to her duties in regards to delinquent loan management. Finally, it was determined that the Board, because of the unique situation, should approve staff loans. Counsel and Dick Kain as Administrator, based on the procedure outlined to the Board and all requirements being met recommend approval of Desera's loan application. Mike McKee moved that the Board approve the loan application submitted by Desera Towle for Board of Housing Single Family Bond Program funds. The motion was seconded by Dean Mart and unanimously approved.

MONTANA BANK OF BILLINGS - LOAN SERVICING

Dick Kain reported to the Board that the issues involved with Montana Bank of Billings loan servicing are being resolved and directed the Board's attention to two letters regarding this issue. Dick advised the Board his letter dated March 25, 1994, explained that because of the one year transition period before Norwest Banks can dissolve the Bank of Montana System the Board is not in a position to entertain an assignment of servicing request from Montana Bank-Billings to Norwest Mortgage-Des Moines, Iowa at this time. The letter also explained that for Norwest Mortgage to be reinstated as a qualified lender/servicer two original documents, an Officers Certificate and a Certificate of Resolution, were required. Dick advised the Board that the two documents have since been received, Norwest Mortgage has been reinstated as an approved lender/servicer and an Invitation to Participate in the Single Family Bond Programs, 1994 Series A, has been sent to Norwest Mortgage per his second letter dated April 1, 1994. The last item to be resolved involves an application for the new entity, Bank of Montana System, to be approved as a qualified lender/servicer for the one year transition period, as yet staff has not received anything in regards to this application.

NEBRASKA FIRST-TIME FARMERS PROGRAM

Paul Bankhead shared with the Board information on the Nebraska First-Time Farmers Program and Nebraska's statutes regarding the Program, the Iowa Beginning Farmer Loan Program and Montana statutes regarding Agricultural Loan Authority. Paul expressed his desire that the Board look into this issue as he feels there is a need in Montana to encourage new farmers. Nebraska's Program was briefly discussed and it was noted that Federal regulations that mandate each loan made would require a separate bond issue. There was discussion as to whether this issue would fall under the Board of Housing's enabling legislation and whether the Montana statutes pertaining to the Agriculture Loan Authority were ever repealed. The Board directed staff to look into the status of the Montana statute and report back to the Board.

Paul then reminded the Board that the State Housing Task Force would be meeting on May 2nd and asked for recommendations by Board that he could take to that meeting. Following a discussion of several issues the Board asked Paul to convey to the State Housing Task Force that the Board of Housing would entertain expansion of its mission for additional housing purposes if that expansion would could be reasonably accomplished, made sense, showed a need and was financially prudent.

HUD RISK-SHARING PROGRAM

Dick shared with the Board a letter dated March 31, 1994 from the Department of Housing and Urban Development (HUD) notifying the Board of

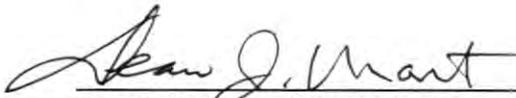
Housing that their application for participation in the Risk-Sharing Pilot Program has been approved.

CONFIRM NEXT MEETING DATE AND LOCATION

The Board confirmed that the May Board meeting was set for Monday, May 9, 1994, at 8:30 a.m. in Great Falls, at the Civic Center, 2 Park Drive South, with a public meeting to follow. The Board also confirmed a public meeting in Havre, on Tuesday, May 10, 1994, at 9:00 a.m in the City of Havre's City Council Chambers, 520, 4th Street.

Bob Savage advised the Board that he had received from Kathie O'Brien, City of Missoula, a copy of the Homeowner Course required as part of the Missoula City-County Affordable Homeownership Program and asked staff to make copies for each of the Board members.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

May 9, 1994

Dated

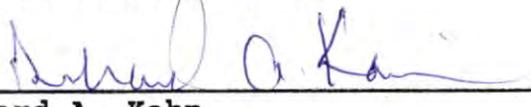
NOTICE OF PUBLIC HEARING
MONTANA DEPARTMENT OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1994 Series A
(FHA Insured or VA Guaranteed Mortgage Loans)
\$25,725,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of \$25,725,000 in mortgage revenue bonds to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Thursday, March 31, 1994, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: March 17, 1994.

MONTANA BOARD OF HOUSING

By: 

Richard A. Kahn
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
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MJM/jb



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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Notice having been given, the Montana Board of Housing held a public hearing on the \$25,725,000 Single Family Program Bonds Series 1994 A, the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing which was held on Thursday, March 31, 1994, in the Board's office, began at 9:00 a.m. and was attended by Richard A. Kain, Administrator; Karen Wynne, Comptroller; Robert D. Morgan, Administrative Officer; Mike Mulrony, Luxan and Murfitt; and Janet Kunz, Administrative Assistant. No comments, either written or oral, were received and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

March 31, 1994
Dated



MONTANA DEPARTMENT OF COMMERCE

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AGENDA

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 NINTH AVENUE
HELENA, MONTANA
MARCH 22, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - February 14, 1994 Board Worksession
 - February 15, 1994 Business Meeting
 - February 28, 1994 Conference Call Meeting
 - March 4, 1994 Conference Call Meeting
- III. REPORT ON NATIONAL COUNCIL OF STATE HOUSING AGENCIES ANNUAL LEGISLATIVE CONFERENCE - Paul Bankhead
- IV. REPORT ON STATE HOUSING TASK FORCE - Paul Bankhead
- V. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- VI. INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING - Janet Kunz
- VII. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- VIII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. 1994 Allocation Plan
- IX. MULTIFAMILY HOUSING PILOT PROGRAM
 - A. Overview of Program Status and New Proposal from the Ronan Housing Authority - Maureen Rude
 - B. Presentation of Ronan Housing Authority Proposal - Billie Lee, Executive Director
- X. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Report on April 1, 1994 Bond Calls
 - B. Report on April 15, 1994 Bond Calls
- XI. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. FHA Single Family Mortgage Limits - Gallatin County
 - B. Status of Recycled Mortgage Program Setasides
 - C. 1993 Bridge Recycling Program
 - D. 1994 Series A
 - E. Qualified Census Tracts - New Targeted Areas
 - F. Residential New Construction Program for Energy Efficient Homes

- XII. MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM - Cindy Wulfekuhle, Program Manager, Missoula County and Kathie O'Brien, Project Coordinator, City of Missoula
- A. Program Overview and Status Report

XIII. OTHER BUSINESS

- A. Richland County - Area of Chronic Economic Distress
- B. Discussion of Future Meeting Locations
- C. Request of Representative Royal Johnson
- D. Montana Bank of Billings - Loan Servicing
- E. 1993 Annual Report Distribution
- F. 1994 Series A Bond Orders/Allotments

XIV. SET NEXT MEETING DATE

XV. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

3/9/94



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
DOWNSTAIRS CONFERENCE ROOM
HELENA, MONTANA
MARCH 22, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Administrative Officer
Karen M. Wynne, Comptroller
Robert D. Morgan, Administrative Officer
Desera Towle, Program Specialist
Kurt Lewis, Accountant
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Dick Spalding, Merrill Lynch
Gordon Hoven, Piper Jaffray Inc.
Gene Huntington, Dain Bosworth

OTHERS: Tom Ellis, Norwest Bank, Helena
Chris Kafentzis, HUD/FHA
Charlie Rehbein, Office on Aging
Cindy Wulfekuhle, Missoula County
Kathie O'Brien, City of Missoula

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the February 14, 1994 Board Worksession, the February 15, 1994 Business Meeting, February 28, 1994 Conference Call Meeting and the March 4, 1994 Conference Call meeting were approved as presented.

REPORT ON NATIONAL COUNCIL OF STATE HOUSING AGENCIES ANNUAL LEGISLATIVE CONFERENCE

Paul Bankhead, reported to the Board his attendance at the National Council of State Housing Agencies Annual Legislative Conference in Washington D.C. held from February 28th through March 2nd. Paul advised the Board that he directed his efforts towards meeting with Montana's Congressional delegation and to that end met with Senator Burns' and Senator Baucus' staff and personally met with Representative Williams. Paul explained the

"Working Together to Make It Work"

Board's programs to the delegation and provided them with program pamphlets and brochures and felt that the meetings ensure good lines of communication. Invitations to attend both the State Housing Task Force meetings and Board of Housing meetings were extended and a member of Senator Burns' staff did attend the State Housing Task Force meeting on March 21st.

Paul explained that Conference sessions dealt with treating the homeless issue as a housing problem; minority housing discrimination issues; disclosure of political contributions; and the increased cost of housing being driven by lumber prices and cost of new lots. Paul also advised the Board of discussions he had with other states about programs that they have available and in particular programs in Iowa and Nebraska to assist new farmers and ranchers purchase land to begin farming or ranching. Several Board members expressed an interest in obtaining a copy of materials explaining the agriculture program, the Board was advised that copies could be made and distributed to all Board members. Bob Savage also asked that the Nebraska statutes pertaining to the program be obtained for review. As a last note Paul indicated that the National Conference of State Housing Boards will meet from July 31, 1994 through August 2, 1994 in Jackson Hole, Wyoming and Paul felt this would be a good opportunity for Board members to attend and meet with peers.

REPORT ON STATE HOUSING TASK FORCE

Paul Bankhead, advised the Board that the State Housing Task Force (Task Force) met on March 21st and are concentrating their efforts on three issues which are: delivery system for affordable housing; financing issues; and regulatory issues. Paul briefly explained that issues pertaining to delivery system include developing a state housing policy; and designating a state agency or board to implement the delivery of affordable housing for the state. Financing issues include a greater use of funds; tying funding mechanisms together to increase leveraging possibilities; the possibility of establishing a Housing Trust Fund; infrastructure planning; and issues of the handicapped and homeless. Regulatory issues include possibility of grants; making all permits for construction available at one-stop; and looking at the increase of costs as a result of regulations.

Paul advised the Board that the Task Force is to have in place a policy and possible legislation for presentation to the next Legislative Session by October 1, 1994. Paul conveyed from the Task Force a question to the Board asking what the Board could do to expand their programs if it's enabling legislation is changed? Paul asked Board members to give this request some thought and indicated that he would like to take with him to the next Task Force meeting, May 2nd, a response from the Board. The Board agreed this issue needed further discussion before a response could be prepared. Paul did say that the other members of the Task Force voiced a lot of support for the Board of Housing, the Board's willingness to listen, to help and to work with others which led the Task Force to try and determine how to get the Board of Housing to do more.

Paul reminded the Board that he was appointed to the Task Force as the Governor's representative and as such after each meeting of the Task Force reports to the Governor on the meeting. He reported to the Governor that two areas of concern for the Task Force were the coordination of current efforts in the state and the ability to implement new programs that other states may have. Paul also expressed his concerns to the Governor with being both a member of the Board of Housing and the Task Force and giving an opinion of housing problems in the State. Paul indicated that the Governor had given him the green light and that he is behind the efforts of the Task Force. Paul explained that election of officers was held and

Kevin Hager, Great Falls, National Association of Housing and Redevelopment Officials was named Chairman and he was named Vice Chairman.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Janet Kunz, Administrative Assistant, reported to the Board on the status of the Amendment to the Administrative Rules for the Reverse Annuity Mortgage (RAM) Loan Program, which changes the maximum loan amount from \$40,000 to an amount to be set by the Board. Janet reported that the process to amend the Administrative Rules is completed and took effect on March 18th and further advised the Board that any action taken by the Board to increase the maximum loan amount would become effective immediately. Following a brief review, based on a mortgage rate of 5%, the effect of increasing the maximum loan amount from \$40,000 to \$50,000 (25% increase in monthly payments) and from \$40,000 to \$60,000 (50% increase in monthly payments), Janet recommended to the Board that the maximum loan amount be increased from \$40,000 to \$50,000. Bill Oser moved that the maximum loan amount for the RAM Program be increased from \$40,000 to \$50,000, the motion was seconded by Paul Bankhead and was unanimously approved.

Further outreach will include contact with counselors regarding the increase in loan amount and training to be held in May. Janet also advised the Board that RAM Brochures were mailed to Norwest Bank-Butte for a pre-retirement seminar being conducted for Montana Power employees on March 25th. Follow-up regarding the increased loan amount will be done following today's Board meeting.

Mike Mulroney, Board Counsel, advised the Board that during a review of RAM loan documents Bob Savage discovered a typographical error which affects both the Trust Indenture and the Mortgage Loan Agreement. The error, which is the same in each document, occurs under the Acts of Default section and reads "(a) A sale, assignment, or transfer...that is made **with** the Board's prior written consent.", emphasis added. The language should read "...sale, assignment, or transfer...that is made **without**..." emphasis added. Mike advised the Board that changes can be made to the loan documents prospectively with no difficulties, the difficulty exists in the retrospect handling of outstanding loans documents. Mike advised the Board of options available to the Board and following a brief discussion the Board directed Mike and staff to formulate modifications to the Trust Indenture and Mortgage Loan Agreement and to contact each of the borrowers with outstanding loans explaining the error in the loan documents, secure their signatures on a modified loan agreement and trust indenture, record the new trust indenture and report back to the Board the response of the borrowers.

INFRASTRUCTURE FINANCING FOR AFFORDABLE HOUSING

Janet Kunz reported to the Board the status of the Infrastructure Financing Program. The Bridge Financing Lending Parameters were briefly reviewed and include eligible borrowers: local governments, non-profits, private developers submitting proposals through a Montana financial institution. Eligible infrastructure is that associated with mobile homes only, for site acquisition and/or site improvements. Loan terms include a loan rate of 6%; maximum 5 year loan term with monthly level debt payments; maximum loan amount of \$10,000 per individual site; and advance of bridge loan funds are subject to permanent loan financing being in place. Housing is to be occupied by individuals and families whose total annual income is below the current state median income of \$32,300 and that proposals will be entertained on an as received basis, will be reviewed based on the infrastructure lending parameters and the affordable housing to be produced and demonstrated affordable housing needs of the particular community.

Janet advised the Board that on February 18th a mailing of the lending parameters for the Program was sent to mortgage lenders, to local and area real estate Boards, local governments and non-profit entities and that an article regarding the Infrastructure Program appeared in the Billings Gazette on March 2nd. The Board was advised that staff has received 10 calls about the Program. The types of inquires were reviewed with the Board and include: requests for more information, how to apply, how to document income and income restrictions after the loan has been paid off, if the program is only for mobile homes, developing a lot for a parent; and developing a mobile home as a sleeping area to be used in conjunction with a treatment program. No proposals have been received to date.

Mike McKee advised the Board that in Hamilton, the mobile home park that is having problems with it's sewer system is in the process of working out a solution with the City of Hamilton, however there is still potentially a use of the Program for this project. Bob Savage also advised the Board of a developed mobile home park in the Sidney area that the County is carrying for delinquent taxes. It is located out of town and it is difficult to get services to. The second mobile home park, also developed, is close to being assumed by the City for delinquent taxes. Bob indicated that both parks may have potential use of the Program.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, reported, based on a Board member inquiry at the February 15th Board meeting, that several manufactured home manufacturers do provide for the modification of a home during construction to accommodate a disability, such as wider doors and hallways and larger bathrooms.

Desera presented to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) as of March 15, 1994. The Board has received four (4) reservations for a total reservation amount of \$237,139. Thirteen (13) loans have been purchased for \$781,727, of the \$3,500,000 setaside there remains \$2,481,133. The average loan reservation is \$57,412, the average household income is \$16,078, the average mortgage rate is 4.24% and the average household size is 2.6. The average purchase price is \$60,177, the average household income is \$16,350, the average mortgage rate is 4.21% and the household size is 2.7. Desera reviewed with the Board the approved applications by County and of the 131 applications received, 107 have been approved; 9 are in process; and 15 have been denied. It was noted that the 15 applications were denied as a result of items such as ownership of a home after the disability occurred and the disability not being a mobility impairment. The average household income of approved applications is \$13,855, the average household size is 2.5 and the mortgage rate distribution for approved applications is: 43 loans at 2.75%; 23 loans at 3.75%; 17 loans at 4.75%; 17 loans at 5.75%; and 7 loans at 6.5%.

The monthly application activity, since inception July 1, 1993, was reviewed with the Board. The presentation of architectural modifications by disability for loans purchased by the Board, illustrated the type of disability and mobility impairment, whether the home was new, existing or a retrofit, the architectural modifications needed to be added to the home or were already included in the home, how the cost of the modifications were paid for (i.e. included in purchase price, cash payment, financed in loans), and purchase and appraisal information.

The Board held a brief discussion regarding the definition of disability with mobility impairment, the future trend and expiration date of the Pilot Program and a suggestion that retrofitting an existing home for a disability might work well with the Reverse Annuity Mortgage Loan Program to assist seniors to age in place.

LOW INCOME HOUSING TAX CREDIT PROGRAM
1994 ALLOCATION PLAN

Maureen J. Rude, Administrative Officer, advised the Board that on March 7th a public hearing was held to receive comments for the 1994 Allocation Plan (Plan) for Low Income Housing Tax Credits and no significant comments were made. The Plan was then transmitted to the Governor and approved by him on March 8th and a mailing of the Plan was sent to approximately 70 interested parties on March 14th.

Maureen briefly reviewed the Plan with the Board explaining that it reflects the approval dates by the Board and the Governor, that the date of the first submission round was changed from April 1st to April 8th to allow more time for submission of applications and the language regarding partial refunding of application fees was stricken per Board action at the February Board meeting. Maureen requested Board input regarding the presentation of project applications, suggesting that project proposals could be presented by the developer with staff presenting the ranking matrix and recommendation to the Board or presentations could remain as presented in the past with staff presenting the application, the ranking matrix and the recommendation. The Board indicated they would prefer presentation of applications to remain as they have been presented in the past with staff making the complete presentation.

MULTIFAMILY HOUSING PILOT PROGRAM
OVERVIEW OF PROGRAM STATUS AND NEW PROPOSAL FROM THE RONAN HOUSING AUTHORITY

Maureen Rude presented a review of available funds and possible commitments for the Multifamily Housing Pilot Program. Of the \$500,000 Non-Profit Allocation there remains \$145,000; of the \$2,000,000 Governmental Allocation there would remain \$917,891 assuming a preliminary commitment of \$204,298 to the Ronan Housing Authority before the Board today; of the \$300,000 Cash or Insured Loan Asset Requirement there remains \$123,839; and of the 20 units of subsidy there remains 10 units. The preliminary commitments represent a total of 51 units, total dollars in loan funds of \$1,543,109 and total project costs of \$3,165,526. Maureen did explain to the Board that any balances remaining for the Pilot Program would be rolled into the Risk-Sharing Program. Maureen then presented a status of the proposals receiving preliminary commitments noting that two proposals were unsuccessful in CDBG application funding and have withdrawn their proposals and four are awaiting the HOME application awards to be announced in April.

Maureen Rude briefly explained that the Ronan Housing Authority (RHA) originally submitted a proposal at the July 23, 1993 Board meeting and received a preliminary commitment. Due to significant changes made to the proposal and reported to the Board at the December 17, 1993 Board meeting the preliminary commitment was withdrawn and an invitation to re-submit a proposal was extended. Maureen advised the Board that the RHA has worked extremely hard to resubmit a new proposal and that Billie Lee from the Ronan Housing Authority will be presenting a proposal for a 6 unit project including a 4-plex and a duplex. Maureen then introduced Billie and turned the presentation over to her.

PRESENTATION OF RONAN HOUSING AUTHORITY PROPOSAL

Billie Lee, Executive Director, explained that the Ronan Housing Authority (RHA), brought to the Board in June, 1993 a proposal similar to the one being presented today. The RHA, which was established 18 months ago, has a Board made up of professionals from the real estate, property management and insurance fields which offers the RHA a good sense of real estate markets. The RHA also works closely with the City Council and everything from a building standpoint is approved by the Council. Billie, further

explained that after the original proposal presentation, bids for an architect were accepted, an architect was hired and the architect recommended that the best use of the property was two 5-plexes. It was not realized by RHA at the time that the 5-plexes would not be acceptable because of FHA insurance requirements. The proposal has been re-designed based on maximum mortgage and FHA insurance requirements, eliminating some of the architect's extras to make the project work from a cash standpoint allowing a workable project. Three Section 8 vouchers have been requested from the Salish-Kootenai Tribal Housing Authority for use with the project along with the three units of subsidy available through the Multifamily Pilot Program. Construction for the project is ready to proceed.

Maureen briefly reviewed the proposal with the Board and presented the staff recommendation. Staff recommend that a preliminary commitment of \$204,298 of permanent loan financing for a 4-plex and duplex for a term of 30 years be extended to Ronan Housing Authority subject to FHA 203(b) insurance on each building. Staff also recommends that the Board maintain the three units of subsidy previously approved. Dean Mart moved that the Board, based on the proposal presented and staff recommendation, extend to Ronan Housing Authority, a preliminary commitment of \$204,298, for a term of 30 years, subject to FHA 203(b) insurance and also to maintain the three units of requested subsidy. Mike McKee seconded the motion which was unanimously passed.

ACCOUNTING AND REPORTING UPDATE

REPORT ON APRIL 1, 1994 BOND CALLS

Karen Wynne, Comptroller, reported that on April 1, 1994 the Board will call \$6,736,253 in bonds from the Single Family I Indenture in a mandatory call from mortgage prepayments. This includes \$2,085,000 from 1987A, \$2,750,000 from 1987B and \$1,901,253 from 1988A. Karen shared with the Board a bond call history for each of these series' and a Notice of Partial Redemption which is prepared and published by the Trustee

Also on April 1, 1994 the Board will call bonds for bond issues 1988B, 1989A, 1990A, 1990B, 1990C, 1991A, 1991B and 1992A. The Board will call a \$2,475,000 from 1988B; \$2,845,000 from 1989A; \$2,300,000 from 1990A; \$1,990,000 from 1990B; \$2,825,000 from 1990C; \$1,370,000 from 1991A; \$1,200,000 from 1991B; and \$720,000 from 1992A for a total of \$15,725,000. Karen briefly reviewed the bond call history and shared the Notice of Redemption.

REPORT ON APRIL 15 1994 BOND CALLS

Karen Wynne, presented the April 15, 1994 bond call to the Board for 1983A and 1983C. Karen explained that this bond call is resulting from the 1994 Series A bond issue. All bonds will be called from the 1983A bond issue, \$940,000 will be redeemed from prepayments at par and \$7,335,000 will be redeemed from 1994A bond proceeds at a premium of 103%. All bonds, except Capital Appreciation Bonds, will be called from 1983C bond issue, \$8,450,000 will be redeemed using proceeds from 1994A bond issue, also at a premium of 103%.

SINGLE FAMILY PROGRAM UPDATE

FHA SINGLE FAMILY MORTGAGE LIMITS - GALLATIN COUNTY

Robert D. Morgan, Administrative Officer, advised the Board that at the February 15, 1994 Board meeting staff recommended that the IRS Safe Harbor Limit of \$97,700 be adopted for Gallatin County and the Board approved \$97,700 as the purchase price limit. Bob explained that the Treasury regulations stipulate that the Safe Harbor Limit must not exceed 90% of \$97,700 for existing housing or \$87,930. Further it is staff's recommendation that the purchase price for Gallatin County be set at

\$87,930 and not \$97,700. Bill Oser moved that the purchase price limit in Gallatin County be set at the IRS Safe Harbor Limit of \$87,930. The motion was seconded by Bob Savage and unanimously approved.

Bob further advised the Board that effective March 10, 1994 FHA increased their maximum mortgage limits for Lewis and Clark County from \$75,500 to \$87,600. Gerry Hudson moved that the Board increase the purchase price limit in Lewis and Clark County from \$75,500 to \$87,600 provided concurrence from bond counsel, the motion was seconded by Paul Bankhead. Following a discussion of the appropriateness of increasing the purchase price limit prior to the 1994A bond closing the motion failed with two members voting in favor and four voting against of the motion.

The Board asked if it were possible to receive some advanced notice from FHA prior to the letters announcing their increase in maximum mortgage limits. Chris Kafentzis, FHA-Helena Office, advised the Board that notice of increased mortgage limits catches the local FHA offices by surprise in much the same manner as lenders. The letter from Washington D.C. increasing the mortgage limits is received and turned around the next day for mailing. Chris noted that applications for increases in mortgage limits have been submitted by Billings, Missoula County and Jefferson County and further advised the Board that he will try to keep them informed of applications for increased mortgage limits. The Board also asked that information regarding purchase price limits and options that the Board has be addressed in a future worksession.

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDES

Bob Morgan presented a summary of Recycled Mortgage Program setasides as of March 15, 1994 to the Board. Setasides with a mortgage rate of 6% totaling \$3,943,329 were first reviewed including: Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$546,400, with one loan reservation in process and one loan purchased; and the Missoula City-County Affordable Housing Program which is \$2,948,929. Bob advised the Board that the Missoula City-County Program currently has 11 loans reserved for a total of \$671,133.

Setasides with a mortgage rate of 6½% were reviewed which include: Neighborhood Housing Services' two setaside programs, the Affordable Housing Setaside II setaside is \$328,867; and the FHA Repo Rehabilitation setaside is \$168,765; for a total of \$497,632. The total setaside for all programs is \$4,440,961.

1993 BRIDGE RECYCLING PROGRAM

Bob Morgan presented to the Board the status of the 1993 Bridge Recycling Program as of March 15, 1994. The Board has received 14 reservations for a total reservation amount of \$598,918. Total purchases is \$1,680,773 for a total of 40 loans, of the \$10,000,000 setaside there remains \$7,720,309 in available funds. The average purchase amount is \$42,018 and the average gross annual income is \$24,563. Of the 40 loans purchased 28 were FHA, 2 were VA and 10 were FmHA. The statewide distribution of loan reservations and purchases by area and lender were then reviewed.

1994 SERIES A

Bob Morgan shared with the Board an update and timeline for the 1994 Series A bond issue. A memo was mailed to real estate lenders on March 7, 1994 advising them of the bond sale, lendable amounts, mortgage rates, point structure, procedures and timeframe for reservations and purchases for both the Single Family Bond and the Homebuyers Cash Assistance Programs. Also on March 7th a memo was mailed to the Montana Real Estate

Association advising them of the bond sale, lendable amounts, mortgage rates, point structure, timeframe for application and availability of funds. The Invitation to Participate, Mortgage Purchase and Servicing Agreements were mailed to approved lenders on March 14th. Copies of the memos and the Invitation to Participate were shared with the Board. Lenders began signing up to participate on March 17th, also on the 17th the Board began receiving and approving reservations. Further Bob advised the Board that the first scheduled purchase date is April 25th with purchases to be conducted weekly if necessary.

QUALIFIED CENSUS TRACTS - NEW TARGETED AREAS

Bob Morgan reported to the Board that the Internal Revenue Service (IRS) has issued a new list of Qualified Census Tracts, based on the 1990 Census. A Qualified Census Tract, which is defined as 70% or more of the families having income that is 80% or less of the statewide median family income, are the primary determinant of Targeted Areas. Targeted Area designation allows waiver of the first-time homebuyers restriction for Mortgage Revenue Bond proceeds. It was noted that Treasury regulations attendant to Mortgage Revenue Bonds specify that 20% of bond proceeds have to be maintained for one year for Targeted Areas. 1990 Qualified Census Tracts include: within the City of Billings Census Tract #1 (Division Street to 6th Avenue to 24th Street to 23rd Street to Railroad Tracks) and Census Tract #3 (Railroad Track to far branch of Yellowstone River to State Avenue); the Town of Busby, Census Tract #9642; the Town of Browning, Census Tract #9762; the City of Great Falls, Census Tract #6; the City of Helena, Census Tract #9796 (From Main Street on Lyndale Avenue to Getchell Street to Ralph Street to Park Avenue to Lyndale Avenue to Benton Avenue to Railroad Tracks); the City of Missoula, Census Tract #2.01; the Town of Roberts, Census Tract #9655; and the Town of St. Marie, Census Tract #9549. Bob also explained that the Town of Wyola which had been designated a Qualified Census Tract by the 1980 Census is no longer included. It was further explained that the City of Great Falls and the City of Missoula, as Areas of Chronic Economic Distress, are already designated Targeted Areas and including the Qualified Census Tracts for these cities would not provide any additional benefit to those areas. After a discussion of Targeted Areas and Areas of Chronic Economic Distress, staff was directed to include as Targeted Areas the 1990 Census Tracts of the City of Billings, Town of Busby, Town of Browning, City of Helena, Town of Roberts and Town of St. Marie and that the Town of Wyola be deleted.

RESIDENTIAL NEW CONSTRUCTION PROGRAM FOR ENERGY EFFICIENT HOMES

Bob Morgan updated the Board on the Residential New Construction Program for Energy Efficient Homes by sharing with them a March 7, 1994 letter to the Montana Building Industry Association (MBIA) and the Environmental Quality Council (EQC) which explained that the Board would be in a position, if adequate interest remained, to pursue a non-bonding pilot program to provide \$3,000,000 of 30 year permanent loan financing for energy efficient new construction home mortgages. This below market rate financing would have a potential mortgage rate of 5 $\frac{1}{2}$ %. Staff attended a meeting which included representatives from the MBIA, EQC, utility companies and the Department of Natural Resources and Conservation (DNRC) to discuss a proposed program, progress and concepts of the proposed program. It was noted that as a requirement when a reservation was received by the Board of Housing a certificate indicating that the home meets the energy efficient requirement would be necessary. It would be possible as utilities are reviewing the plans and specifications for the home they could also certify it for energy efficiency. In areas where utilities would not be providing certification, DNRC has the capabilities and would initially be providing the certification. Also before a reservation could be made the Board of Housing would need notification that

the utilities and DNRC have made their contributions to the second mortgage guarantee pool. DNRC is preparing a flowchart of procedures for review and certification. Bob noted that there is still a great deal of interest in the program and staff is proceeding based on that interest.

MISSOULA CITY-COUNTY AFFORDABLE HOMEOWNERSHIP PROGRAM
PROGRAM OVERVIEW AND STATUS REPORT

Cindy Wulfekuhle, Program Manager, Missoula County and Kathie O'Brien, Project Coordinator, City of Missoula explained they co-administer the Missoula City-County Affordable Homeownership Program (MCCAHP) for first-time homebuyers. Cindy briefly presented an overview of the Program explaining that they were successful in jointly applying for \$600,000 in HOME funds to assist with downpayments, mortgage buy-down, closing and related costs. The MCCAHP received a setaside of \$3,600,000 of 6% permanent loan funds from Board of Housing and an additional \$300,000 of permanent financing was received from the Missoula Federal Credit Union. Applicants eligible for the MCCAHP Program are pure first-time homebuyers, displaced homemakers who owned a home with a spouse, single parents who owned a home with a spouse, an individual who owns a dwelling which is not on a permanent foundation or in compliance with state, local or model building codes, maximum income is based on 80% of the median income for Missoula and properties must be FHA insurable. Successful applicants are also required to attend a homeowner's course provided by the MCCAHP and the Board expressed interest in seeing the material provided in the course.

Cindy explained that when the Program was first made available over 250 applications were received, these were pre-screened for eligibility and a random drawing to select 51 eligible applicants was conducted, the remainder were placed on a waiting list. Currently, 29 buy/sells have been completed and 13 loans have been closed. Initially it was estimated that the average assistance provided by the Program would be \$10,000, however, with increased housing prices the average assistance is approximately \$18,000, with a maximum assistance available of \$20,000. This has reduced the number of applicants that can be assisted. Applicants are required, as their contribution, to pay 1% of the purchase price. The affordability period for the loans is tied to the mortgage loan term. For Board of Housing loans the term is 30 years and for conventional financing (Missoula Federal Credit Union) the term is 15 years for existing homes and 20 years for new construction. If the home is maintained through the affordability period the assistance loan is forgiven, if the loan is sold prior to the end of the affordability period the loan has to be repaid based on net proceeds. Kathie briefly reviewed a report outlining the statistics of applicants who have purchase agreements including purchase price, cost of purchase, mortgage amount, MCCAHP loan amount, buyer share, monthly income and household size. Kathie explained that the MCCAHP tries to bridge the gap between what an applicant can borrow from a bank and what they can contribute. Of the \$600,000 available for MCCAHP assistance \$531,729 has been committed, of the \$300,000 for loans from Missoula Federal Credit Union \$298,908 has been committed and of the \$3,600,000 setaside by the Board of Housing \$1,245,331 has been committed. Home purchase prices range from \$52,000 to \$84,000, income levels range from 49% of median income to 79% of median income and the homes are spread throughout Missoula and Missoula County.

Cindy and Kathie noted that nine lenders in Missoula are working with the Program, they have been very supportive and expressed interest in participating in a future program of this nature. They also advised the Board that this Program has been a very positive experience and while they would be interested in another Program of this nature, the HOME Program no longer allows for joint application, which they view as a problem. The

Program has been very successful with the cooperation and ability of the City and County to work together to administer the Program. Kathie explained that it would not be effective for the City to do project of this sort alone, limiting purchase to within the city limits. Cindy also indicated that unless a joint application were made it did not seem likely that the County would proceed alone. The Board thanked Cindy and Kathie for their work with the Program and directed staff to prepare a letter to be sent to the Missoula City Council and the Missoula County Commissioners commending the Program and the work Cindy and Kathie have done to make the Program a success.

OTHER BUSINESS

RICHLAND COUNTY - AREA OF CHRONIC ECONOMIC DISTRESS

Richard A. Kain, Administrator, explained that at the October 1994, Board meeting in Sidney an inquiry was made for the consideration to include Richland County as a Targeted Area based on designation as an Area of Chronic Economic Distress (ACED), as it had been in the past. Board directed staff, at the November Board meeting to begin the process to compile the necessary data.

Dick reported that the necessary data for ACED evaluation has been compiled with the outstanding assistance of the Census and Economic Information Center within the Department of Commerce. Dick briefly summarized the criteria necessary for submission to the Departments of Housing and Urban Development (HUD) and Treasury for approval as a designated ACED. The data that was compiled for Richland County was reviewed with the Board and Dick explained that data was compiled from 1990 census information with the exception of number and percentage of food stamp recipients, number and percentage of Aid to Families with Dependent Children recipients and number and percentage of unemployed, which comes from the most recent data available. It was also noted the county criteria must show greater distress than the state. Of the required criteria, there are three areas in which Richland County demonstrates greater distress than the state, specifically, median age of housing stock, median family income and number and percentage of unemployed.

Dick advised the Board that this same information can be compiled for all counties. Direction was requested on how the Board would like staff to proceed with the information presented. The Board requested that like data be compiled for each of the 55 remaining counties for analysis of which criteria is more important related to submission to HUD. Dick was also directed to send the Richland County report to the Mayor of Sidney, the Richland County Commissioners, the legislative delegation for Richland County and realtors, to allow them an opportunity to review and respond.

DISCUSSION OF FUTURE MEETING LOCATIONS

Bob Thomas invited discussed from the Board regarding future meeting locations. The Board decided to hold the April Board meeting in Helena on the 13th. The Board further elected to hold the May Board meeting in conjunction with a public meeting, traveling to Havre and Great Falls on the 9th and 10th. The June meeting is to be held in Helena in conjunction with a worksession. Other meeting sites such as Kalispell, Ronan, Thompson Falls and Dillon were discussed as possible future locations.

REQUEST OF REPRESENTATIVE ROYAL JOHNSON

Dick Kain presented for the Board's consideration a letter from Representative Royal Johnson requesting the Board to plan a program to assist property owners who have experienced a substantial tax increase due to reappraisal and/or increased mill levy, with the Board loaning the difference between what the taxes were and what they have been increased

to. The loan would be paid to the County Treasurer and secured by a lien on the property. The Board briefly discussed bonding possibilities, use of recycled monies, criteria for targeting, need and Board of Housing involvement. The Board then directed staff to obtain a copy of the proposed legislation similar in concept from the special legislative session for their review and tabled further discussion until the April Board meeting.

MONTANA BANK OF BILLINGS - LOAN SERVICING

Dick introduced Tom Ellis, President, Norwest Bank-Helena, and reminded the Board of previous requests for transfer of loan servicing from Montana Bank-Billings to Norwest Mortgage, Des Moines, Iowa based on the proposed acquisition of the Bank of Montana System by Norwest Banks. The request was denied twice by staff based on preference to retain servicing in Montana and incomplete information. Dick first shared with the Board the an article which appeared in the Billings Gazette regarding the purchase of Bank of Montana System by Norwest Banks. He then shared a memorandum from Julie Cannon, Norwest Mortgage. Dean Mart advised the Board that because of a business relationship with Norwest Bank he would be abstaining from any discussion or action on this issue. Further Dick reported that staff met with representatives from Norwest Bank-Helena, Norwest Bank-Billings and Norwest Mortgage and the meeting cleared up several issues. It was noted that the Federal Reserve has approved the Norwest Bank purchase, which is scheduled to close April 15th, but during a one year period Norwest cannot dissolve any subsidiaries of Bank of Montana. Because of the one year period the issue of assignment of servicing may not be an issue at this time. Norwest's concern would be new loans generated after April 15th, would be purchased by Norwest Mortgage and if an assignment of servicing is required for new loans why not also include existing loans. Another issue of concern is that staff has not been able to obtain information regarding the change in ownership of the Norwest Mortgage Corporation from Norwest Corporation to Norwest Nova and is uncertain if they continue as an approved lender and servicer. As a requirement to continue as an approved lender/servicer maintenance information is required for submission to the Board on a yearly basis, this information has not been submitted by Norwest Mortgage for 1993. Thus Norwest Mortgage currently does not meet the requirements to be an approved lender/servicer. Tom Ellis advised the Board that a letter is being sent to the Board explaining the organizational structure of Norwest Mortgage, he shared his copy of the letter he received this morning by fax with the Board. He also explained that the non-submission of the 1993 information was an oversight, the maintenance information is being compiled and should be to the Board by the end of the week. Both Tom and Dick expressed the importance of retaining a good working relationship to providing affordable housing.

1993 ANNUAL REPORT DISTRIBUTION

Dick advised the Board that the 1993 Annual Report (Report) has been transmitted to the Governor. Dick then presented a proposed letter for distribution of the Report to the Legislature and indicated it could be changed at the Board's discretion. Dick also asked for the Board's input regarding their preference of handling the transmittal of the Report. Several possibilities were discussed including the number of legislators up for re-election, delivery to local legislators by Board members, waiting until after the election in November for transmittal, providing copies at public meetings and how the delivery should be handled. The Board came to a consensus that the Report be communicated by staff to those incumbents who have filed for re-election or are not up for re-election.

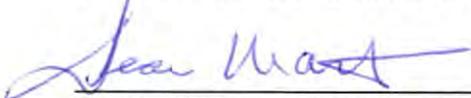
1994 SERIES A BOND ORDERS/ALLOTMENTS

Dick shared with the Board an analysis dated March 15, 1994 from Peter Nolden of 1994 Series A bond orders versus bond allotments. The analysis illustrates which firms in the underwriting team submitted orders for which bonds and how they were allotted. Dick reminded the Board that all members of the underwriters team do have a retail presence in Montana. Gene Huntington, Dain Bosworth and Gordon Hoven, Piper Jaffray Inc., members of the underwriting team, advised the Board that their firms were pleased with the bond allotments for the 1994 Series A bond issue.

SET NEXT MEETING DATE

The next meeting was scheduled for April 13, 1994, at 9:00 a.m. in the Governor's Reception Room, State Capitol Building, Room 204 Helena, Montana.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

April 13, 1994

Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 a.m. on Monday, March 7, 1994, at the Board's Office at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 2001 Eleventh Avenue, Helena, Montana.

MONTANA BOARD OF HOUSING

DATED: February 16, 1994

BY: Richard A. Kain
Administrator
2001 Eleventh Avenue
P.O. Box 200528
Helena, MT 59620
(406) 444-3040



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Notice having been given, a Public Hearing was held on the Board's proposed Allocation Plan for Low Income Housing Tax Credit. The hearing was held on Monday, March 7, 1994, in the Board's office at 2001 11th Avenue, Helena, Montana.

The hearing opened at 9:00 a.m. and was attended by Kevin Markovich, Entech; David Ottolino, Entech; and staff members Dick Kain, Maureen Rude, Bob Morgan and Janet Kunz. No comments, either oral or written, were heard or received and the hearing closed at 9:10 a.m.

A handwritten signature in blue ink that reads "Richard A. Kain".

Richard A. Kain, Administrator

A handwritten date in blue ink that reads "March 7, 1994".

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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NOTICE OF SPECIAL MEETING

March 1, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, March 4, 1994, at 9:00 a.m., M.S.T., to review the structure and pricing of the proposed \$25,725,000 Single Family Program Bonds, 1994 Series A; and to review and approve the Board Resolution and the bond purchase contract for the sale of \$25,725,000 Single Family Program Bonds, 1994 Series A.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

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Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Friday, March 4, 1994, at 9:00 a.m. Participating in the meeting were: Bob Thomas, Chairman; Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, and Bob Savage. Peter Nolden, Marie DeRosa and Mitch Litke, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; John Wagner, Kutak Rock; Steve Spitz, Orrick, Herrington and Sutcliffe; and staff members Dick Kain, Bob Morgan, Meredith Miller, Desera Towle, Denise Hanson and Janet Kunz also participated.

Peter Nolden briefly reviewed the Preliminary Official Statement (POS) and explained that Moody's Investors Service had confirmed the Board's "Aa" rating and that Standard and Poor's had upgraded the their rating of the Board's bonds to "AA+" based on the bond portfolios overall strength and management. Peter reviewed the structure and pricing of the \$25,725,000 Single Family Program Bonds, 1994 Series A, which were offered on March 1, 1994, with the Board including the principal amounts, interest rates and takedowns; the pricing wire release to brokerage firms; the Sources and Uses of Funds statement; the underwriting fees; the cover page of the POS; a comparison of other bond issues in the market; an explanation of interest rate activity and market yield curve comparisons for 2/25/94, 2/28/94 and 3/1/94; and several articles regarding bond market activity. Peter advised the Board that there was some shifting in the market but overall they were able to achieve a mortgage rate of 5.50% for the Regular Lending Pool and 5.00% for the Homebuyers Cash Assistance Pool. The issue is scheduled to close on April 13, 1994.

John Wagner and Mike Mulroney presented Resolution #94-0304-S1 and the purchase contract for the Board's consideration. John explained that the Resolution approves the bond issue to finance Single Family Bond and Homebuyers Cash Assistance Program loans; approves the form of the Supplemental Trust Indenture and other documents; authorizes the bond purchase contracts; authorizes the execution of said documents; and provides for matters relating to the issuance of the bonds. John further explained that the purchase contract provided the terms of the sale of the bonds. Following a brief discussion of terminology in both the Resolution and POS, which was satisfactorily explained, Gerry Hudson moved that the Board approved the adoption of Resolution #94-0304-S1, seconded by Paul Bankhead the motion was unanimously approved.

There was no further business and following a motion by Bob Savage to adjourn, seconded by Dean Mart and unanimously passed, the meeting adjourned at 9:40 a.m.

A handwritten signature in cursive script that reads "Dean Mart".

Dean Mart, Secretary

March 22, 1994

Dated

RESOLUTION NO. 94-0304-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY PROGRAM BONDS AND APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$25,725,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1994 SERIES A (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; and

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

WHEREAS, in 1983 the Board issued its Single Family Program Bonds, 1983 Series A and 1983 Series C (the "Prior Issues") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Program Bonds, 1994 Series A (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$25,725,000 (the "1994 Series A Bonds"), consisting of \$16,725,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series A-1 (the "1994 Series A-1 Bonds") which will be used to refund the bonds of the Prior Issues which are subject to optional redemption, and \$9,000,000 aggregate principal amount of its Single Family Program Bonds, 1994 Series A-2 (the "1994 Series A-2 Bonds") which will be used to provide additional moneys to finance single family dwellings in the State; and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a 1994 Series A Supplemental Trust Indenture dated as of March 1, 1994 (the "Supplemental Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1994 Series A Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated February 23, 1994, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1994 Series A Bonds, and which will be distributed to the purchasers of the 1994 Series A Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1994 Series A Bonds at the price 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 financed through the issuance of the Prior Issues and to be financed through the issuance of the 1994 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1994 Series A 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 Prior Issues and the 1994 Series A Bonds do not involve direct loans.

Section 2. ***Approval of Supplemental Indenture.*** The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. ***Authorization of Bonds.*** The issuance of the Board's 1994 Series A Bonds is hereby authorized and approved. The 1994 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1994 Series A Bonds shall be at rates which will be equal to or less than 6-1/2% per annum. The 1994 Series A 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 1994 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1994 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1994 Series A 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 Disclosure Documents.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed.

Section 6. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1994 Series A Bonds is hereby approved, confirmed and ratified.

Section 7. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 8. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 9. *Execution of Non-Arbitrage Certificates.* The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue certifications as to its reasonable expectations regarding the amount and use of the proceeds of the 1994 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

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

ADOPTED by the Montana Board of Housing this 4th day of March, 1994.

[SEAL]

MONTANA BOARD OF HOUSING

Attest:

By Bob Thomas
Chairman

By Richard A. Kain
Treasurer/Administrator

KUTAK ROCK
A PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS
THE OMAHA BUILDING
1650 FARNAM STREET
OMAHA, NEBRASKA 68102-2186
(402) 346-6000
FACSIMILE (402) 346-1148

ATLANTA
BATON ROUGE
DENVER
LITTLE ROCK
LOS ANGELES
NEW YORK
OKLAHOMA CITY
PHOENIX
PITTSBURGH
WASHINGTON

April 4, 1994



FEDERAL EXPRESS

Mr. Richard A. Kain
Montana Board of Housing
2001 Eleventh Avenue
Helena, MT 59620

\$25,725,000
Montana Board of Housing
Single Family Program Bonds, 1994 Series A
(Federally Insured or Guaranteed Mortgage Loans)

Dear Dick:

Enclosed is a clean copy of Bond Resolution 94-0304-S1 which you requested from John Wagner. If you should need anything, please do not hesitate to call.

Cordially,

Ann L. Atkinson
Certified Legal Assistant

ALA/csp

Enclosure



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

February 23, 1994

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, February 28, 1994, at 2:00 p.m., M.S.T., to review the proposed pricing of the \$25,725,000 Single Family Program Bonds, 1994 Series A.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Notice having been given, the Montana Board of Housing held a special telephone conference call meeting on Monday, February 28, 1994, at 2:10 p.m. Participating in the meeting were: Gerry Hudson, Vice Chairman; Dean Mart, Secretary; and Board members Paul Bankhead, Bill Oser, and Bob Savage. Peter Nolden, Marie DeRosa, Mitch Litke, and John Feery, Paine Webber Inc.; Mike Mulroney, Luxan and Murfitt; and staff members Dick Kain, Maureen Rude, Karen Wynne, Lynn Rolland, Meredith Miller, Desera Towle, Denise Hanson, Kurt Lewis and Janet Kunz.

John Feery, Paine Webber, updated the Board on both the government and municipal bond markets and explained that February has been extremely active with interest rates trending up. John reviewed the proposed bond structure with the Board including the proposed pricing per maturity and proposed takedowns. Peter Nolden reviewed the Preliminary Official Statement (POS) and its mailing into the market and advised the Board that a bond issue per the proposed structure and pricing would make available approximately \$17,000,000 of lendable proceeds in a regular lending pool, producing a mortgage rate of 5.50% up to 5.80% and \$2,600,000 for a Homebuyers Cash Assistance Program, producing a mortgage rate of 5.0%. The Board was advised by Dean Mart and Gerry Hudson that FHA/VA 30 year mortgage rates are around 7.5%. Following a discussion of mortgage rates, Dean Mart moved to proceed with the proposed bond issue with \$17,000,000 in a regular lending pool with a mortgage rate of 5.50% and \$2,600,000 for a Homebuyers Cash Assistance Program with a mortgage rate of 5.0%, seconded by Bill Oser the motion was unanimously approved.

A short discussion was held concerning language related to mortgage loan servicing in the POS and which was satisfactorily explained to the Board. A conference call to review the final structure and pricing of the proposed \$25,725,000 Single Family Program Bonds, 1994 Series A, and to review and approve the Board Resolution and the bond purchase contract was confirmed for Friday, March 4, 1993 at 9:00 a.m.

There was no further business and the meeting adjourned at 2:45 p.m.

A handwritten signature in cursive script that reads "Dean Mart".

Dean Mart, Secretary

March 22, 1994

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

AMENDED AGENDA

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 NINTH AVENUE
HELENA, MONTANA
February 15, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - January 20, 1994 Audit Committee Meeting
 - January 21, 1994 Business Meeting
- III. REPORT ON STATE HOUSING TASK FORCE - Paul Bankhead
- IV. ACCOUNTING AND REPORTING UPDATE - Karen Wynne
 - A. Review of Mortgage Prepayments - July 1, 1993 - December 20, 1993
 - B. Quarterly Budget Status Report - December 31, 1993
 - C. Review of December 31, 1993 Consolidated Financial Statements
- V. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
 - A. Status Report
 - B. Status of Administrative Rule Change
- VI. DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM - Desera Towle
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. Proposed 1994 Allocation Plan
- VIII. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. FHA Single Family Mortgage Limits - Gallatin County
 - B. 1993 Bridge Recycling Program
 - C. Status of Recycled Mortgage Program Setasides
- IX. REVIEW OF SINGLE FAMILY LOAN PRODUCTION NUMBERS BY LENDING INSTITUTION - JULY 1, 1990 THROUGH DECEMBER 31, 1993 - Richard Kain
- X. INFRASTRUCTURE DEVELOPMENT FOR AFFORDABLE HOUSING - Richard Kain

XI. OTHER BUSINESS

- A. 1993 Annual Report
- B. Richland County - Area of Chronic Economic Distress
- C. Status of General Counsel Contract
- D. Working With Tribal Governments in the Provision of Affordable Housing
- E. NCSHA - Annual Report and News Release
- F. Mortgage Credit Certificates - Treasury Regulations on Re-Issuance Associated with Refinancings

XII. SET NEXT MEETING DATE

XIII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

2/9/94



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 NINTH AVENUE
HELENA, MONTANA
FEBRUARY 15, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Absent)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF: Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Karen Wynne, Comptroller
Robert D. Morgan, Single Family Program Officer
Desera Towle, Program Specialist
Janet Kunz, Administrative Assistant

COUNSEL: Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS: Mark Semmens, D.A. Davidson and Co.
Gene Huntington, Dain Bosworth

OTHERS: Royal Johnson, State Representative, Billings
Phil Johnson, First Bank Montana-Helena
Peggy Cabe, FBS Mortgage-Billings

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas. It was explained that the agenda before the Board has been amended to include additional reports on working with Tribal Governments and proposed Treasury regulations for Mortgage Credit Certificates in the OTHER BUSINESS section.

APPROVAL OF MINUTES

The minutes of the January 20, 1994 Audit Committee Meeting and the January 21, 1994 Business Meeting were approved as presented.

REPORT ON STATE HOUSING TASK FORCE

Paul Bankhead, serving as the Governor's representative to the State Housing Task Force, advised the Board that the Task Force met on Monday, February 14, 1994. Paul explained that the Task Force is comprised of 16 members and the first meeting was committed to hearing presentations from different state agencies and various groups with an interest in housing. Because of the time dedicated to presentations, officers were

"Working Together to Make It Work"

not elected and the members decided to meet again in 30 days. The Task Force received a tremendous amount of information they need to assimilate. The Task Force did decide to concentrate their efforts in two areas, first to look at how housing assistance programs are structured in Montana in regard to coordination, centralization and achieving better methods. The second area is to determine what programs are available in other states that are not currently available in Montana.

ACCOUNTING AND REPORTING UPDATE

Review of Mortgage Prepayments - July 1, 1993 - December 20, 1993

Karen Wynne, Comptroller, presented a report to the Board illustrating mortgage loan prepayments and purchases for the period July 1, 1993 through December 20, 1993. Karen explained that 1,334 loans have prepaid for a total of \$56,713,477. The Board was advised that the bond series' with the highest percentages of prepayments were generally those series with higher mortgage rates. Karen reviewed each bond series with prepayments, their mortgage rates and the prepayment amounts. Fifty three (53) loans were purchased for a total of \$2,112,895. The total number of outstanding loans as of December 20, 1993 was 8,214 for a total of \$318,959,233.

Quarterly Budget Status Report - December 31, 1993

Karen, presented the Board's budget status, as of December 31, 1993 and reviewed items of interest with the Board. The Board has spent \$391,724 or 26% of the \$1,483,289 spending authority appropriation for Fiscal Year 1994, leaving a balance of \$1,091,565.

Review of December 31, 1993 Consolidated Financial Statements

Karen presented the Board's unaudited consolidated financial statements for the period ending December 31, 1993 and December 31, 1992 and reviewed significant changes between 1993 and 1992.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Status Report

Janet Kunz, Administrative Assistant, presented to the Board the status of the Reverse Annuity Mortgage (RAM) Loan Program as of February 8, 1994. Janet advised the Board that there are currently ten active loans with a total loan amount of \$360,000 and a total principal to be advanced over 120 periods of \$242,066. The average borrower age is 76.7 years old and the average household income is \$8,054. Since the Program was initiated 28 loan applications have been received, 3 applications have been withdrawn after a firm commitment was offered and 2 homes did not meet FHA appraisal standards. Four loans have prepaid. The Board asked the main reason for the prepaids and they were told it was mainly due to illness and the borrower no longer able to remain in the home.

Status of Administrative Rule Change

Janet explained that following Board action taken at the November, 1993 Board meeting, staff with aid of Board Counsel, prepared an amendment to the Administrative Rules for the RAM Program. The amendment, which changes the maximum dollar loan amount from a specific dollar amount of \$40,000 to an amount to be established by the Board, would allow the Board greater flexibility to periodically change the maximum dollar amount depending upon current economic conditions. A timeline was reviewed and Janet advised the Board that the proposed amendment was filed with the Secretary of State on January 3, 1994 and was published on January 13th. A 30 day period in which public comment could be made

expired on February 10th and no comments were received. The next step is to file on March 7th an Adoption of Amendment with the Secretary of State which will be published on March 17th and the Amendment will become effective on March 18th. A copy of the Amendment was provided to the Board.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Desera Towle, Program Specialist, reported to the Board on the Disabled Accessible Affordable Homeownership Program (DAAHP) as of February 7, 1994. Eight (8) loans have been reserved for a total of \$481,106.00, the average loan reservation is \$60,138.25, the average household income is \$16,901.50, the average mortgage rate is 4.48% and the average household size is 2.5. Six (6) loans have been purchased for a total of \$416,357.70, the average purchase price is \$59,479.53, the average household income is \$15,869.71, the average mortgage rate is 4.04% and the household size is 2.6. Of the \$3,500,000 setaside there remains \$2,602,537.30 in funds available, which using the average purchase price of \$59,479.53 would be enough for 43 additional loans. Desera reviewed with the Board the approved applications by County which indicated a good distribution throughout the State. The Board has received a total of 124 applications, of which 103 have been approved; 6 are in process; and 15 have been denied. The average household income of approved applications is \$13,866.05, the average household size is 2.4 and the mortgage rate distribution for approved applications is as follows: 41 loans at 2.75%; 22 loans at 3.75%; 16 loans at 4.75%; 17 loans at 5.75%; and 7 loans at 6.5%.

Desera shared with the Board the monthly application activity for the DAAHP since inception July 1, 1993. Initially there was a great deal of demand with a total of 80 applications received in the first four months. However, in the last four months the demand has decreased with a total of 23 applications received. One of the difficulties has been the availability of affordable houses, 56 of the approved applicants have an affordability level of \$50,000. It is in this area that applications by non-profit entities to provide 1-4 units would be the most beneficial in providing affordable housing. Desera noted that staff is monitoring the architectural modifications that are needed to make the houses accessible and that two of the homes are manufactured homes, which are being built to specific architecturally accessible modifications. The Board directed staff to research who was building the manufactured homes and report back to the Board.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Proposed 1994 Allocation Plan

Maureen J. Rude, Multifamily Program Officer, presented for the Board's consideration and action the 1994 Allocation Plan for the Low Income Housing Tax Credit (LIHTC) Program. Maureen reviewed the major changes and enhancements to the Allocation Plan with the Board which include: 1993 carryover credits of \$634,000, which gives the Board total credits of \$1,664,000 to allocate in 1994; comments will be formally solicited from housing providers and advocates regarding proposed developments; and clarified the requirement of financing commitments at time of application which is needed for financial analysis by staff. As to Development Selection Criteria: changed scoring to enhance the importance of serving low income tenants; clarified sponsor characteristics; clarified criteria to address identified needs; added a category and points for community support; and added a minimum threshold of 60 points out of 118 total points achievable. Added a

section regarding federal law review and Board of Housing implementation; added development cost limitations in accordance with National Council of State Housing Agencies Tax Credit Administration Standards including: builders overhead limited to 2%, general requirements limited to 6%, and builders profit and developers fees limited based on relationship between developer and builder; added a timeline for progress towards meeting reservation requirements; added a status reporting requirement; added a requirement for Accountant and Owner Certifications; added a requirement for disclosure of syndication proceeds; added discussion of FmHA projects combined with Tax Credits for clarification; added a firm financing commitment requirement for Carryover Allocation and status reporting requirement; and added a description of when the final IRS forms are completed and a definition of placed in service.

Maureen explained that Federal law requires each entity which administers the LIHTC Program to have in place a qualified Allocation Plan. The Plan needs to be approved by the Board, a public hearing is then held to receive comments, if no significant comments are received the Plan is sent to the Governor for approval and released. If significant comments are received they will be brought back to the Board. The Allocation Plan was reviewed in detail and Maureen answered questions of the Board. Concern was expressed that operational costs be covered and regarding the partial refunding of application fees. Following a brief discussion Mike McKee made a motion to retain the full application fee if the Board has approved a project for reservation of Low Income Housing Tax Credits and the project subsequently withdraws its application. Seconded by Dean Mart the motion was approved. Mike McKee then moved to approve the 1994 Allocation Plan for the Low Income Housing Tax Credits amended to note retention of the full application fee if the Board has approved a project for reservation of Low Income Housing Tax Credits and the project subsequently withdraws its application, the motion was seconded by Bob Savage and unanimously approved.

Bob Thomas advised the Board that based on discussion and additional information provided at the Board's worksession held Monday, February 14th, the issue of approving FBS Mortgage-St. Paul, Minnesota as a Board approved servicer should be re-examined. Dean Mart advised the Board that he would be abstaining from any discussion or action in regards to this issue based on a business relationship with First Bank. Bob Savage moved that the Board reconsider FBS Mortgage-St. Paul application as a Qualified Loan Servicer, based on incorrect information previously provided to the Board at their January 21, 1994 meeting, Paul Bankhead seconded the motion which was approved with four Board members voting in favor of the motion and one member abstaining.

Paul Bankhead moved that the transfer of loan servicing from First Bank Loan Servicing Center in Sioux Falls, South Dakota to FBS Mortgage Inc., St. Paul, Minnesota be approved with the understanding, that to comply with the Board of Housing's Administrative Rules requiring the designation of office or offices within the State of Montana for loan servicing, that First Bank provide an on-line computer capacity at Montana First Bank facilities for Board of Housing borrowers to access information about their loans.

It was noted that the reconsideration of the January 21, 1994 Board action is to determine whether or not to approve FBS Mortgage-St. Paul

as a qualified servicer, not on approving the transfer of servicing. This point was deferred to Mike Mulrone, Board Counsel, who confirmed the point of reconsideration as the approval for FBS Mortgage-St. Paul's application to become a qualified loan servicer for Montana Board of Housing loans. Mike further reminded the Board that action taken on this issue will set a precedent and will define the term "office in Montana for loan servicing" to include bank offices with designated mortgage servicing offices in Montana; a telephone number and a telephone contact person in Montana to answer mortgage servicing questions; a borrower in Montana may make monthly payments to a Montana designated office, if payments are made prior to the late charge payment date the mail concerning the payment may reflect a late charge but the late charge will be "washed out" of the account and not collected; computer information on servicing is to be available at banks in Montana whereby all borrowers will be able to have access to computer information on their loans. On the basis of Mike Mulrone's point of reconsideration, Paul Bankhead restated his motion. Paul moved that FBS Mortgage-St. Paul, Minnesota be approved as a qualified loan servicer, conditioned upon FBS Mortgage meeting the loan servicing criteria as outlined by Mike Mulrone and that if question arose in the future those items could be referred back to as the basis for his motion, seconded by Bob Savage the motion was approved with four members voting in favor of the motion and one member abstaining.

Phil Johnson, First Bank Montana-Helena, thanked the Board and advised them that Kathy Bevis, FBS Mortgage-St. Paul, MN, in a letter dated February 14th, further clarified that on-line computer capacity for Montana Board of Housing mortgagors to access information on their loans at Montana First Bank facilities will be available on March 1, 1994.

SINGLE FAMILY PROGRAM UPDATE

FHA Single Family Mortgage Limits - Gallatin County

Robert D. Morgan, Single Family Program Officer, advised the Board that in January, 1994 FHA increased it's maximum 203(b) mortgage limit in Gallatin County from \$85,400 to \$100,650 and that FHA is considering setting a nation-wide limit of \$98,000. Historically the Board has set it's maximum purchase price limit to match FHA's maximum mortgage limit and has increased the purchase price limits in Cascade and Yellowstone Counties from \$75,500 to \$83,050, in Gallatin and Missoula Counties from \$75,500 to \$85,400 and \$83,600 respectively, and in Flathead County from \$75,500 to \$89,300. Bob then reviewed with the Board a comparison of affordability and Montana Board of Housing (MBOH) income limits to FHA maximum mortgage limits. Using the FHA 29% Affordability Rule, in which no more than 29% of income can be used for mortgage payment, taxes, insurance, etc., in Gallatin County the affordability for a small family with a MBOH income limit of \$34,400 is \$110,000 and for a large family with a MBOH income limit of \$39,560 is \$125,000

Bob advised the Board that if it was their preference the purchase price limits could be set as high as the IRS safe harbor limits which are currently \$97,700 in non-targeted areas and \$140,400 in targeted areas. It is the recommendation of staff that the purchase price limit for Gallatin County, a non-targeted area, be increased from \$85,400 to the IRS safe harbor limit for non-targeted areas of \$97,700. Following a short discussion Bill Oser moved to increase the purchase price limit in Gallatin County from \$85,400 to the IRS safe harbor limit of \$97,700. The motion was seconded by Paul Bankhead and was passed with four members voting in favor of the motion and one voting against the motion.

1993 Bridge Recycling Program

Bob Morgan presented to the Board the status of the 1993 Bridge Recycling Program as of February 7, 1994. The Board has received 11 reservations for a total reservation amount of \$544,949. Thirty-one loans have been purchased for \$1,135,795, of the \$10,000,000 setaside there remains \$8,319,096 in available funds. The average purchase amount is \$36,643 and the average gross annual income is \$23,576. Of the 31 loans purchased 21 have been FHA, 1 was VA and 9 were FmHA. The statewide distribution of loan reservations and purchases by area and lender were then reviewed.

Status of Recycled Mortgage Program Setasides

Bob Morgan presented a summary of Recycled Mortgage Program setasides as of February 7, 1994 to the Board. Setasides with a mortgage rate of 6½% totaling \$4,301,979 were first reviewed including: Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000; the City of Havre First-Time Homebuyer Program setaside totaling \$560,800, which currently has two loans in process; and the Missoula City-County Affordable Housing Program which is \$3,293,179. Bob advised the Board that the Missoula City-County Program currently has six loans reserved and a total of 26 signed buy/sell agreements.

Setasides with a mortgage rate of 6½% were reviewed which include: Neighborhood Housing Services' two setaside programs, the Affordable Housing Setaside II setaside is \$328,867; and the FHA Repo Rehabilitation setaside is \$168,765; for a total of \$497,632. The total setaside for all programs is \$4,799,611.

Richard A. Kain, Administrator, updated the Board on the status of the new bond issue. The Preliminary Official Statement (POS) should be mailed by February 22nd, a pre-pricing conference call of the Board will be held on February 28th or March 1st with the bond pricing the next day. Another conference call will be held on March 4th to review the bond pricing. Staff was advised the Mike McKee and Bill Oser would be traveling during this period and may be unavailable for the conference calls.

REVIEW OF SINGLE FAMILY LOAN PRODUCTION NUMBERS BY LENDING INSTITUTION - JULY 1, 1990 THROUGH DECEMBER 31, 1993

Dick Kain presented for the Board's review a report of the Single Family loan production numbers by lending institution for the period of July 1, 1990 through December 31, 1993. Total loan production for all years was 2,860 with 1,136 in FY91, 979 in FY92, 497 in FY93 and 68 to date in FY94. The cumulative loan amount for all years is \$135,370,785. Dick advised the Board that of the 75 lenders listed the first ten lenders listed represent 1,700 loans or 60% of total production but the overall number of lenders illustrates a state-wide presence.

INFRASTRUCTURE DEVELOPMENT FOR AFFORDABLE HOUSING

Dick Kain advised the Board that based on discussion at the worksession held February 14th, that staff will prepare for Board action the following criteria for Infrastructure Development: financing will be made available for bridge loans, eligible borrowers include local governments, non-profits and private developers submitting proposals through financial institutions; emphasis is to be placed on mobile homes, site acquisition and/or site improvements; financing be at a mortgage rate of 6% for a maximum term of five (5) years and a maximum bridge loan amount of \$10,000 per site; income of the individuals or

families to occupy the affordable housing is to be at or less than the state median income of \$32,300; and the preliminary financing commitment is to be subject to permanent financing in place. Mike McKee moved that the Board adopt, as presented, the guidelines for the \$400,000 setaside for infrastructure development as presented, the motion was unanimously approved after being seconded by Bill Oser. Dick advised the Board that staff would formalized the criteria, send copies to the Board and do a public outreach.

OTHER BUSINESS

1993 Annual Report

Dick formally transmitted to the Board the 1993 Annual Report and welcomed any comments for future reports. Dick drew the Board's attention to the Chairman's letter which is addressed to the Governor and to the members of the State Legislature and asked for direction from the Board regarding communicating the 1993 Annual Report to the Governor and State Legislators. As result of discussion Paul Bankhead moved that the 1993 Annual Report be sent to the Governor and each of the State Legislators, which was seconded by Dean Mart. Bob Savage asked that a cover letter be sent with each Report, the motion was amended and seconded to included Bob's request and unanimously approved.

Richland County - Area of Chronic Economic Distress

Dick explained that at the October, 1993 Board meeting in Sidney there was a request of the Board at that the public meeting to take under consideration the targeting of Richland County through the designation of Areas of Chronic Economic Distress. The Board directed staff at the November Board meeting to pursue that targeting status. Dick shared with the Board a cover letter sent to the Census and Economic Information Division within the Department of Commerce, requesting their assistance to extract from the 1990 census information to determine whether Richland County will meet the Treasury and Department of Housing and Urban Development (HUD) regulations as an Area of Chronic Economic Distress. Dick advised the Board that 35% of Montana's population are currently in designated Area of Chronic Economic Distress targeted areas. A draft response was received from the Census and Economic Division and staff needs to meet with them to finalized the response and hopes to have the results for the Board at the March Board meeting. Bob Savage suggested that copies of correspondence be sent to Richland County Legislators, Commissioners and the Mayor of Sidney as it is received and responses to correspondence, the Board so directed staff. Dick also advised the Board that once a database is established staff should be able to extract like information for any county in Montana.

Status of General Counsel Contract

At the December, 1993 Board meeting the Board approved the proposed General Counsel contract with Luxan and Murfitt. Dick advised the Board that the Department of Commerce and the Legal Services Review Committee have also reviewed and approved the contract completing the process for approval. A copy of the executed contract was provided to the Board.

Working with Tribal Governments in the Provision of Affordable Housing

Dick updated the Board on the status of setting up a meeting with the Salish Kootenai Tribal Council. The Tribal Council held elections in early January and Kathleen Fleury, Coordinator of Indian Affairs for the State, advised Dick that the chairpersons hold their meetings every Tuesday and Friday. It was thought that a meeting with the Tribal Council could be held in conjunction with a public meeting in the Ronan area in the spring.

NCSHA - Annual Report and News Release

Dick provided to the Board, for their information, a copy of the 1993 National Council of State Housing Agencies (NCSHA) Annual Report and explained that the Report is a good source to understand what NCSHA is and what it does.

Dick shared with the Board a news release summary received from NCSHA. It was noted that Alaska Housing Finance Corporation awarded \$133,225 in grant funds to assist the homeless. Connecticut Housing Finance Authority has made available a Refinance Guarantee Program to be used in conjunction with refinance mortgage lending. Idaho Housing Agency's Manufactured Housing Demonstration Program has increased manufactured home sales approximately 150% in the last two years. Idaho has also introduced an Interest Qualifier Loan Program offering 30 year loans with a two-tiered interest rate, and Idaho has been awarded an A1 rating by Moody's Investors Service. Minnesota Housing Finance Agency approved a \$40 million bond sale for 30 year mortgages with an interest rate of 6.125%. Rhode Island Housing has established a program to assist with downpayment and closing costs. South Carolina State Housing Authority approved funds for a homeownership program with an interest rate of 6%.

Mortgage Credit Certificates - Treasury Regulations on Re-Issuance Associated with Refinancings

Dick advised the Board that staff became aware in early January that the U.S. Treasury Department issued proposed regulations in December, 1993 that may affect how a Mortgage Credit Certificate (MCC) is handled when a loan that is tied to a MCC is refinanced. In the past if a loan was refinanced the MCC was forfeited, the proposed regulation would in certain cases allow the MCC benefits to be retained but the issuing agency would have to re-issue the MCC. Dick advised the Board that there is little information regarding the proposed regulation and that it has raised several questions. Dick requested direction from the Board on how they would like staff to handle inquiries regarding the proposed regulation. After an extended discussion Mike McKee moved that no action be taken until such time that the Treasury issues final regulations regarding refinancings involving MCCs and at that time staff is directed to bring the issue before the Board for consideration. The motion was seconded by Dean Mart and unanimously approved.

Mike McKee suggested that in light of action taken by the Board today that approved FBS Mortgage-St. Paul as a qualified loan servicer and based on Norwest Bank's buyout of the Bank of Montana System and proposed subsequent transfer of loan servicing to Norwest Mortgage in Des Moines, Iowa that staff bring a proposal of Norwest's servicing to the Board for review. Dean Mart advised the Board that because of a business relationship with Norwest Bank he would be abstaining from any discussion or action on this issue. A discussion of this issue included that FBS Mortgage-St. Paul, today, was approved as a loan servicer where Norwest-Des Moines and Montana Bank are already approved loan servicers; that as part of the previous merger of Montana Bank System and Bank of Montana System, Montana Bank has requested their loan servicing be transferred to Norwest Mortgage-Des Moines but Bank of Montana has not. The Board directed staff to write a letter to Montana Bank advising them of the action taken today regarding FBS Mortgage-St. Paul as to in-state loan servicing offices and services to be provided.

SET NEXT MEETING DATE

The next meeting was scheduled for March 22, 1994, at 8:30 a.m. in the Downstairs Conference Room of the Department of Commerce Building.

There was no further business and the meeting adjourned.



Dean Mart, Secretary

March 22, 1994

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

NOTICE OF SPECIAL MEETING

February 8, 1994

The Montana Board of Housing will hold a worksession meeting on Monday, February 14, 1994, at 5:00 p.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to discuss infrastructure development for affordable housing.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Notice having been given, the Board of Directors of the Montana Board of Housing met on Monday, February 14, 1994 at 5:00 p.m. in the Montana Board of Housing office. Participating were: Bob Thomas, Chairman, Dean Mart, Secretary, Board Members Paul Bankhead, Mike McKee, Bill Oser and Bob Savage; staff Dick Kain, Administrator; Representative Royal Johnson, Billings; and Joe Bower, First Bank Helena.

Topics to be covered in the worksession are infrastructure development for affordable housing and discussion of additional information concerning the issue of approving FBS Mortgage, St. Paul, Minnesota as a Board approved servicer.

Dick Kain shared with the Board both discussions with and correspondence from William Strausburg, Chairman and CEO of First Bank Montana and Kathy Bevis, Senior Vice President, FBS Mortgage, since the last meeting. While it had been indicated to the Board at their January 29, 1994 meeting in regards to the application of FBS Mortgage to become a Board approved servicer, that on-line computer access was not available from First Bank facilities in Montana to FBS Mortgage in St. Paul, William and Kathy have clarified that the on-line capacity does exist and is being enhanced to enable all Montana Board of Housing mortgagors with loans serviced by FBS to have on-line computer access to their loan information. Discussion then ensued between the Board, Representative Johnson and Joe Bower, regarding the on-line access and other loan servicing matters. The Board thanked Joe Bower for his input and participation as Joe left for another commitment.

The Board then turned their attention to establishing loan parameters for the \$400,000 setaside of funds for infrastructure development of affordable housing. A question had come up at the January 29th Board meeting, as to whether the Board can offer grants for infrastructure financing and after reviewing and discussing the Board's enabling legislation it was the consensus of the Board that grants would not be offered.

Dick reviewed some global items relating to the infrastructure financing, concerning eligible applicants, types of infrastructure to finance, loan terms and types of affordable housing to be produced. After extensive discussion the Board directed Dick to prepare for the Board's consideration at their meeting February 15th the following parameters for a bridge loan financing mechanism

to facilitate infrastructure development for affordable housing. Eligible borrowers are local governments; non-profits; and private developers submitting proposals through Montana financial institutions. Eligible infrastructure includes those associated with mobile homes only; site acquisition; and/or site improvements (i.e. water, sewer). Bridge loans terms are 6% loan rate; maximum 5 year term with monthly level debt payments; maximum loan amount of \$10,000 per individual site; and advance of bridge loan funds are subject to permanent loan financing being in place for the site itself and the affordable housing placed on the site. Eligible affordable housing is to be occupied by individuals or families whose total annual income from all sources is below the current state median income of \$32,300.

There was no further business and the worksession adjourned at 7:35 p.m.



Dean Mart, Secretary

March 22, 1994

Dated



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AGENDA

MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 NINTH AVENUE
HELENA, MONTANA
January 21, 1994

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - December 17, 1993 Business Meeting
 - December 17, 1993 Investment Committee Meeting
- III. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
 - A. Status of 1992 Projects
 - B. Status of 1993 Projects
- IV. MULTIFAMILY HOUSING PROGRAM - Maureen Rude
 - A. Summary of Proposals Receiving Preliminary Financing Commitments in 1993
- V. HUD/FHA RISK SHARING PILOT PROGRAM WITH HOUSING FINANCE AGENCIES
Maureen Rude
 - A. Overview of Risk Sharing Program
 - B. Review of Application Process and Analysis of Potential Benefits to Multifamily Housing Program
- VI. FEDERAL HOME LOAN BANK OF SEATTLE - Judith Chaney, Vice President
 - A. Review of Direct Lending Program to State Housing Finance Agencies
- VII. INFRASTRUCTURE DEVELOPMENT FOR AFFORDABLE HOUSING - Richard Kain
- VIII. INVESTMENT BANKERS UPDATE - Peter Nolden, Paine Webber, Inc.
- IX. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1993 Bridge Recycling Program
 - B. Analysis of Loans Purchased Which are Guaranteed by the FmHA Guaranteed Rural Housing Loan Program
 - C. Homebuyers Cash Assistance Program
 1. Status Report
 2. Review of Loan Payoff Statistics
 - D. Status of Recycled Mortgage Program Setasides
 - E. Disabled Accessible Affordable Homeownership Program

- X. REVIEW OF ADMINISTRATIVE RULES IN REGARD TO QUALIFIED LOAN SERVICERS -
Mike Mulroney, General Counsel
- XI. QUALIFIED LOAN SERVICER APPLICATION - Robert Morgan
 - A. FBS Mortgage Corporation - St. Paul, Minnesota
- XII. OTHER BUSINESS
 - A. Legislative Update
 - B. National Council of State Housing Agencies - Resolution on
Political Contributions
- XIII. SET NEXT MEETING LOCATION AND DATE
- XIV. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

1/10/94



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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HELENA, MONTANA 59620-0528
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DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE BUILDING
HELENA, MONTANA
JANUARY 29, 1994

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Gerry Hudson, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)
Bob Savage (Present)

STAFF:

Richard A. Kain, Administrator
Maureen J. Rude, Multifamily Program Officer
Robert D. Morgan, Single Family Program Officer
Lynn Rolland, Accountant
Marla Ducello, Secretary
Janet Kunz, Administrative Assistant

COUNSEL:

Mike Mulroney, Board Counsel
Luxan and Murfitt

UNDERWRITERS:

Peter Nolden, Paine Webber, Inc.
Gordon Hoven, Piper Jaffray
Gene Huntington, Dain Bosworth

OTHERS:

Judith Chaney, Federal Home Loan Bank of Seattle
John Celar, FBS Mortgage-Helena/MT Bankers Assoc.
Bob Bartholomew, Office on Aging
Chris Kafentzis, HUD/FHA
Peggy Cabe, FBS Mortgage-Billings
Kathy Bevis, FBS Mortgage-St. Paul, MN
Phil Johnson, First Bank Montana-Helena
Jan Martin, Valley Bank-Helena/MT Bankers Assoc.

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes of the December 17, 1993 Business Meeting and the December 17, 1993 Investment Committee Meeting were approved as presented.

Guests attending today's Board meeting were introduced to the Board.

"AN EQUAL OPPORTUNITY EMPLOYER"

LOW INCOME HOUSING TAX CREDIT PROGRAM

Maureen J. Rude, Multifamily Program Officer explained to the Board that Low Income Housing Tax Credit (LIHTC) projects receiving carryover allocation of credits have two years to complete the projects. Maureen also explained that final allocation of LIHTC's is accomplished on IRS Form 8609 and that final allocation can never be more than the Board initially approved and which was then reserved. However, an allocation can be less than approved and reserved if the IRS determined applicable rate for the month in which a project is placed in service is lower than projected at the time of reservation; if development costs were not as high as anticipated in the application and reservation; or if staff analysis of the final project development costs indicates a need for less credits than reserved.

STATUS OF 1992 LIHTC PROJECTS

Maureen advised the Board that in 1992 seven projects had been approved by the Board for the reservation of LIHTCs. These combined projects have 370 total units, \$16,029,576 in projected development costs and will or have received \$1,374,121 in LIHTCs. Maureen reviewed the status of each project with the Board noting that three of the projects are still under construction and are progressing as weather allows. The remaining four projects have been placed in service and received their final allocation. Three of the projects receiving final allocations received less than approved and reserved due to reduction in the IRS allowed rate.

STATUS OF 1993 LIHTC PROJECTS

Maureen next reviewed the eight projects that had been approved by the Board for the reservation of LIHTCs in 1993. These combined projects have 89 total units, \$4,780,007 in projected development costs and will or have receive \$395,608 in LIHTCs. Six of the projects are in the process of beginning construction. One project has been placed in service and received their final allocation and the final project withdrew their application.

Maureen explained that while all projects are underway that project completion does depend on the size of the project and the finalization of the loan financing for the project. Maureen also explained that LIHTCs are allocated on a calendar year and that if a project is not completed and placed in service within two calendar years, the carryover allocation is lost.

MULTIFAMILY HOUSING PROGRAM

Maureen Rude, briefly presented for the Board's review a summary of the Multifamily Pilot Program proposals receiving preliminary commitments in 1993. Maureen explained that both Affordable Housing and Community Development Block Grant (CDBG) funds have been awarded and of the three Pilot Program proposals (Helena Housing Authority/City of Helena; City of Kalispell/HRDC; City of Kalispell/Flathead Industries for the Handicapped) applying for CDBG funds, only City of Kalispell/HRDC was successful and neither Pilot Program proposal (City of Kalispell/Flathead Industries for the Handicapped; Housing Authority of Billings) applying for Affordable Housing funds was successful. As a result of the lack of CDBG funding the Helena Housing Authority/City of Helena application was verbally withdrawn on January 18th. The January 15th deadline for the City of Kalispell/Flathead Industries for the Handicapped proposal to obtain site control and receive a preliminary commitment has expired without the commitment being

awarded. Maureen advised the Board that of the remaining five proposals four are actively pursuing applications for HOME funds to be awarded in April, 1994 and one is in the rehabilitation stage on one property and has the other property ready for occupancy.

HUD/FHA RISK SHARING PILOT PROGRAM WITH HOUSING FINANCE AGENCIES
OVERVIEW OF RISK SHARING PROGRAM

Maureen Rude, explained that the HUD/FHA Risk Sharing Pilot Program is intended, through partnerships with State Housing Finance Agencies (HFA), to increase the supply of affordable multifamily housing. Through the partnership, HUD would provide the mortgage loan insurance and the HFA's would provide the mortgage loan financing, underwriting and project management. Maureen explained that HUD published an invitation for participation on December 3, 1993 with an application deadline of February 2, 1994. The previous HUD insurance program, 221(d)(4), is no longer a viable option for new projects and was last used by the Board of Housing in 1982. Maureen explained that under the Risk-Sharing Program the Board of Housing would underwrite, originate, service and provide management oversight of properties. HUD would retain some loan application reviews, such as site environmental assessments and prior participation evaluations of loan applicants. Eligible projects must have 5 units or more, can be new construction, acquisition and rehabilitation and all rental housing including assisted living facilities and single room occupancy would be eligible, however, nursing homes, retirement homes or hotels are not eligible. Housing must be affordable and would use the same rental and tenant set-asides as the Low Income Housing Tax Credit Program.

Both HUD and the HFA would share the risk of loss in case of project default or foreclosure. The Program does allow for two levels of shared risk. Under Level I, the HFA would assume 50% or more of the risk and could use its own underwriting guidelines. Under Level II, the HFA would assume less than 50% of the risk, and the HFA underwriting guidelines must be included in the application for approval by HUD. Mortgage Insurance Premiums (MIP) are on a sliding scale depending on HUD's risk, minimum available insurance authority would be 100 units, and HUD will endorse projects for the full insurance and do insurance advances for construction loans. Maureen noted that for projects of 12 or more units, with insurance advances, the HFA would be required to monitor Davis/Bacon wage compliance. Technical work can be contracted out by the HFA as long as there is a process to review the contracted work. Maureen then explained the insurance process in cases of default or foreclosure. HUD would pay 100% of the outstanding loss to the HFA to pay off bonds that had been used for loan financing, the HFA would then issue a debenture to HUD until the property is sold. At the time of sale of the property the HFA would pay HUD its share of the loss and HUD would then release the debenture.

Maureen reviewed with the Board the process to make application to the HUD/FHA Risk Sharing Pilot Program. The HFA has to be an approved FHA mortgagee, deadline for application is February 2nd which must be accompanied by a \$10,000 non-refundable application fee, must have a legal opinion from legal counsel regarding "top tier" rating on general obligation bonds (in lieu of an opinion a dedicated account in conjunction with the application approval must be established with a minimum of \$500,000 to be used as collateral against the HFA share of the risk of loss), the application must

include underwriting, servicing and project management policies and procedures, specify the number of units of insurance applying for, submit a quality control plan, specify the individuals responsible for specific duties and which duties will be contracted out and upon approval have an orientation meeting with HUD within 30 days at a designated HUD office. Maureen explained that the Board is an approved FHA mortgagee, an opinion from Kutak Rock, Bond Counsel, indicates that the Board is of a legal status to participate and the \$10,000 application fee could be recouped from future loan application fees from applicants and staff expect to use initially the tax credit application and reservation fees as a source for the \$10,000 HUD Risk Sharing application fee.

Benefits to participation in the Program included making new bond money available for multifamily housing that would be backed by FHA insured loans, this program would be a natural successor to the Board's Pilot Program, HUD would review and sign-off on environmental reviews, funds could be combined with LIHTC's, would provide a minimum of 100 additional units of critically needed rental housing, the rental and tenant setasides are the same as the tax credit program and provides insurance advances for construction financing. Following a discussion of the HUD/FHA Risk Sharing Pilot Program, appropriate fees to be charged to applicants, the timing of receiving applications and bonding, availability of funds for the application fee and the \$500,000 dedicated account, should it be required, it was recommended that staff be directed to move forward with the application process to HUD. Gerry Hudson moved that staff be directed to apply to the HUD/FHA Risk Sharing Pilot Program for 200 units of insurance authority, to use tax credit fee income to pay the \$10,000 application fee, to allow non-profit and for-profit applicants, to restrict project size to 11 units or less for construction financing, to provide take-out financing for projects of 5 to 24 units, to assume 10% of the risk (contingent upon HUD's approval of underwriting procedures), establish total application fees and origination fees at 1% of the mortgage loan amount ($\frac{1}{4}$ of 1% initial feasibility review; $\frac{1}{4}$ of 1% at final commitment and $\frac{1}{2}$ of 1% origination fee) and to establish a total Mortgage Insurance Premium for the Board's portion of the risk at $\frac{1}{2}$ of 1% of the mortgage loan balance. The motion was seconded by Bill Oser and was unanimously approved.

FEDERAL HOME LOAN BANK OF SEATTLE

REVIEW OF DIRECT LENDING PROGRAM TO STATE HOUSING FINANCE AGENCIES

Judith Chaney, Vice President, briefly reviewed with the Board the history of the Federal Home Loan Bank (FHLB), the FHLB was established by Congress, it is a member based organization with a 12 district bank regional administration. Each region has its own Board of Directors and the FHLB of Seattle's region consists of eight western states, including Montana.

Judy presented to the Board the FHLB's Program authorizing direct lending to State Housing Finance Agencies (HFA). A handout outlining the program was reviewed. An eligible HFA must be an approved mortgagee under Title II of the National Housing Act; be a chartered institution having succession; be subject to inspection and supervision by a government entity and whose principal activity is lending its own funds in the mortgage field. Judy noted that bond issuance has been interpreted as a qualifying activity of lending funds. Funds are available for all of the FHLB's advance programs, however, non-members do not have access to specialized

programs. Available and lendable funds are fixed and variable rate with terms from overnight to 20 years, repayment can be on an amortizing or "bullet" basis, regular fees for commitments and prepayments apply as would mark up of advances. Judy noted that currently funds for a 20 year term would be available to non-members at a rate of approximately 7% and short term (less than one year) rates would be approximately 4% and the maximum advance available to non-members in the Seattle Region is \$50,000,000.

The application process for HFA's to participate as non-member FHLB borrowers takes two to three months to review and act on. Application is made to the FHLB and would include: a Title II certification letter; copies of relevant audits and examinations; financial statements; copies of state statutes chartering the HFA; lists of collateral to be pledged; and documentation that the HFA has been authorized to serve low income individuals and families. Judy noted that the collateral required is determined by the FHLB Credit Department in Seattle which maintains the physical possession of the collateral. Once a non-member is approved as an eligible borrower and a specific advance request is made, it is submitted to the Credit Committee which meets once a month for review and approval. Judy explained that since the FHLB is a member organization, it is the FHLB Board's policy, that non-members, wishing to borrow funds, demonstrate that three members have turned down funding of a project before an advance is made to the non-member.

Judy also explained that the FHLB's Affordable Housing Advisory Council does include members from Montana, \$11,000,000 has been made available through its grant program and that in Montana 100 units of housing have been funded with Affordable Housing Program Grants; 169 units of housing have been funded with Challenge Program funds and 300 units of housing have been funded through the Community Investment Fund Program. Judy further explained that the FHLB is very interested in working with the Board and member institutions in providing funds for use on tribal lands.

Staff reviewed with the Board potential uses of the FHLB Non-member Advance Program including: fund the initial warehousing of HUD 203(k) Rehabilitation loans; provide the cash assistance loan funds for the Homebuyers Cash Assistance Program; provide infrastructure bridge financing for new construction; provide funds for mobile home court bridge and permanent loan financing; provide construction financing for the Multifamily Bond Program; provide financing for housing the mentally ill, the developmentally disabled and the homeless; and provide funds for college housing on tribal lands. A discussion by the Board resulted in Bill Oser moving to direct staff to proceed with a non-member application to the FHLB of Seattle for their Program authorizing direct lending to State Housing Finance Agencies. The motion was seconded by Bob Savage and unanimously approved.

INFRASTRUCTURE DEVELOPMENT FOR AFFORDABLE HOUSING

Richard A. Kain, Administrator, advised the Board at the November, 1993 Board meeting action was taken to setaside \$400,000 as seed money for affordable housing development. Dick further noted that at this time no development structure or terms and conditions for the setaside has been developed by staff. Dick explained that the Board has been approached about the setaside and turned the meeting over to Gerry Hudson. Gerry advised the Board, the Billings

Affordable Housing Task Force has received a proposal for a low income housing project and he was asked to present the proposal to the Board. The proposal, by a local contractor, is to build houses for low income families (60% of median income) with a completed purchase price of \$45,000 and would include an unfinished basement. For an additional cost of \$5,000 the houses could be built with a finished basement or made handicapped accessible. The houses would be built in clusters of five to seven homes with vinyl siding for low maintenance and on lots in which the infrastructure is already in place. The proposal incorporates a lower profit margin for the contractor, a flat fee for realtors and a completed construction time of 45 days to avoid having to do construction loans. The proposal would ask the Board for a grant for acquisition of the original track of land. The proposal was presented to the Board as an idea to assist in providing affordable housing. Gerry also advised the Board of another project in the Billings area to develop 7.6 acres of land for moderate income housing that would need a loan of \$250,000 to develop water and sewer lines. It was noted that the proposal has several possibilities. Discussion of the proposal centered around the setaside being used as seed money for the development of infrastructures, assurances that such a project would proceed as proposed and be completed, processes to determine feasibility, and measures to consider proposals equally across the state. Dean Mart moved to refer the proposal to staff for further consideration and recommendation to the Board. The motion was passed upon a second from Bob Savage. Concern was expressed that the parameters for the setaside be flexible enough to fit a proposed project and not structured so a project has to fit the parameters or not be eligible. Staff was further directed to bring to the Board parameters for the \$400,000 setaside for review at a worksession to be held in conjunction with the February Board meeting.

INVESTMENT BANKERS UPDATE

Peter Nolden, Paine Webber, Inc., advised the Board that interest rates have decreased slightly and that the spread between Revenue Bonds and 30-year Treasury Bonds is beginning to widen. Peter proposed to the Board that in the current market, using a refunding in combination with a new bond issue and resulting in a net lending pool \$20,000,000: \$17,000,000 of lendable proceeds in a regular lending pool at a mortgage rate of 5.70%; \$3,000,000 for a Homebuyers Cash Assistance Program at a mortgage rate of 4.875%; and a re-allocation of \$3,092,165 for a Residential Energy New Construction Program at a mortgage rate of 5.80%. Peter further explained that one bond issue would be refunded in total and another bond issue would be refunded in part. The refunded bonds have rates of 9% and 10% and a redemption premium of 3% would have to be paid but the cost of the premiums would be made up from the reduced interest rate. The costs of issuance, negative arbitrage, savings due to the refunding, size of issuance and mortgage rates were all discussed by the Board. Peter then reviewed a preliminary schedule for the bond issue with the Board. Gerry Hudson moved to instruct Paine Webber, Inc., to proceed with a bond issue incorporating a new money issue and a refunding of existing bond issues, with \$16,000,000 of lendable proceeds in a regular lending pool at a mortgage rate of 5.0%; \$4,000,000 for a Homebuyers Cash Assistance Program at a mortgage rate of 4.5%; and a re-allocation of \$3,092,165 for a Residential Energy New Construction Program at a mortgage rate of 5.80%. The motion was seconded by Bill Oser and approved with five members voting in favor of the measure and one member voting against the measure.

SINGLE FAMILY PROGRAM UPDATE
1993 BRIDGE RECYCLING PROGRAM

Bob Morgan presented to the Board the status of the 1993 Bridge Recycling Program as of January 18, 1994. The Board has received 13 reservations for a total reservation amount of \$539,901. Twenty-seven loans have been purchased for \$987,053, of the \$10,000,000 setaside there remains \$8,473,045 in available funds. The average purchase amount is \$36,557 and the average gross annual income is \$23,292. Of the 27 loans purchased 18 have been FHA and 9 were FmHA. The statewide distribution of loan reservations and purchases by area and lender were then reviewed, as were graphs illustrating the purchases by lender and area.

ANALYSIS OF LOANS PURCHASED WHICH ARE GUARANTEED BY THE FmHA
GUARANTEED RURAL HOUSING LOAN PROGRAM

Bob Morgan explained that in September, 1992 the Farmers Home Administration (FmHA) Guaranteed Rural Housing Program was approved by the Board for use with the Board's Single Family Bond Program. It was explained that the FmHA Program guarantee is 90% of the outstanding loan indebtedness and upon foreclosure title of the property reverts to the Board. Bob reviewed the 15 loans purchased under the FmHA Guaranteed Program and noted that 9 of these loans received funding from the 1993 Bridge Recycling Program and constitute 33% of the loans purchased under that Program. It was also explained that because the FmHA Program does not require a downpayment, the loan to value ratio is near 100%. It was recommended that because of the increased risk associated with FmHA loans that a cap limiting the number FmHA Guaranteed loans be considered with future Single Family Bond Programs.

HOMEBUYERS CASH ASSISTANCE PROGRAM
STATUS REPORT

Bob Morgan reported that the Homebuyers Cash Assistance Program (CAP) expired December 31, 1993. Fifty-one (51) loans have been purchased for \$1,968,801.77. The average CAP loan funded was \$911.00; the average loan purchased was \$38,590; the average household income was \$18,252; and the average household size was 2.1. Bob also reviewed with the Board the loans purchased by area.

Bob Morgan presented an overview of CAP loan payoffs, advising the Board that of the 154 loans that have been funded and purchased in all of the CAP Programs, 18 CAP loans have been paid off. The average loan was held for 18 months; the average house purchase price was \$37,282 while the average house sales price was \$47,071. Bob further advised the Board that of the 18 downpayment assistance loans, all were paid off in full with the exception of two which, per the Terms and Conditions, the house sold for an amount less than would be required to pay the loan in full.

Bob further explained that of the 136 outstanding loans there are 16 loans in a delinquent status, with 13 of those delinquent by 30 days. The remaining 3 loans are in a critical delinquent status (60 days or more).

STATUS OF RECYCLED MORTGAGE PROGRAM SETASIDES

Bob Morgan presented a summary of recycled mortgage program setasides as of January 18, 1994 to the Board. Setasides with a mortgage rate of 6% totaling \$4,493,400 were first reviewed including: Neighborhood Housing Services, Inc., Great Falls' Owners In Partnership II setaside which is \$448,000; the City of Havre

First-Time Homebuyer Program setaside totaling \$560,800; and the Missoula City-County Affordable Housing Program which is \$3,484,600. Setasides with a mortgage rate of 6½% were reviewed and include: Neighborhood Housing Services' two setaside programs totaling \$497,632. The total setaside for all programs is \$4,991,032.

DISABLED ACCESSIBLE AFFORDABLE HOMEOWNERSHIP PROGRAM

Bob Morgan presented a summary of the Disabled Accessible Affordable Homeownership Program as of January 18, 1994. Five (5) loans have been reserved for a total of \$295,943, the average loan reservation is \$59,188, the average household income is \$15,309, the average mortgage rate is 4.15% and the average household size is 3.0. Of the five reservations, three are for existing housing and two are for new construction. Six loans have been purchased, the average purchase price is \$57,430, the average household income is \$14,408, the average mortgage rate is 3.92% and the household size is 2.33. Three of the purchases have been for existing housing and three for new construction. The Board has received a total of 118 applications, of the applications received 99 have been approved; 5 are in process; and 14 have been denied. The mortgage rate distribution for the approved applications is as follows: 40 loans at 2.75%; 22 loans at 3.75%; 15 loans at 4.75%; 16 loans at 5.75%; and 6 loans at 6.5%. The average household income of approved applications is \$13,625 and the average household size is 2.4. Approved applications by area were also reviewed, as was a graph which illustrated the four Independent Living Centers and each of their approved applications by mortgage rate.

Dean Mart reported that the Audit Committee met with Jim Woy of Anderson ZurMuehlen on January 20, 1994. The Committee met to discuss two on-site loan servicer reviews conducted by Anderson and ZurMuehlen in December, 1993. Several significant discrepancies with the Board Servicing Agreements and procedures were noted and the Committee directed staff to follow-up the discrepancies and to ensure that they were satisfactorily cured. Paul Bankhead moved that the Board accept Dean's report of the Audit Committee meeting, after being seconded by Bill Oser the motion was unanimously approved.

Bill Oser inquired of Mike Mulroney, Board Counsel, as to the procedures of terminating a Board Servicing Agreement with servicers who were not in compliance with the Agreement and not providing acceptable loan servicing. Mike explained that the Servicing Agreement provides that servicing may be terminated at anytime without cause with five days written notice.

REVIEW OF ADMINISTRATIVE RULES IN REGARD TO QUALIFIED LOAN SERVICERS

Mike Mulroney, Board Counsel, briefly reviewed with the Board its Administrative Rules (8.111.305A) pertaining to Qualified Loan Servicers, particularly noting subsections "(a) designation of office(s) in the state of Montana for loan servicing;" and "(f) an applicant which is governed by one of the regulatory agencies defined herein, must submit its most recent regulatory agency report which must indicate a positive return on assets, and (based on generally accepted accounting principles) must indicate a total capital as a percentage of average assets of at least 6% or meet all applicable capital requirements of their regulatory agency."

Mike explained that the Board is bound by the Administrative Rules. A reasonable interpretation may be made of the Rules, however, if an interpretation is made the Board then becomes bound by that interpretation. Mike then explained that this issue is being raised because of a unique situation in which an approved Montana Board of Housing loan servicer, grandfathered under previous Administrative Rules, has notified the Board that their bank system is transferring all loan servicing functions from First Bank Loan Servicing Center in Sioux Falls, South Dakota to FBS Mortgage Corporation (FBSMC) in St. Paul, Minnesota and has made application that the office in St. Paul, Minnesota be approved as a qualified loan servicer. Mike advised the Board, FBS Mortgage-Minnesota made application to become a qualified loan servicer and noted in their application they had no loan servicing facilities in Montana, that all loans would be serviced in St. Paul, MN and was subsequently amended so a contact person was available in the First Bank Montana offices. The application also noted that FBS Mortgage is regulated by the Office of the Comptroller of the Currency (OCC) which does not allow release of reports to third parties. Mike explained the Board had two questions before them in regards to this matter, first to determine whether local contacts versus an in state servicing office would suffice for qualifying loan servicing and secondly, to determine if the financial reports submitted with the application and a President's Certificate stating that FBS Mortgage meets OCC requirements would be acceptable in lieu of regulatory agency reports required by the Administrative Rules.

QUALIFIED LOAN SERVICER APPLICATION

FBS MORTGAGE CORPORATION - ST. PAUL, MINNESOTA

Bob Morgan, submitted for the Board's review and action an application submitted by FBS Mortgage Corporation (FBSMC)-St. Paul, Minnesota to become a qualified loan servicer. Dean Mart advised the Board that due to a conflict of interest he would abstain from any discussion or action taken in regards to this matter. Bob explained that after the application was submitted, Board Counsel and staff met with representatives from FBSMC to discuss their application and transferring of servicing from Sioux Falls, South Dakota to St. Paul, Minnesota. Bob advised the Board that the application provided: designation of the servicing office in St. Paul with contacts at First Bank Montana offices; evidence of current corporate and ownership structure demonstrating more than one year of existence; a list of principal officers and officers authorized to execute legal documents; a list of personnel principally involved with servicing mortgage loans, their qualifications and offices locations; certificate of Errors and Omission Insurance and Fidelity Insurance; latest Audited Financial Statements and September 30th unaudited financials; and evidence that FBSMC is an approved FHA and VA servicer. Bob then noted the items for consideration by the Board were first, does having the servicing center in St. Paul with contacts at First Bank Montana satisfy Administrative Rules 8.111.305A (a) and does the submitted reports and President's Certificate providing that FBSMC meets OCC requirements satisfy Administrative Rules 8.111.305A (f). Bob advised the Board that if the application was not approved, there is a period of 180 days before an applicant can re-apply for consideration as a qualified loan servicer.

The Board asked the representatives of FBSMC if they would like to make any comments regarding the application. Kathy Bevis, FBSMC Loan Servicing Center, St. Paul advised the Board that FBSMC is a

subsidiary of FBS-Nevada, they pride themselves in their service to their customers, customers can choose to call a service representative in St. Paul or call an information line to get information on their loans, that they service bond portfolios for several other states and are happy to accommodate investor wants. Kathy noted that their system in Montana at the First Bank and FBS Mortgage facilities are not computer on-line but is a consideration for the future. The Board expressed concern that there be a live person in Montana for the customer to talk with. Following further discussion Mike McKee moved to approve transfer of servicing from FBS Loan Servicing Center-Sioux Falls, SD to St. Paul MN. Mike was advised that FBSMC-St. Paul must first be approved as a qualified loan servicer. Mike then moved to approve FBSMC-St. Paul as a qualified loan servicer, the motion died for lack of a second. Bob Savage said he felt that the critical issue was that of a servicing office in Montana and he did not feel, based on the information presented, there was an office in Montana. The Board asked if mortgage loan payments could be made in Montana to which they were advised payments can be dropped off at any First Bank and they are delivered to St. Paul via inter-office mail. It was noted that the mortgage loan history would reflect the date the payment was received in St. Paul and that if this generated a late notice, the borrower would receive a letter advising them to ignore the late notice. FBSMC was asked how Board of Housing peer agencies have responded to the transfer request and it was explained that South Dakota has allowed the transfer, while North Dakota did not and servicing has been transferred back to them. Further discussion of the issue resulted in Mike McKee moving to approve FBSMC-St. Paul as a qualified loan servicer, the motion was seconded by Bill Oser and was not approved with two members voting in favor of the measure, three members voting against the measure and one member abstaining. The Board expressed their thanks to those from FBSMC for their time and effort in making application and for attending the meeting.

Staff was asked what procedures would now need to be followed for servicing to be transferred to a qualified loan servicer. Dick advised the Board that if FBSMC did not feel it could re-establish servicing in Montana, that FBSMC would be provided with a list of Board approved in-state, qualified loan servicers and they should submit a proposal for review for the transfer of servicing to a qualified loan servicer. It was explained that FBSMC should initiate negotiations with qualified loan servicers. Staff was directed by the Board to proceed on that basis.

OTHER BUSINESS

Dick Kain drew the Board's attention to a letter he received from the Montana People's Action requesting an opinion of the State's banking industry and its participation in Board of Housing Programs. Following a brief discussion, the Board deemed it inappropriate to offer an opinion of participation, however, directed staff to provide Montana People's Action with a history of the last three years production information for all financial institutions participating in the Board's Programs, such as that provided at Board meetings.

LEGISLATIVE UPDATE

Dick Kain advised the Board of the final status of Special Session legislation with potential impact on the Board of Housing. SB11 (Abolishing The Department Of Commerce And Distributing Its

Functions To Other Departments, Offices and Agencies), was passed in the Senate, transmitted to the House where it failed. SB39 (Providing For The Department Of Social And Rehabilitation Services To Impose A Lien For Recovery Of Medical Expenditures Against The Real Property Of Medicaid Recipients), was passed in the Senate, transmitted to the House where it failed. HB78 (Establishing A Property Tax Deferral Program To Reduce The Impact Of Higher Property Taxes Because Of Reappraisal) failed in Committee.

NATIONAL COUNCIL OF STATE HOUSING AGENCIES-RESOLUTION ON POLITICAL CONTRIBUTIONS

Dick shared with the Board a letter from John McEvoy, Executive Director, NCSHA, regarding a resolution passed by the Board of Directors, which prohibits Executive Directors to solicit political contributions.

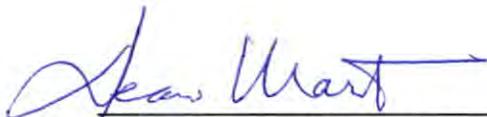
Bill Oser inquired about the status of obtaining business cards for Board members and was advised they would be available at the next Board meeting.

The Board was advised that the 13th Annual NCSHA Legislative Conference would be held February 28th through March 3rd in Washington D.C. Following a brief discussion Mike McKee moved that Paul Bankhead be authorized to attend the Conference, seconded by Dean Mart the motion was unanimously approved.

SET NEXT MEETING DATE

A worksession was scheduled for Monday, February 14, 1994, at 5:00 p.m. in the Board's office and the next meeting was scheduled for Tuesday, February 15, 1994, at 8:30 a.m. in the Downstairs Conference Room of the Department of Commerce.

There was no further business, and the meeting adjourned.



Dean Mart, Secretary

February 15, 1994

Dated



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
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(406) 444-3040

NOTICE OF COMMITTEE MEETING

The Audit Committee of the Montana Board of Housing will hold a meeting on Thursday, January 20, 1994 at 2:00 p.m. in the Board's office to review the results of the servicer reviews conducted by Anderson ZurMuehlen and Co., P.C.

The Board will hold, immediately following the Audit Committee meeting, a worksession to review the HUD/FHA Multifamily Risk Sharing Pilot Program.

1/11/94



MONTANA BOARD OF HOUSING

2001 ELEVENTH AVENUE
PO BOX 200528
HELENA, MONTANA 59620-0528
(406) 444-3040

Notice having been given, the Audit Committee of the Montana Board of Housing met on Thursday, January 20, 1994 at 2:00 p.m. in the Montana Board of Housing office. Participating were: Dean Mart, Chairman of the Audit Committee; Committee Members Paul Bankhead, Gerry Hudson, Bill Oser and Bob Thomas; Jim Woy, Anderson ZurMuehlen and Company; and staff Dick Kain, Administrator and Karen Wynne, Comptroller.

The meeting began with a discussion of the two (2) loan servicer reviews performed by Anderson ZurMuehlen in mid-December and a presentation of their reports. Noted significant servicing deficiencies included: hazard insurance policies that did not name Montana Board of Housing as the loss payee in the mortgagee clause; questions regarding escrow analysis; Montana Board of Housing not identified on custodial accounts as the funds being held in trust for the Board; balances were held in excess of \$100,000 FDIC Insurance in numerous DDA Accounts; Board funds co-mingled with other investor monies. Staff was directed to formally follow up with the two individual servicers on the identified servicing deficiencies so as to resolve the exceptions and report back to the Board.

The Audit Committee meeting concluded and a worksession began with Maureen Rude, Multifamily Program Officer, presenting a condensed overview of the HUD/FHA Risk Sharing Pilot Program, application process and potential benefits to the Board's Multifamily Housing Program, which will be reviewed in detail at the January 21st meeting.

Peter Nolden, Paine Webber then reviewed the underlying analysis which they have completed in regard to potential refundings of outstanding bond series.

There was no further business and the worksession adjourned at 6:30 p.m.

A handwritten signature in blue ink that reads "Dean Mart".

Dean Mart, Chairman

February 15, 1994

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Department of Commerce
1424 9th Avenue
Helena, Montana
June 14, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris, (Present)
Barbara Hamlin, (Present)
Paul Bankhead, (Present)
Mike McKee, (Present)
Bill Oser, (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Karen English, Program Specialist
Chris Keisker, Administrative Support

COUNSEL: Mike Mulrone, Luxan and Murfitt

OTHERS: John Wagner, Kutak Rock
Peter Nolden, Paine Webber
Gordon Hoven, Piper Jaffray, Inc.
Tim Bartel, Moody's Investment Services
George Solari, Moody's Investment Services
Gene Huntington, Dain Bosworth
Dick Brink
Jeane Carstensen-Garrett, Legislative Auditors Office

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Paul Bankhead made a motion to accept the May 10, 1995 Meeting minutes as written. The motion passed unanimously.

FINANCIAL STATEMENT AND BUDGET INFORMATION

Kelly Rusoff presented the MBOH Balance Sheet to the Board. She said that there was \$157,816,598 total cash and investments, \$336,428,965 total mortgages receivable and \$504,662,173 in total assets. She also stated that the total liabilities are \$427,505,914 and the fund balance is \$77,156,259 which totals to \$504,662,173 for the total liabilities and fund balance.

Kelly presented the MBOH income statement to the Board. The total interest income on mortgages is \$19,392,401. The total earnings from investments are \$9,031,491, and the total income is \$28,616,352. Under expenses she said the total bond costs are \$24,478,348 and the total expenses are \$26,070,549 which leaves a total net income of \$2,545,804.

Kelly presented the MBOH budget report to the Board. She stated that MBOH was currently at 59% of budget as of May 31. Mike Mckee asked Kelly to explain why the travel expenses were over budget. She replied that the overage was mostly due to Board member travel and when the budget was originally calculated there were some different Board members who lived closer to Helena and didn't require as much travel. Paul Bankhead asked Kelly to confirm that the computer equipment did not end up costing as much as expected. Kelly stated that so far that is correct. Maureen explained that some of the expenses also ended up in the supply budget.

Bill Oser asked about the new computer software that is not operating properly, he wanted to confirm that we were not paying the company to come back and fix their mistakes. Kelly stated that it was thought to be a hardware problem not a software problem. But she will continue to try to work with the company and get these problems resolved.

MOODY'S INVESTORS SERVICES

George Solari explained to the Board what Moody's rating process is, what the bond ratings mean and what they look at when they rate bonds. He explained that the rating process begins with the investment banker or bond counsel applying for ratings. There are five factors that go into a rating, the first is the legal provisions and the actual structure of the bonds. Some key issues in this factor include whether the structure permits the release of funds, cash flow analyses, the expected financial performance of a program and of the agency as a whole, portfolio data including the composition of the assets, and how is the State's economy and what kind of relationship the agency has with the state. There have been a couple of instances where various states legislatures have come in and taken money from an agency. George indicated it is important for housing finance agencies to set up programs that may need excess funds "earmarked" for things such as subsidizing loans or setting aside funds to cover potential defaults. George also clarified that the housing finance agencies that

had money removed by the State have gotten appropriations from the State coffers in the past and therefore are in effect paying it back.

George then explained to the Board the implications of the current HUD proposal and Section 8 program now on the table in Congress. Maureen clarified to the Board that the multifamily programs administered by the Board are FHA insured and have project based Section 8 so they are not in a situation where there are a large number of uninsured Section 8 properties.

Tim Bartel Introduced himself as the lead Analyst for Montana. He then explained why it is worth while to pay Moody's for their services. He said Moody's responsibility is to ensure that the bond programs work and are a safe investment for the owners of the bonds. He then explained the Summary Report and its contents. He explained that the Board is in good shape because it has a very low delinquency rate as well as insurance on all mortgages it holds. Mike Mckee asked Tim to clarify what the "Program Net Revenue" is and how that relates to the continued AA rating. Tim explained that until the programs have some history they will look strange but they rated the bonds AA and by a certain period of time the program has to be performing on its own to meet that criteria. Initially when they come out of the block the programs don't and the numbers are off. Mike then asked under the same issue, looking at the single family program as a whole, the numbers have gone from 7.96% in 1991 to -6.30% in 1993 what is that telling the investor who is reading this. Tim replied that this reflects a debt service cost and does not necessarily mean anything negative. Tim reviewed the MBOH Municipal Credit Report and gave an overview of what this information means to an investor.

UNDERWRITERS UPDATE

Peter Nolden updated the Board about the bond markets explaining that the market, measured by the 30 year Treasury Bonds, during the week of March 24, 1995, was yielding 7.45%. The morning of June 14, 1995 the 30 year Treasury was yielding 6.55% so the market has improved 90 basis points. If the Board were to sell just stand alone new money bonds today for a single family program the mortgage rate, on its own, would be about 6.75% to 6.90% without taking into account any refunding. Peter also explained the he believes the Board, with the recent reduction in rates, has a refunding candidate in the 1979A bonds under the Single Family II indenture. This refunding would provide economic savings, and could be used to write down the mortgage rate on a new money pool. The Board could also structure the bonds to be sold as long as 40 year bonds with no principal amortization on the front end, which would maximize the benefit to recycle the repayment on the 79A mortgage loans into new loans. This would maximize the amount that could be recycled and would continuously have some funds available to make loans.

Bill Oser made a motion to have Peter Nolden research a \$60 million lendable proceeds issue with \$30 million immediately and \$30 million 60 to 90 days later (or earlier if needed) at a 6.5% mortgage rate. Bill clarified that this was only to see if it could be done and the Board could look at the proposal at the next Board Meeting. Paul Bankhead seconded the motion. The Board discussed the issue. The motion passed unanimously.

BOND COUNSEL UPDATE

John Wagner said that there was \$15million in excess reserve funds that could only be moved out of the reserve fund June first. The money was moved into the Revenue Fund on June first, and the Board staff needs to make a decision as to what to do with the money. John clarified the decision has to be made within 90 days after June 1. John said he recommends moving these funds into the Program Fund which will allow the Board to make mortgages with the money and with the interest derived from the payback of these mortgages, possibly blending the moneys with the next bond issue. As the mortgages are paid back, the Board could call some high interest rate CABs, which are compounding at 10%. The CABs can only be called from principal payments and prepayments. This process would reduce debt service in the future and fix some problem areas within the indenture. John pointed out that Peter Nolden will probably want to include those funds in the calculations for the proposed new issue. John also said that there is still over \$5million in excess reserve funds (per the reserve fund calculation required by the indenture) left in the fund but it is better to have a little more than the minimum requirement for liquidity. Maureen asked John to clarify what these funds can be used for. John said since these monies are original bond proceeds, if removed from the Reserve Fund they can only be used to make mortgages or to call bonds. They can not be used for any other purpose. Bill Oser made a motion to ratify the action taken by the staff by moving those funds. Mike McKee seconded. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an update of the 1995 Series A programs. The program started out with \$30,086,633 in bond proceeds and collected \$150,221 in reservation fees which is a total lendable pool of \$30,236,854. To date there are 345 reservations totaling \$23,854,000 and the Board has purchased \$6,293,000. The average reservation amount has been \$68,900 and the average purchase amount has been \$66,200. The average income has been \$31,200. There was one cancellation that came in the week prior which made \$89,000 uncommitted. He then summarized the most active lenders. Bill Oser asked Bob about the set aside for RECDs. Bob explained that this set aside is fully reserved. Bill then asked if the use of this program has been evenly spread throughout the state. Bob confirmed this to be the case.

Bob then gave an update of the City of Billings Home Ownership Program. He said that they will be getting the rest of their Home funds so they will be using the rest of their \$3 million set aside. He presented a proposal from Joe Burst to increase the borrowers income from 60% of median to 65% of median and that Joe indicated this would help the program work better. Mike McKee stated that he was concerned that the Board is originally approving programs to help the lowest income people and then later they are changing them to reach higher income people and this goes against what they are trying to accomplish. Paul Bankhead asked why they are requesting a change. Bob Morgan explained that the home program allows up to 65% of median and that is what they are using for the down payment assistance and they are trying to utilize the program further. Maureen clarified that Home regulations have changed some over time. The Board expressed concern that this problem (changes to projects) has gotten out of hand and wanted to make it clear that these changes cannot take place continuously. Bill Oser made a motion to accept this proposal. Barbara Hamlin seconded the motion. The motion was denied with Barbara Hamlin, Bill Oser and Paul Bankhead voting for and Mike McKee, Waneeta Farris, Bob Savage and Bob Thomas voting against.

Bob then presented a review of the Income Limits for the Single Family programs. He explained that the Administrative Rules state that each June the Board must review and revise income limits for lower income persons and families in need of housing and assistance under the Boards programs. He said that these incomes are established using the HUD Maximum income limits at 100% of applicable income for a small household and 115% of applicable income for a large household in Non-Targeted areas and 120% of applicable income for a small household and 140% of applicable income for a large household in Targeted areas. He explained that these income limits only changed in Gallatin, Jefferson, Lewis and Clark and Missoula Counties. In Gallatin County it changed from \$35,900 to \$36,000 for small household and \$41,285 to \$41,400 for large household. In Jefferson County it changed from \$42,700 to \$43,600 for small household and \$49,105 to \$50,140 for large household. In Lewis and Clark County it changed from \$38,700 to \$38,900 for small household and \$44,505 to \$44,735 for large household. In Missoula county it changed from \$43,560 to \$43,680 for small household and \$50,820 to \$50,960 for large household. Maureen explained that the income limits will stay as they were unless the Board chooses to take action and adopt the new income limits. Bill Oser made a motion to accept the HUD limits. Barb Seconded the motion. The motion passed with Bob Savage and Mike McKee voting against and Barbara Hamlin, Bill Oser, Paul Bankhead and Waneeta Farris voting for.

Bob Morgan requested the Board clarify their intent for several specific areas in the Disabled program. The Board discussed the issues and decided that in the Objective paragraph, disabilities needs to be changed to physical disabilities requiring structural modifications to the home. In the Rental Housing paragraph disabilities needs to be changed to physical disabilities. In paragraph number 3 of the Terms and Conditions \$15,000 should be changed to \$25,000. Under the Home buyer and Tenant Eligibility Guidelines paragraph 2 the paragraph should be changed to read "Maximum gross annual family income of \$30,000 after exclusions for certain defined, non-reimbursed, on-going, medical, vocational and independent living expenses attributed to disability". And under the Non-profit Entity Eligibility Guidelines for Mortgagor paragraph 4 the phrase "coordinate a loan counseling program". Bob Savage made a motion to accept these proposed changes. Paul seconded the motion. The motion passed unanimously.

REQUEST FOR PROPOSAL FOR TARGETED PROGRAMS

Bob Morgan and Maureen Rude presented a Request for Proposal (RFP) for getting proposals for projects to utilize the recycled money. Bob M. said that this RFP will set up procedures for entities making proposals to the Board. It will also give equal opportunity for all entities to come before the Board with proposals that they have for affordable housing and for use of recycled funds. He said there are approximately \$16 million in recycled funds available and with the current indenture the interest rate on those funds would range from about 5% to 7.75%, with an average of about 6%. The objective of this RFP is to set up guidelines to get proposals from different agencies from around the state that are interested in affordable housing, to present their projects in an orderly fashion, and set up some guidelines for them to present those projects on a time line that would be manageable. Maureen explained that the another purpose of this RFP process is to make it easier for the staff to deal with the multiple requests and calls from people who are wanting to request special programs and to give the staff some time to review these proposals before presenting them to the Board. The

Board discussed the issue, made minor suggestions for clarification, and encouraged Bob and Maureen to complete the proposal for the July meeting.

Maureen updated the Board on the current FHA home ownership and rental housing insurance fund proposal that is currently on the table in Congress. The current proposal is to eliminate the Multi-Family Insurance program entirely which includes the Risk Sharing program. She stated that HUD does not support this proposal, and wants to see multifamily insurance continued.

OTHER BUSINESS

Maureen Rude asked the Board to confirm that Barbara Hamlin and Waneeta Farris were going to the Asheville, NC, NCSHA workshop. The dates would be July 29-Aug 1, 1995. She stated the airline tickets to this workshop are going to cost about \$700 each, and Barbara and Waneeta had expressed some concern regarding the cost, and wanted to make sure the Board still supported the travel expense. Maureen said she feels the information covered in this meeting will be very beneficial. The Board decided to let the motion stand and send them to the workshop as planned. She also informed the Board that they are able to authorize only two Board members to go to a workshop, to allow any more to go would take the approval of the Director, and she would be submitting a request to the Director for the fall annual workshops in Boston.

The Board discussed the next meeting date and location and decided that it will be two days, one in Polson and one in Kalispell. The dates will be July 27 and 28, 1995, respectively, including the Board meeting and a public information meeting to be held in Polson and a public information meeting to be held in Kalispell.

Bill Oser made a motion to adjourn the meeting. The motion passed unanimously. The meeting was adjourned at 12:05pm.



Secretary

7-27-95

Date

MONTANA BOARD OF HOUSING
GUESTS

PLEASE PRINT

<u>NAME</u>	<u>REPRESENTING</u>
John Wagner	Kutak Rock
Peter NOLDEN	FAME Webber
GORDON HOVEN	Piper JAFFRAY, INC.
Gene Huntington	Dain Roworth
TIM BARTEL	MOODY'S INV. SERVICE
GEORGE SOLARI	MOODY'S INV. SERVICE
Dick Bryant	HUD
Vicki Sun	UR - Indep. Living
Jeane Carstensen - Garrett	Legislative Auditors Office



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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MONTANA BOARD OF HOUSING
Room 160, Mitchell Building
125 Roberts Street
Helena, Montana
June 14, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from May 10, 1995 meeting
- III. FINANCIAL STATEMENT AND BUDGET INFORMATION- Kelly Rusoff
- IV. MOODY'S INVESTORS SERVICES - Tim Bartel & George Solari
- V. UNDERWRITERS UPDATE - Peter Nolden, Paine Webber
- VI. BOND COUNSEL UPDATE- John Wagner, Kutak Rock
- VII. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
 - A. 1995 Series A
 - B. City of Billings Home Ownership Program
 - C. Income Limit Review
 - D. New Lender Requests
 - E. Disabled Housing Program
- VIII. REQUEST FOR PROPOSAL FOR TARGETED PROGRAMS
- Robert Morgan, Maureen Rude
- IX. Other Business
 - A. NCSHA Workshops
 - B. Set Next Meeting Date and Location
- X. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

6/1/95

✓
~~July 27, 85~~
May 10, 85

MONTANA BOARD OF HOUSING GUESTS

PLEASE PRINT

<u>NAME</u>	<u>REPRESENTING</u>
Cherie Foster	Sanders County
Carol Book	Sanders County
Nancy Stephenson	NHS Great Falls
Steve Hunt	Sanders County Commission
Debbie P. Light	
Phil Kri	Phil Bullock
Dennis Nicholls	The River Journal (Foxon)
Len & Don Langdon	Sanders County
Maris Drumm	Hurd-Bush Realtors® T.F.
Denise Benson	Rocky Mountain Bank -
Kim Sparks	City of Thompson Falls
SCOTT ORR	HD P 2
ROSE FOX	Private Citizen
Bob Olson	1st State Bank of T.F.
Dotie Lubi	Ellett Leally
Eita Ward	Department of Family Services



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
THOMPSON FALLS COURTHOUSE
1111 MAIN STREET
THOMPSON FALLS, MONTANA
May 10, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
INTRODUCTION OF NEW STAFF AND STAFF AT MEETING
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from April 6, 1995 meeting
- III. LOW INCOME HOUSING TAX CREDIT APPLICATION - Maureen Rude
- IV. NEIGHBORHOOD HOUSING SERVICES - Nancy Stephenson
- V. SINGLE FAMILY PROGRAM UPDATE - Maureen Rude
 - A. 1995 Series A
 - B. 1994 Series C
 - C. Recycled Mortgage Programs
 - D. Cash Assistance Program
- VI. NEW LENDER REQUEST - Maureen Rude
 - A. Inland Mortgage
 - B. New Lender Process & Other Requests
- VII. OTHER BUSINESS -
 - A. Housing Programs Reorganization
 - B. Set Next Meeting Date and Location
 - C. Oser's Motion
- VIII. ADJOURN REGULAR BUSINESS MEETING

1:00 P.M. TO 3:00 P.M.

PUBLIC INFORMATION MEETING

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

5/2/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NEWS RELEASE

Contact: Maureen J. Rude

Date: 4/24/95

MONTANA BOARD OF HOUSING TO HOLD PUBLIC INPUT MEETING IN THOMPSON FALLS 5/10/95

The Montana Board of Housing will hold a public input and informational meeting in Thompson Falls on May 10, 1995, from 1:00 p.m. to 3:00 p.m. The meeting will be held at the Courthouse in Thompson Falls, located at 1111 Main Street.

The meeting is intended to provide public input on the Board's programs, to gather input regarding the housing situation in Mineral, Lincoln, and Sanders counties, and to provide information to the public regarding the Board's programs. Paul Bankhead, a member of the Board of Housing from Heron, MT, states, "The members of the Board of Housing believe it is important to hold meetings around the state to gather public input and provide information about the Board and its programs, in order to fulfill the mission of the Board."

Any individuals interested in providing input about the Board's housing programs, housing needs in the area, or to obtain information about the Board of Housing's programs (including the first time home buyer loan programs, disabled home ownership program, rental housing programs, and the elderly home owner program) are invited to attend.

-end-



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING June 13, 1995

The Montana Board of Housing will hold a special meeting for a workshop on Tuesday, June 13, 1995, at 2:00 p.m., M.D.T. The purpose is to discuss the Future of Bond Issuance and New Lender Requirements.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Department of Commerce

~~1424 9th Avenue~~

~~Helena, Montana~~

May 10, 1995

*Thompson Falls Courthouse
Thompson Falls, MT*

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Waneeta Farris, (Absent)
Barbara Hamlin, (Present)
Paul Bankhead, (Present)
Mike McKee, (Absent)
Bill Oser, (Present)

STAFF:

Maureen Rude, Administrator
Meredith Miller, Program Specialist
Kellee Pennington, Accountant
Chris Keisker, Administrative Support

COUNSEL:

Mike Mulrone, Luxan and Murfitt

OTHERS:

Cherie Hooten, Sanders County
Carol Brooker, Sanders County
Nancy Stephenson, NHS Great Falls
Stephen Wheat, Sanders County Commissioner
Dorothy L. Lyght
Dennis Nichols, The River Journal
Lean Lanphean, Sanders County
Dona Lanphean, Sanders County
Doris Grimm, Hurd-Bush Realtors
Denise Benson, Rocky Mountain Bank
Kim Sparks, City of Thompson Falls
Scott Orr, Representative House District 82
Rose Fox, Private Citizen
Bob Olson, First State Bank of Thompson Falls
Dottie Lukis, Elliott Realty
Rita Ward, Department of Family Services

The meeting was called to order at 8:34 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Maureen Rude indicated to the Board that Mike McKee's proposed changes to the April 06, 1995 minutes were incorporated into the minutes presented to the board. Bill Oser made a motion to accept the April 06, 1995 Board meeting minutes. The motion passed unanimously.

INTRODUCTION OF NEW STAFF AND STAFF AT MEETING

Maureen Rude introduced the Board of Housing staff present at the meeting.

HOUSING PROGRAMS REORGANIZATION

Paul Bankhead asked Maureen Rude about current staffing levels and she stated that there are still three positions to fill, the Multifamily Program Manager, the Multifamily Assistant, and the Single Family Program Specialist who handles delinquencies and foreclosures. Bob Thomas asked Maureen if the person hired from the Section 8 Program will be handling the Section 8 program when the reorganization takes place. Maureen clarified to the Board that when the agencies move into the same location, they will still be separate due to having separate accounting systems required by Federal Law. Also the agencies will still retain their present staff except she will be the Administrator of both programs.

Barbara Hamlin asked Maureen for an update on the status of the Boards proposed move to another location, she indicated that a new location has not been found and she would probably renew the lease on the present building.

Barbara Hamlin asked Maureen Rude what programs will be coming together. Maureen clarified that the Section 8 program, the Home program, the Board of Housing and potentially the Housing portion of Community Development Block Grant. Congress is looking at taking housing out of Community Development Block Grant because they think that it is a duplication of the Home program.

Paul Bankhead asked Maureen Rude if she had heard any more things about what Congress is going to do with the Home program. She stated the last thing she heard was they were talking about cutting the funding each year for the next five years until they are receiving only about 40% of their current funding. She also stated that at this time the state of Montana gets \$3.5million statewide and Billings and Great Falls \$400,000 each. Paul also asked about the Section 8 Program. Maureen stated that if the Block Grant approach is used then they will operate similarly to the way it does now where Section 8 Housing in State Government does the vouchers on contract with either the Public Housing Authorities or Human Resource Councils and she thinks that they will go more toward that instead of the project-based properties.

Bob Thomas stated that if they Block Grant housing programs it would increase the work load on the staff at MBOH. MBOH would be taking work from people who would be doing it back there and giving it to us in effect. Thus, MBOH will have to have more people on staff to handle the work load. Maureen Rude stated that the theory supposedly is, that if they do the Block Grant, right now there is a duplication of effort with the Federal Government doing their part and State Government

doing theirs, and the reviews are being done twice. The theory is that if they do the Block Grant approach and it comes directly to the State, it shouldn't be any more work than it is now. Bob Thomas stated that theoretically that cannot be right because the work done by the Federal Government does not always duplicate MBOH, and we would need more staff.

Barbara asked Maureen to give a time line when the reorganization will take place. Maureen replied that it would probably take place July 1. Barbara then asked Maureen how long the actual change would take. Maureen replied that it will happen over time and there will not be an immediate effect on the programs.

LOW INCOME HOUSING TAX CREDIT APPLICATION

Maureen Rude presented a Low Income Housing Tax Credit application for the Phillips Apartments proposed by Ken Allen in Missoula. He is applying for tax credits separately because Maureen proposed that MBOH fund this project out of current funds within the Multi Family indenture, and therefore tax credits are not automatic. Maureen then discussed the other applications received in the round, and the other applications did not meet all of the requirements. Maureen explained that the Board had already seen the application on the Risk Sharing side of the equation on this project. MBOH has not done any type of housing for the elderly in Missoula under the tax credit program. The project is located where the tenants will be able to get to services such as the hospital and the clinic, is very close to a bus stop and a clinic. The project also received points because the developer owns the land and has a commitment for financing from MBOH. Maureen said she received letters from a number of people interested in housing in Missoula supporting this project. The project scored 78 points which meets the minimum threshold of 60 points. Maureen summarized information on the project, including: the project has eight one bedroom units for elderly in Missoula; standard amenities; the project owner will pay utilities except for lighting and cooking, with heat included in monthly rent. HUD has done their market research portion of their review and has concluded that the rents are very appropriate for the type of housing in the area. The total actual cost is estimated to be \$389,000, the eligible basis for Tax Credits purposes is \$404,000 and they are requesting \$16,174 in Tax Credits.

Maureen indicated the Subsidy Layering Review must be sent in to HUD and it shows that the project could support more in Tax Credits than the Board can award. Paul Bankhead asked what percentage of median income that will meet. She replied that it will be about 54 percent and it will not be all the way up to 60 percent for Missoula. Maureen went through the recommendation sheet, stating the developer is a For Profit Entity, the project is new construction with Federal Subsidy (the Risk Sharing Program is considered a Federal Subsidy), there will be 8 units, and estimated placed in service date is January 1996. Maureen stated the staff recommendation is to approve the requested amount of credits. Bob Thomas asked about the points assigned for percentage of low income tenants served. Maureen explained the process and how this category is scored. Bob Thomas then asked Maureen Rude if this project being for profit has anything to do with the low score and she clarified that it did not. Paul Bankhead made a motion to accept the application. It was seconded by Bill Oser. The motion carried unanimously.

NEIGHBORHOOD HOUSING SERVICES

Nancy Stephenson presented to the Board a request to extend the Owners in Partnership II set aside until September of 1995. She explained the reason for the request is they are building the second six of the 12 units were approved by the Board in November of 1993. NHS was delayed because of the funding and the environmental assessment. They have now finished the houses and they went on the market on Friday the 5th of May. Six buy sells came in on the day the houses went on the market and the list will close as of the 19th of May. However, the set aside runs out at the end of May and there is no way that NHS can close by then. Nancy also requested that the HUD guidelines on median income, which were written into the Terms and Conditions by the Board, be updated to specify 80% of the currently applicable median income, rather than the 1993 incomes. Bob Thomas asked if Maureen Rude had a problem with the extension requested. Maureen replied she had no problem with the extension or the adjustment to the income limits. Barbara Hamlin made a motion to approve an extension of the Owners in Partnership II and an amendment to the Terms and Conditions to 80% of the current applicable median income. Paul Bankhead asked Nancy to clarify that the extension would be until September 30, 1995 and Nancy confirmed that 9/30/95 was the requested extension. Paul Bankhead seconded the motion. The motion carried unanimously.

Nancy Stephenson requested a set aside of \$780,000 of the Disabled Accessible Home ownership funds to be used in connection with a \$50,000 grant request they are making to provide up to \$5,000 in down payment, closing costs, and/or rehab to make houses accessible for disabled. Maureen Rude went over a memorandum included in the Board packets regarding the request. Maureen covered the proposed project, including that funds will be used for mobility impaired individuals under 80% of median income, grant funds would provide down payment and closing costs assistance and rehab, and NHS would be coordinating the rehab which is different from the way the regular disabled program works. Paul Bankhead asked Nancy to verify what the grant funds would be used for. Nancy indicated they could be used for down payment assistance, closing costs, and rehab to make the residence accessible. Paul Bankhead asked if rehab can be included in the MBOH loan amount. Maureen replied that the rehab costs can be included in the loan amount in the Disabled Program so this would allow them to go either way depending on what they can afford. Nancy stated if the Federal Home Loan grant does not come through, NHS may be able to access funds from some other sources in Great Falls. The project would also include the NHS home buyer counseling which will require people to go all the way through the counseling, and including Full Cycle Lending, which is counseling before they get in trouble with their mortgage.

The Board then held a general discussion about the screening done by the Independent Living Centers (ILCs), and that the ILCs did not turn people down, even though their income was extremely low. Nancy said she believed one of the biggest problems was that people did not have any money to put down on a home. Maureen also commented that the ILCs did not want to turn anyone down so they would screen individuals and tell them that they were qualified for the program, then when they went to the lenders, the lenders and MBOH had to be the ones to tell them they could not qualify for a high enough mortgage to buy a house. The enhanced program would include the lenders as a first contact, which is an attempt to avoid this problem. The ILCs would then make the determination of mobility impairment when the lender has a questions about the impairment. Paul Bankhead said that this is one area where the Housing Task Force believed if Montana had a trust fund or some kind of entity

within the state, we could really give some help. Maureen commented that another issue that just came up was a lady who wants her son to become a home owner and her son is mentally disabled. He can not qualify for a mortgage on his own because he does not have the capacity to become a borrower under FHA rules, and would have to have a co-borrower. Under tax laws, a co-borrower has to meet all of the requirements of first time home buyer, owner occupancy, and income limits. Under the tax law a trust of any kind is specifically excluded because there is no way a trust can meet the requirements of the program. Maureen commented that even if we did a special program, we still could not make a loan of this type, unless there was money in a housing trust fund, where the money was not tied to the tax laws in any way.

Maureen Rude said the staff recommends, rather than doing a set aside within the disabled housing program, which is already a set aside of funds, the Board commit to keeping the disabled program funded to a level above the amount which NHS would need in order for her program to work. By doing this, a letter could be written to go along with the grant application stating that the Board is committed to not allowing this program to drop below X amount. Maureen also explained that MBOH does continually get prepayments and any time we get those we can commit however much we need to the disabled program to keep the funding level up. It is a policy decision on the Board's part as to the future of the disabled program and the funding applied to it. Maureen also made the recommendation that down payment assistance from grant money not be combined with MBOH down payment assistance. Paul Bankhead asked Nancy, if the Board decided to make it their policy not to go below \$780,000, would this be enough to get what she needs from FHLB. Nancy replied she thought the approach would work. The Board held a brief discussion regarding investment of funds committed to set asides, with Maureen explaining that all money set aside is continually invested, and there is money coming in to the indentures from prepayments on a continual basis. Paul Bankhead made a motion to set the disabled program funds to not go below \$800,000. Barbara Hamlin seconded the motion. The motion passed unanimously.

Paul Bankhead made a motion to approve the use of Neighborhood Housing Services down payment assistance with MBOH programs but that MBOH down payment assistance not be combined with Neighborhood Housing Services down payment assistance. Bill Oser seconded the motion. The motion passed unanimously.

Nancy Stephenson explained to the Board a program that NHS has to purchase FHA repo rehabs, and the set aside MBOH had expired in January of 1995. NHS has two repo's that are in the middle of refurbishing and she is requesting money to be set aside again to fund these projects. Bob Thomas made a motion to create a new set aside utilizing the existing amount of money until December 1, 1995. Bill Oser seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

1995 Series A

Maureen Rude presented to the Board the status of the 1995 Series A issue, she stated that there was originally about \$30,000,000 available for mortgages. As of May 5, 1995 there was \$4,720,337 left to be reserved. The average reservation amount was \$68,000 and the average purchase price was \$49,000. There were 368 reservations and two purchases so far. As of May 9, there was \$1.7 million

dollars left to be reserved also there were reservations approved but not yet on the computer system that took this number down to \$962,000 and the staff expected reservation requests in the office will use remaining funds. Maureen then summarized the lenders who originated the most loans. Maureen also informed the Board that these numbers did not include the RECD set aside and there was \$837,000 left there.

Maureen asked the Board to clarify a decision that was made at the Board meeting in September or October 1994 about increasing the mortgage amounts along with FHA as long as the purchase price does not go over \$100,000. Bob Thomas confirmed that the Board's intention was to automatically increase the maximum purchase price along with FHA with a cap of \$100,000 and this will be annually reviewed by the Board.

Maureen presented to the Board the status of the 1994 Series C issue, she stated that there was originally about \$23.9 million available for mortgages. As of May 4, 1995 there was still \$1.8 million in outstanding reservations and \$22 million in total purchases. The average purchase price was \$64,525.03. The average gross income was \$30,831.00. There are still 27 reservations outstanding and the Board has purchased 341 loans.

Meredith Miller explained to the Board about reservation extension fees. She confirmed that reservations can be extended longer than 180 days but then the person or company who caused the delay must pay the fee. MBOH gets ¼% for each extension of 30 days.

Maureen gave a summary of participating lenders who originated the most loans for the 1994 C issue and also a breakdown of counties that had the most participation.

Maureen Rude gave a summary of the Recycled Mortgage programs. In the 1977 indenture, Owners in Partnership II has \$302,000 remaining, Owners in Partnership III has \$480,000 remaining, City of Billings Set aside has \$1,471,892 remaining, Western Montana Mental Health Center/District XI Human Resource Council have not used any of their set asides yet. In the 1992 Series RA set asides (with mortgage rates that go from 6½% to 2¾%), Disabled program has \$1,650,716 remaining and there is also \$750,000 left for rental housing under the Disabled program, the Homebuyers Cash Assistance Program set aside has all of the original \$2,000,000 still available because the program has just started and the lenders are just now sending in their invitations to participate, the Energy program had an original set aside of \$3,000,000 of which there is \$133,424 left. Mike Mulrone explained that the Board has been made a participant in the agreement so the utility companies can't cancel the programs without letting the Board know. The Montana Peoples Action set aside remains at the full \$150,000 with no loans reserved, the Owners in Partnership VI still has \$780,000 remaining, the Western Montana Mental Health Center set aside has one loan still outstanding for \$122,700 and \$0 remaining in the set aside. The Western Montana Mental Health Center second set aside has the full \$171,000 remaining. Bob Thomas asked Maureen to clarify that under the 1992 Series RA set asides the Board had just decided to not let the Disabled program go below \$800,000, she agreed.

Maureen gave a summary of the Cash Assistance Program (CAP V). She reviewed the invitation to participate, the application for lenders and the terms and conditions for the program. The maximum purchase price must not exceed \$60,000, family income must not exceed \$23,000.

NEW LENDER REQUEST

Maureen Rude presented to the Board a request from Inland Mortgage to participate in the Single Family programs. She explained that the application had been reviewed by the Board previously but due to confusion about company names in the annual report for the company the application was tabled. She presented an explanation from Inland Mortgage and it showed that in 1994 they had acquired the production assets of All Pacific Mortgage Company. She clarified to the Board that All Pacific Mortgage is a subsidiary of Inland Mortgage which is a subsidiary of Irwin Financial Corporation. She then addressed the question about the Code of Bylaws which previously had said the name of the Corporation was Inland Mortgage and then later said the name of the Corporation was Irwin Financial. So Inland Mortgage amended their bylaws, due to a typographical error, to reflect that the name of the Corporation is Irwin Financial Corporation. Mike Mulroney raised the question as to whether the Company had changed its bylaws or the articles of incorporation. He then explained that by his understanding the company could amend its bylaws but it would take a Shareholders meeting to amend the articles of incorporation. Maureen explained that this error referred to the bylaws and the confusion came from a term that was mistakenly used by the Company representative in the last Board meeting and the meeting minutes should be amended to reflect the word bylaws versus articles of incorporation. Bill Oser made a motion to accept Inland Mortgage as an approved lender. Barbara Hamlin seconded the motion. The motion passed unanimously.

Maureen discussed with the Board reviewing the process for accepting new lenders. She explained the current process used by MBOH is creating a difficult work load for the staff because there are so many requests coming in and it would be helpful to make some future policy decisions on what criteria lenders need to meet in order to approve them. Mike Mulroney suggested that the Board make a decision to only accept a certain minimum net worth of lenders. The Board discussed this issue and concluded that they need to come up with a set of financial guidelines but to not make them too strict as to exclude the majority of the lenders. Bob Thomas commented that he thought that it would be better to wait until the rest of the Board members are present to discuss this issue. Mike Mulroney suggested the Board not set a floor for financial worth, but to amend the rules in a way that will make it clear to the lenders that the Board will review the application with a view towards financial strength and the Board can reject the application if they are not satisfied. Maureen suggested that they amend the rules to reflect that asset must be cash or cash equivalent. Mike suggested that Maureen talk to other Housing Finance Agencies in the surrounding states and see how they are handling this problem. Maureen agreed that she would do some research into how other states are handling this situation and report back to the Board in June.

OTHER BUSINESS

The Board discussed the date and location for the next meeting, they decided on June 13th and 14th in Helena. Bob Thomas stated that he would like to have a reception and have plaques made to show appreciation to former Board members and that he would like to do it on the next meeting date.

Bill Oser made a motion to adjourn the meeting, the motion passed unanimously. The meeting was adjourned at 10:45 am.

The April 10, 1995 Public information meeting in Thompson Falls, MT was called to order at 1:10pm

Bob Thomas introduced the Board Members and staff present.

Maureen Rude explained the Board of Housing and its purpose.

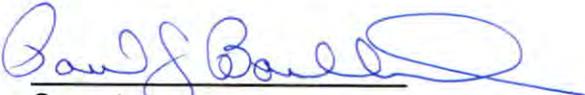
Bill Oser explained the RAM program.

Bob Thomas explained that the Board of Housing is not funded by taxpayer dollars.

Maureen Rude gave an overview of the Single Family programs and the Multi Family and LIHTC programs.

Some concerns from the public attending the meeting were that the Lumber Mill in town is closing and they are not sure what the future holds as far as incomes and housing. Their current problems are with the fact that there is little rental housing in the area and there are no vacancies at the senior center and a three-year waiting list. The rent prices are going up to a level that it is hard for lower income people to be able to afford. Also they expressed a concern about housing purchase prices going up due to out of state and town people purchasing homes, (the average purchase prices of homes in Thompson Falls are \$70,000.00 and up and in Plains it is \$89,000.00 and up) thus it is making it harder for local lower income people to purchase a home. There was also concern expressed about the regulatory requirements making the cost of housing higher (e.g., Sidewalks, curbs and gutters). Another concern expressed was with how lower income people find out about the Board of Housing programs. It was stated that a lower income person may not think they are qualified to buy a home and thus never go see a Real Estate agent or a lender to even inquire about possible affordable housing programs.

The meeting was adjourned at 2:25pm.


Secretary

6-14-95
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
UPSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
April 6, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - Corrected January Minutes
 - February 23, 1995
 - Conference Calls March 20 & 24, 1995
 - III. 1995 SERIES A BOND ISSUE UPDATE - Peter Nolden, PaineWebber
 - IV. SINGLE FAMILY WORKSHOP UPDATE - Robert Morgan
 - V. UPDATE ON INDIAN HOUSING (184) PROGRAM - John Wagner, Kutak Rock
 - VI. CITY OF KALISPELL-WOODLAND COURT PROJECT - Susan Moyer, Housing Division Manager, City of Kalispell
 - VII. LOW INCOME HOUSING TAX CREDIT UPDATE - Maureen Rude
 - VIII. REVERSE ANNUITY MORTGAGE UPDATE - Maureen Rude
 - IX. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series C
 - B. Recycled Mortgage Programs
 - C. Cash Assistance Program
 - D. Delinquency Report
 - X. NEW LENDER REQUEST - Robert Morgan
 - A. Inland Mortgage
 - B. State Bank & Trust of Dillon
 - C. Mann Mortgage
 - XI. OTHER BUSINESS -
 - A. Letters from Montana Residents
 - B. NCSHA Workshops
 - C. Housing Trust Fund Bill/Legislation
 - D. Set Next Meeting Date and Location
 - E. Oser's Motion
- VII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

3/23/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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Department of Commerce
1424 9th Avenue
Helena, Montana
April 6, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris, (Present)
Barbara Hamlin, (Present)
Paul Bankhead, (Present)
Mike McKee, (Present)
Bill Oser, (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Dolly Snyder, Assistant Accounting & Finance Manager
Kurt Lewis, Accountant
Diana Hall, Receptionist

COUNSEL: Mike Mulroney, Luxan and Murfitt

BOND COUNSEL: John J. Wagner, Kutak Rock
Ann Atkinson, Kutak Rock

TRUSTEES: Rick Sullivan, First Interstate
Sandra Shupe, First Interstate

UNDERWRITERS: Peter Nolden, PaineWebber
Gene Huntington, Dain Bosworth Inc.
Gordon Hoven, Piper Jaffray Inc.
Neil Casey, Orrick, Herrington & Sutcliffe

OTHERS: Susan Moyer, City of Kalispell
Don Mann, Mann Mortgage
Julie Begler, Mann Mortgage
Kathy Warner, Mann Mortgage
Scott Greene, Mann Mortgage (Missoula)
Dave Zeeck, Mann Mortgage (Billings)

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Corrections of the Feb. 23 minutes to wording including: "difficult to sell bonds", "revoked" to replace "evoked", "decrease" to replace "increase".

Maureen Rude asked the Board to clarify the motion on the section 184 Indian Housing Program. She wanted to know if the set aside was just for the Salish Kootinai or for any tribe that got certification in the program. Mike McKee understood that the Salish Kootinai were the only ones to qualify and be certified to date, but he had no objection to others participating if they became certified. Bill Oser also had no objection to others participating, if qualified. Bob Morgan stated that the set aside was for the Salish Kootenai, however, if 184 got qualified, then they would be eligible under the bond program. He passed out a letter to Charlie Eiseman. The staff will amend the minutes to show that the set aside was for the Salish Kootenai only.

Bob Savage indicated he had asked Jim Valeo if he knew the difference in premium between a \$15,000 and \$5,000 deductible. Mr. Valeo indicated he did not.

John Wagner was asked if the minutes reflected the substance of the discussion with Mr. Milodragovich. He confirmed they were accurate. Bob Savage made a motion to approve the meeting minutes and the conference call minutes, it was seconded by Bill Oser. The motion passed unanimously.

1995 SERIES A BOND ISSUE UPDATE

Peter Nolden informed the Board that the 1995 Series A bond issue officially closed this morning (April 6). Loans can be purchased at a 6.75 mortgage rate. The bond sale went well. All but the 2,025 term bonds were sold primarily on a retail basis within Montana. The 2,025, those subject to the AMT, were slow to move out. There was one institutional order for some of those bonds prior to signing the purchase contract that were sold to a bond rating company. A block of bonds were traded to a subsidiary of Ford Motor Co.

One problem had been encountered, where some of the bonds being refunded had a "Tender Option", but after some discussion, the holder agreed to allow these bonds at the 102% premium as provided in the indenture.

SINGLE FAMILY WORKSHOP UPDATE

Robert Morgan gave a report on the workshops across the state. They were in nine areas and included one workshop geared for lenders and one geared for realtors in each area. The workshops received good response and attendance and some of the Board members took part. Paul discussed possible mortgage rates with the participants and 7 1/4 would have been accepted. Bob passed out comments from workshop attendees. The workshops were well received and the explanation of changes was appreciated. Maureen thanked and praised the staff for an excellent job and Paul Bankhead and Bob Thomas agreed and were impressed. All felt that it was good public relations for the Board of Housing and that it was nice to put faces with names.

UPDATE ON INDIAN HOUSING (184) PROGRAM

John Wagner was asked to review the HUD Section 184 program at the last meeting to determine if the loans will qualify under our indenture for financing. John pointed out problems with the program: Our indenture requires a couple of things that their program doesn't provide for. (1) We require Title insurance, and John didn't think they could get it because they are on a leasehold estate on a tribal reservation and we would have to amend the indenture to do that and we couldn't amend the indenture until the next bond issue. (2) Their program requires the underlying lease be a 25 year lease, automatically renewable for another 25 years. The Board's indenture requires the leasehold estate be twice the length of the mortgage.

A more serious problem, though, was that Mr. Brinck understood there was a 100% guarantee, when in fact, the regulations which govern this program say that you have a 100% guarantee only if you first go through foreclosure process with the loan, then you assign it to HUD. If the mortgage is assigned to HUD in the event of the default without going through the foreclosure process, then it is only a 90% guarantee. Our indenture generally requires any traditional programs that we use be comparable to the present programs. The present FHA Program says that in the event of a default, you assign it to HUD and you have a 99% payoff. There is quite a difference between the 90% payoff and the 99% payoff, which is a major concern. Experience shows that on reservations there are legal and political problems on foreclosures, and to collect on the 100% guarantee we would have to first go through the foreclosure process, which is not something we do on our other programs, and it is not something we want to get into. The other problem they have on the regulations, is the benefits of guarantee only go to mortgages assigned to a financial institution subject to examination and supervision by a federal or state office. It is not real clear that we qualify as a financial institution that is subject to on going examination by a federal or state office. General FHA provisions say that the mortgagee can collect on the insurance on any loan that is assigned to any FHA approved mortgagee, but that is not the provision that governs this program. The Board is an FHA approved mortgagee and that is why it works for all the other FHA programs. After an in-depth discussion, a motion was made by Mike McKee, that upon review of our bond counsel as indicated in the March 3, 1995 letter, certain problems prohibit our participation at the current time. As a result, because of other needs, the \$1 million set aside has to be revoked. If the tribe can work out their problems with HUD, then they can come back to request another set aside. The motion was seconded by Barbara Hamlin. The motion carried by unanimous vote.

Mike McKee wondered if ratings by both Standard and Poor's and Moodys might be overkill for future bond issues. Peter Nolden pointed out that, traditionally, bond holders expect 2 ratings with institutional investors, therefore, dropping a rating might cause concern among them. MBOH had both ratings till 1988, then they dropped S&P for stand alone indentures and multi-family and used Moody's only. When they went back to the old indenture, they had to use both. Maureen said SFII has always had both. Peter suggested both ratings are better to maintain a good relationship with investors.

CITY OF KALISPELL-WOODLAND COURT PROJECT

In October, Ms. Moyer proposed doing 44 units on 7 acres the City of Kalispell owned. She came under lots of pressure and now has a new site with 24 units in South woodland area planned. They

had to up-sized units to 3 & 4 bedroom, with 2 car garages, streetlights and sidewalks on both sides, and a landscaped common area. The city is negotiating for a 2nd site with 20 two-bedroom attached units with a 2 car garage. The City is now requesting \$2.8 million to fund the additional cost for larger units. The plan is to sell the lots to the buyer for \$6,000. The lot price for attached units will be \$3500 each. The goal is to target people not normally targeted, people in the 63-70% of median income. Because of the federal criteria that goes with the grants for this project, they can pay no more than 30% of their gross monthly income for their PITI. Maureen asked Susan to compare the city project lot prices verses for profit projects. Susan shared that for profit projects sell for \$31,000-\$38,000 per 7100 sq. ft. lot, while, lots near the second site sell for \$12,000-\$15,000. Two lots bought for a disabled program cost \$25,000 per lot. Costs are rising very fast and there is no affordable land available. Susan's lots go for \$6,000.

Susan asked if MBOH has additional fees she needs to consider? The Board had a discussion of customary fees. Ms. Moyer is very restrictively controlled by grants as to what the people can pay. Waneeta asked what the price of a home is going to be. Susan replied that a 2 bedroom, 1 car garage will be \$52,500; while a 3 bedroom, 2 car garage will be \$63,000; and a 4 bedroom, 2 car garage will be below \$73,000. Maureen expressed she felt the project was good and that Kalispell has worked very hard. Paul Bankhead asked if the project has been approved by the city? Susan replied that it has been approved. She further clarified that she is asking the set aside for both projects. The South Meadows area has been approved for duplexes. Paul wanted to know what portions were contributed to what project? Susan explained the two phases. Bob Savage had a question on other expenses reflected in the letter from Glacier Bank as well as the one from First Security Bank of Kalispell. He noted that both require title insurance during construction. Do we have two title insurance policies with two separate premiums? Ms. Moyer replied that is not the case. Mike shared that, generally, the Title Insurance Company issues a policy to the lender and the owner for the total amount of the loan and that carries through. If the Title company does two separate loans with the same lender they charge a nominal fee to issue the second policy. Mike McKee asked why does the city require sidewalks on this project and not on all projects for private developers? Susan agreed to sidewalks to get the project approved.

Mike McKee asked if site 2 is still questionable? Ms. Moyer replied that it was subdivided years ago. The location is not attractive, and there are no curbs or sidewalks. She further stated that it is 85-90% a sure thing, and she needs funds committed now because the project is close to coming together and she would miss the building season. Bill Oser wanted to know what is the market value of a 4 bedroom, 2 car garage with MBOH's loan of \$76,008? Susan answered that the market price was \$115,000. Mike McKee asked what would keep the people from reselling the house? Susan answered that there are deed restrictions to keep the housing affordable or an appreciation cap of 20-30 years. Through grant funds, the city must insure that they go to low income people.

Paul Bankhead commented that the courtyard project would be an improvement to the area. He thinks that this is a good project that will work well in the community. MBOH 's goal is getting higher density, more affordable housing available. He is hesitant only because site 2 is not yet firm. Maureen suggested that the Board can state the setaside for site 2 is subject to site control of the project and land acquisition. Chairman Thomas indicated enough time had been spent on discussion

and because of the long agenda, the Board needed to take action at this point. Paul Bankhead made a motion to approve the 1st part of the setaside of \$1,638,000, with the (\$1,058,000) setaside subject to the city of Kalispell obtaining site control of the second site property. The motion was seconded by Waneeta Farris. Mike McKee stated that he objects to projects with questions being rushed through just to maintain an agenda timetable. Bill Oser commented that we deal with low income housing and he has a problem of now dealing with market value homes in the \$115,000 range or moderate income housing. Paul Bankhead pointed out that Kalispell tried to keep higher density, lower prices. Getting people in housing at \$100,000 in Kalispell is reasonable. Susan informed us that the market rate is \$145-\$168,000. Values are controlled, according to Susan, and the people cannot sell for more than \$73,000 for 20-30 years. The City of Kalispell was forced to go to a second site which made for double infrastructure costs. Bob Savage asked for clarification on Kalispell owning the 7 acre lot which they donated to the project. They promoted this project and promised zoning changes and then went back on their word? Susan stated that one council person went back on his word. Land prices are skyrocketing, therefore, it is still cheaper to do this project on the original 7 acres and then go out for 2nd site. For Kalispell, this is affordable housing. Bob reiterated that with no zoning change, this forced double infrastructure costs. Susan countered that the increase is to fund larger units.

Paul Bankhead restated the motion; to approve the MBOH set aside for site 1 of \$1,628,000 at 6.875%; and the setaside for the 2nd site of \$1,058,000 at 6.875% with the stipulation that it is subject to site control by the city within a 90 day period and the approval be reported to MBOH within the 90 days. Waneeta seconded the motion. It passed with all approving it except Bob Savage, who voted no.

LOW INCOME HOUSING TAX CREDIT UPDATE

Maureen Rude reported that the Multifamily Program Officer position is not yet filled due to new classification. The personnel officer said that due to benchmark factoring, the job would probably be downgraded. Maureen tried diligently to change the description and clarify all that was involved in the position so that it would not be downgraded. At this point, she is waiting for it to come back from the Department of Administration. Then it will be advertised for 5 days internally, then go through the RIF pool for 3 days, and then be advertised for 2 weeks. Maureen said that it would be another month before the position closed and then another 3 weeks to have interviews and allow the new person to give notice at a previous job. Paul asked if it would help to get a temporary? Maureen asked for an extension on reviewing Tax Credit Applications. She mentioned that she has a temporary organizing old files and that it wouldn't help to spend time to train a temporary to review tax credits. The report shows 4 tax credit applications were received. It outlines where applications are from and one of the reviews will be simple because they applied for risk-sharing. A review needs to be done on the other two. The 32 unit Billings project probably will not be ready for review due to outstanding issues.

REVERSE ANNUITY MORTGAGE UPDATE

The RAM program has had 4 closings since Maureen took over in Jan. which is the most we have ever closed in that short of time. We did get the administrative rule process done. The new income

limits are now based on the percentage of poverty level. They can be adjusted yearly without Board approval. There is \$281,000 left in the fund of the original \$730,000 that was set aside. Most loans coming in request around \$50,000, which means for each loan we make, we set aside about \$37,000. The remainder is interest that accrues. If the program continue at this pace, MBOH can make 8 more loans. Maureen has 2 loans in process and has received 3 additional ones. Bob noted that there was definite interest in the RAM program shown at the workshops and the Board may need to expand marketing of this program to realtors and lenders also. Bill mentioned that there was some money to increase the allocation. Maureen confirmed that this might be a good time to do so because the program has picked up and we have the amendments done. Mike McKee shared that he continues to hear and see TV spots and radio ads in Missoula and the Bitterroot valley area. He indicated that the Board could monitor the program on a monthly basis. Maureen expressed that there is \$500,000 available in the housing trust fund and that, historically, the Board wanted to keep it active. Mike questioned if they could move funds back & forth and Maureen replied "yes". Bill Oser made a motion to move \$500,000 to RAM from the Housing Trust Fund subject to reallocation if another project comes up. The motion was seconded by Mike McKee and it passed by unanimous vote.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan reported the total allocation for 1994C was \$23,847,900, plus \$120,706 in reservation fees which brings the total lending pool to \$23,968,606. There are 47 loans yet to be purchased, mostly new construction. Total reservations remaining is \$3,359,959. To date 322 have been purchased. The amount purchased is \$20,571,847.33. The average purchase amount has been \$63,887, while the average gross annual income was \$30,836.38. The total balance to be reserved is \$36,800 which means that it is essentially all reserved. Bob presented the distribution of loans as to lenders and areas of the state.

RECYCLED PROGRAM

An update of the status of the Recycled Programs showed two setasides from the 1977 B with \$5,040,556 remaining to be reserved, and six setasides from the 1992Ra with \$2,129,673 remaining to be reserved.

Maureen asked Bob to talk on how much money is available and where we're going to go with recycling based on what was discussed at the workshop yesterday. He referred to Kelly's chart which shows how much is in SFI, which is the 77B Series; and in SFII, which is mostly from the 92RA with a little bit from the 79A and the 85A. We have taken care of what is in the trust fund. Bob said the staff was looking at a procedure (probably a RFP) to ascertain what projects are needed and proposed within the state, rank these projects, and present them to the Board for their consideration. The staff will bring this procedure to the Board.

The CAP (Cash Assistance Program) Program is completely funded. MBOH has had lots of demand and calls for this program, so the potential is there for a new program. Bob covered the specifics of the proposed new program. Bob recommended the Board establish a new CAP Program with \$2 million and the rate be up to the Board. Paul Bankhead moved that a setaside of \$2 million of the

92RA plus \$45,000 from the Housing Trust Fund at 6% be set aside for the Cash Assistance Program. Bill Oser seconded the motion which passed unanimously.

Waneeta asked if she was right in assuming there is still \$35,000 if we have a loan from the old one. Bob M. confirmed that she was correct.

Bob presented the Quarterly Delinquency report for December 30, 1994, which compares us with Montana, the seven state mountain region and the nation as a whole. As of December, we had 7,779 loans outstanding. There are 1.62% of the loans 30 day delinquent, .54% of the loans 60 days delinquent, and .57% of the loans 90 days or more delinquent, for a total delinquency rate of 2.73%. This compares with a total delinquency rate industry wide of 3.26% in Montana, 3.62% in the mountain region, and 4.42% in the nation. Some discussion occurred about the volume of the servicer versus the rate of delinquency. The rate of delinquency appears to vary case by case and not necessarily by volume.

Bob brought up that we did get verification from Norwest Bank that they changed their insurance to St. Paul Fire Marine which is licensed to do business the state of Montana and belongs to the guarantee association.

Bob Savage noticed one insurance certificate showed \$300,000 per occurrence and aggregate, which means irrespective of the number of claims, the most that will be available to us is \$300,000. Bob M. explained that the FHA requirement is as above and it does not distinguish between occurrence and aggregate so they will accept \$300,000 aggregate. To answer the question of what they have provide before; it was much higher with their home company, it was in the millions, and had a larger deductible. Bob Savage expressed that he had a problem with \$300,000 aggregate coverage, especially, when they are dealing with the volume that they are dealing with. Bob pointed out that he thought it should be \$300,000 per occurrence, a million aggregate or \$5,000,000 aggregate. Bob was asked what are some of the other policies? Bob M. responded that it depends on the institution, anywhere from \$300,000 per occurrence to \$25 million, it depends on the servicer. Mike Mulroney looked at the rules and brought up that the Board generally follow FHA policy. Bob S. was concerned that the Board was holding out to a lot of risk. Bob M. suggested that is might make more sense if it was a percentage that they are foreclosing on. Mike Mulroney pointed out that the rules require, "the certificate of errors and omissions insurance coverage and fidelity insurance coverage in the minimum amount as is required by the program documents for each bond issue in which the loan servicer participates". Mike Mulroney noted that the Board requires fidelity bond in the amount currently required by the FHA, but not less than \$300,000. Mike McKee asked Bob S. "with E&O coverage in the preparation and documentation of the security agreements and a title policy; and if we have received the FHA insurance certificate, which basically is our guarantee of payment; then where is risk to Board?" Bob Savage didn't know if there was increased risk, but he was worried about the volume of loans serviced and if there is a problem with more than 5 or 6 loans. Mike McKee noted the blanket bond will give us some assurance over defalcation, embezzlement, and failure to remit funds. To him, that is more important than E&O coverage which is more for fire insurance that didn't get renewed and was uninsured. The FHA certificate of insurance is our basic risk mitigator from the loans that we buy, so maybe we need to look at what E&O covers. Bob

Savage gave the example of the last meeting with Mike Milodragovich. Mike McKee responded that the financial strength of the company was the main concern if there was a defalcation. Mike will research the E&O issue, then the Board will readdress aggregate vs. individual occurrence.

NEW LENDER REQUEST

Inland Mortgage

Bob Morgan presented an application from Inland Mortgage Corporation which has a division called All Pacific Mortgage for approval as a MBOH lender. Mike McKee noted that in the Article of Incorporation and Bylaws, in article 101, the term corporation means Inland Mortgage Corporation; in article 2, identification, it says the corporation is Irwin Union Mortgage Corporation, then the footnotes and financial statements refer to an affiliate of Irwin Union Bank and Trust Company, which is an affiliate with which they maintain their trust account in. After an in-depth discussion regarding the corporate structure and related parties, Mike McKee made a motion that this application be tabled until proper documentation giving a clear line of who we are dealing with is made available, and until this is accomplished, he stated that the application is incomplete. The motion was seconded by Bob Savage and was approved by unanimous vote. The request was tabled subject to clarification of the corporate structure.

State Bank and Trust of Dillon

Bob Morgan presented an application from the State Bank and Trust of Dillon, which was an approved lender and servicer, but they have not originated any loans since 1982. They have provided their annual financials, resolution, and the officers certificate required of approved lenders until 1994, when they didn't provide annual information and said that they would not be participating in MBOH programs. They now want to originate loans as a correspondent with First Interstate as their sponsor. First Interstate will service the loans that State Bank and Trust originates for the Board. The Board discussed assignment of servicing agreements and that the MBOH has a standard form. Bob S. questioned the terms on fidelity bond referring to being subject to Sections 4 & 11. Bob Savage suggested that the Board hold action until Bob could bring the documents.

Mann Mortgage:

Bob indicated that Don Mann was present, and that the Board packet included a letter from Max Baucus, a letter from Joan Aikins (a realtor in Missoula), and also a letter to Andy Poole from Julie Begler and their application to be an approved lender.

Don Mann started his presentation by saying that the Board's decision to reject their application unsettling and that he hopes they will reconsider. He went on to tell the Board about Mann Mortgage, including their years experience. Personnel that shared their experience included: Dave Zeeck, Scott Green, Kathy Warner, and Julie Begler. Mann Mortgage is locally and state owned with Don Mann owning 51% and Tom Griner owning 49%. They have \$300,000 plus net worth, some of which is in the form of a condominium. Their net worth is basically cash and their liabilities are standard and are audited. They haven't had any negative credit, and are approved with 28 plus investors and have not had any problems with FHA & VA. Don expressed that it was unsettling to be rejected and that the rejection has cost Mann Mortgage 30-35 loans. He pointed out that it is hard

to compete with MBOH 6 3/4 interest rates. It is important to his business to have Board funds, therefore, he would like a discussion to address financial strength and stability. Bob Savage questioned current certificate of Errors and Omissions and fidelity insurance for \$300,000 coverage. Mann Mortgage has an insurance certificate from National Union Fire Insurance Company of Pittsburg that shows a policy period from Dec. 31, 1993-Dec. 31, 1994. Mr. Mann said this has been renewed, but the documents were not in package. Bob S. expressed that rules require insurance in same amount as FHA which is \$300,000. His concern is that we don't know whether we are in compliance with that rule if FHA requires \$300,000 in coverage, whether it is per occurrence or aggregate, and Mann's insurance policy has defense within the limits, which will lower that \$300,000 to whatever amount is paid to a defense attorney representing them. Mr. Mann asked if they could address that by increasing limits? Maureen explained that the financial report is an accountant's compilation and not an actual audited financial statement and does not have an auditor's opinion. Mike M. indicated that the original submitted last month had a 9 month audit, today they updated that with an accountant's compilation. He was concerned with amount of cash available which was only enough cash to repurchase one loan. He disagreed that condo assets, which is 30% of total assets, are an insignificant portion. Don Mann showed that under the liability section, there is a loan against that condominium in the amount of \$104,000 of accounts payable, confirming it is not a major part of net worth. Mike McKee reiterated that the cash available is low, and that \$27,500 net income is not a strong income statement. Mr. Mann responded that the cash position is more than \$62,000; it is more like \$290,000. Mike McKee expressed that a second concern is whether the \$200,000 note has been paid. According to Don Mann, it is a cash investment that rolls over, therefore, the note was extended. Mike McKee asked him to provide documentation. He asked "What is your cash position?" Mann indicated that in his opinion, current assets equal cash, which is \$278,000. Mike McKee says cash is \$62,000, and described cash vs. other assets. He stressed that MBOH has responsibility to look at cash reserves available to repurchase loans. Don Mann added that warehouse lines are used in the event of a repurchase. The loan is a valid security position with real estate backing it and that loan is a saleable commodity convertible to cash very easily. He stated they may need to discount a loan to sell it. Mike McKee stressed that MBOH needs to act on the basis of documentation. Mann Mortgage would need to provide additional documentation to alleviate concerns. Evidence of irrevocable letters of credit by a commercial bank, or an entity that would give the reassurance that Mann Mortgage would have the resource to buy back loans is necessary for reconsideration.

Mr. Mann brought up the issues of net income. He pointed out that the branches are autonomous and operate under their own operating system. The income that is generated from the sale of loans flows through to original originators to employees. The mutual association shares common expenses, but, each profit center is separate. Mike McKee explained that if MBOH enters into an agreement with Mann Financial Inc., it needs to be assured of the strength of the entity that we are doing business with. The profits are designed to go to owner & employees leaving Mann Financial with little cash available. Bob Savage encouraged John Wagner to answer the question, "Where is our risk?" John Wagner explained the FHA certificate of insurance guarantees against credit default, but FHA regulations make it clear that there are some exceptions. They will not pay off on fraud or misrepresentation in the inducement, therefore, it doesn't guarantee no loss to MBOH. Mike McKee thought the question was "What does E & O insurance cover?" John W. answered that it covers

everything except criminal malfeasance which is covered by fidelity bonds. Bob Savage expressed that is why it is critical and important to have a current insurance certificate of \$300,000 aggregate limit, without defense costs included. Mike Mulroney advised that we can require anything we want, that we can set new policy. Paul confirmed that Mann needs to submit \$300,000 aggregate without defense cost included. Mike McKee commented that he was not sure how Mann will go about addressing his concerns. He is critical of the financial strength of the application and that is crucial to MBOH requirements. He is willing to look at new information, but wants to see documentation prior to approval. Paul agreed with Mike, and added that the Board has had other scenarios, therefore, they are cautious.

OTHER BUSINESS

Maureen presented letters from Montana residents. One was from a Deer Lodge resident expressing the cost of housing and the minimum amount available. The letter was not signed and contained no return address. The other letter was from Karen Weyer thanking MBOH for a loan after being in the house for one year. The staff at MBOH sent a letter to Commerce thanking them for all their help during our transition period.

NCSHA Workshops

Bill Oser and Paul Bankhead discussed attending the Washington DC legislative conference. Bill said they met with our Congressmen. They presented them with a program they had put together and got good response from their staff. Pat Williams was impressed with MBOH. They had lunch with Conrad Burns. Bill felt the conference was enlightening and that he learned how to talk with Congressmen. Paul said that it was good to go to the conference, that it was very effective and worth the money spent. They had a packet compiled and sent it to the governor. The theme of the conference was: Expect Change. New administration in staff will help implement these changes. Maureen said staff has asked to have information compiled which shows the impact of housing programs in state government. Paul asked for a 1994 breakdown of programs for the governor.

There will be a spring workshop in May in Minneapolis. Maureen recommended that Bob M. attend because he has never gone to a conference. The tax credit conference is in June in San Francisco. It was suggested that Maureen and the new staff person attend. Mike McKee moved that travel be approved for both conferences. Paul Bankhead seconded the motion which was approved. In July there is a conference in Asheville, NC designed for board members which outlines their responsibilities. Waneeta Farris and Barbara Hamlin were encouraged to attend as new Board members. Another conference is in Boston in October. Bob Savage made a motion to authorize 2-3 members to attend the NC conference and up to 5 members and staff to attend the Boston conference. Mike McKee seconded the motion and it passed by unanimous vote. Bob Savage, Paul Bankhead, Bob Thomas, and Maureen Rude expressed an interest in going to the Boston conference.

Bob Morgan brought the document from the State Bank of Dillon. Bob Savage made a motion to table the application until next meeting to review sections 4 & 11 of insurance. Paul Bankhead seconded the motion. The motion passed by unanimous vote.

Mike McKee brought up a technical issue about the possibility that State Bank & Trust is already an approved lender, even though they have been inactive. Bob Savage restated his motion to request staff to request updated documents and reports from 1994 from State Bank of Dillon and acceptable certification of insurance, then they will be approved. Mike McKee seconded the motion and it passed by unanimous vote.

Legislative report

Maureen updated the Board on legislation. The bill on the Montana Partnership Act was sponsored by Representative Mercer & Senator Van Valkenberg. This bill covered the Treasure State Endowment Fund, which allows grants to local governments for various types of projects, mostly infrastructure projects. One of the amendments was to include infrastructure for housing developments, if developed by local governments. The governors office felt strongly that the administrator of the housing division should be in support of the bill because it could be used as state matched funds to other federal housing grant funds. Maureen testified in support of the bill, but it did not pass.

The second bill was the Housing Trust Fund sponsored by Senator Christaens and Representative Tuss. The bill would have taken \$1 million from the local impact fund, which is the coal board money and deposit it in a non expendable trust. This is a trust fund that would not be subject to appropriation to the general fund. We would be using only the interest which would come to \$55,000-70,000 annually. Maureen used our Cash Assistance Program as the type of program that could be done with that amount of money. It was apparent that the funding source was not going to fly. Maureen suggested that in order to keep the bill alive, and in the spirit of trying to co-operate with the housing task force, that MBOH determine if it had funds available that could be deposited into that trust fund. The Board could decide to put up to \$1 million into this non expendable trust fund and everything else would be the same and that money would then be protected from general fund raids. The vote was tied 9-9 by the appropriations committee. Maureen will meet with Royal Johnson & Senator Christaens to talk about it.

Paul Bankhead discussed SB 136, the ethics bill. It require quasi-judicial boards to adhere to disclosure. Mike Mulrone explained that Board members would fill out a government form to insure no conflict of interest. Our members do have conflicts of interest and we simply need to disclose this. If while serving on the Board, a Board member acquired some kind of a business that was in a conflict position with the Board, they would have to disclose that. You would not have to disclose your income or source of income. Maureen gave the example that as part of our annual audit, the staff has to sign a form that discloses whether anyone on staff or in their family have a Board of Housing loan. Board members said they sign one also.

Mike McKee had an informational letter for the Board about people who say we have "no risk", but that lenders incur costs of loan termination in the VA's loan program which are not incurred in servicing other loans such as FHA.

Barbara Hamlin wanted to clarify the policy of requiring \$300,000 aggregate addition without legal costs. Bob Savage said "If we are complying with FHA \$300,000 aggregate, they must not mean to

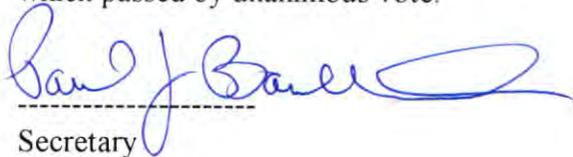
include any defense fees (legal costs)." Mike Mulroney reported our rules state they must have insurance equal to the amount required in the program documents. Administrative rules don't say anything about defense costs. With regard to the lender, the rules say the certificate of errors and omissions insurance coverage in a minimum amount is required by the program documents for each bond issue in which the lending institution participates. Bond documents were amended by adding: a fidelity bond of an amount currently required by FHA but not less than \$300,000. John Wagner wasn't sure if FHA specifically states excluding defense costs. The Board asked staff to check on this and what the Board requests of other lenders. Mike Mulroney said his guess was that all these policies are standard form policies that are approved by each commissioner in each state and they get them approved in one state and then the rest of the states approve it. Mann Mortgage is subject to Board regulations that they have the E&O coverage. They did not meet our criteria because they didn't give us a current certificate. Mike Mulroney suggested allowing only two opportunities for lenders to appear before the Board or we will set a precedent. At next meeting the Board needs to say yes or no. Mike Mulroney pointed out the practice of application, hearing, and resubmission sets a precedent. Each point was presented in a letter to them and the staff went through the minutes to include each objection. The Board expressed that it would be beneficial to have a copy of the letter sent to the lender prior to them coming back to the Board meeting. The history of the lender is essential and the principals of Mann Mortgage have been with several now defunct operations. The Board's responsibility is not only written requirements, but all factors should be weighed. Mike McKee said applications should be screened by staff before coming to the Board.

Maureen asked how she should respond to the political letter. Members suggested she say the Board reviewed the letter, reconsidered all the information and there was no change in the decision. Mann Mortgage was provided with a public hearing.

Next Meeting

Members agreed to meet May 10, 1995 at Thompson Falls. The morning will be the Board meeting, while the afternoon will consist of a two hour public meeting. Maureen suggested that a notice be run.

Maureen mentioned the Board got an upgrade from Standard & Poors rating for the Single Family I to an AA+. Bill Oser moved to adjourn the meeting and Barbara Hamlin seconded the motion which passed by unanimous vote.



Secretary

5-10-95

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Notice having been given, the Montana Board of Housing held a public hearing on the \$30,580,000 Single Family Program Bonds Series 1995 A, the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing which was held on Thursday, March 30, 1995, in the Board's office, at 9:00 a.m. and was attended by Maureen Rude, Administrator; Mike Mulrone, Luxan and Murfitt; and Robert Morgan, Single Family Program Manager. No comments, either written or oral, were received and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude, Administrator

March 30, 1995

Dated



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2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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Notice having been given, the Montana Board of Housing held a public hearing on the \$33,580,000 Single Family Program Bonds Series 1995 A, the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing which was held on Thursday, March 30, 1995, in the Board's office, at 9:00 a.m. and was attended by Maureen Rude, Administrator; Mike Mulrone, Luxan and Murfitt; and Robert Morgan, Single Family Program Manager. No comments, either written or oral, were received and the hearing closed at 9:15 a.m.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude, Administrator

March 30, 1995
Dated



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NOTICE OF SPECIAL MEETING

March 24, 1995

The Montana Board of Housing will hold a special meeting via telephone conference call on Friday, March 24, 1995, at 9:00 a.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to review the structure and pricing of the proposed 1995 Series A Single Family Program Bonds; and to review and approve the Board Resolution and the bond purchase contract for the sale of up to \$35,000,000 single Family Program Bonds, 1995 Series B.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Administrator

Posted 3/14/95

"Working Together to Make It Work"





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**MONTANA BOARD OF HOUSING
Conference Call
March 24, 1995 9:00 A.M.**

Maureen Rude called attendance:

Bob Savage-Board	John Wagner-Kutak
Paul Bankhead-Board	Andy Poole-MBOH
Waneeta Farris-Board	Mike Mulroney
Bob Thomas-Board	Mitch Litke-PaineWebber
Bill Oser-Board	Steve Spitz-Orrick, Herrington
Barbara Hamlin-Board	Bob Morgan-MBOH
Maureen Rude-MBOH	Lance Galperin-1st Interstate
Roan Blacker-PaineWebber	

Chairman, Bob Thomas opened the conference call.

Bond Pricing

Roan Blacker and Mitch Litke explained the pricing for the bond issue. They said that general market conditions were favorable, and that we were lucky to go to market when we did. New Mexico, AAA (FNMA) rated, bonds went to market and they were able to get a 6.65% rate for their long bond. Montana Board of Housing, (AA) rated, went to market at a rate of 6.55% for comparable long bonds.

Mitch said that the demand was great enough for the serial bonds that the coupon rate was reduced by five basis points, but the takedown needed to be increased from 5/8 to 3/4 on the term bonds because institutional interest wasn't there. Overall interest rates of the bonds went from 6.20 to 6.213. This will allow for a 6.75% to 6.80% mortgage rate.

Steve Spitz explained the purchase contract between Paine Webber and the Montana Board of Housing, and pursuant to the purchase contract, Paine Webber has agreed to purchase all bonds. As of this date, they have sold all but four million of \$11,610,000 of the term bond due the year 2025 and all but \$500,000 of \$4,155,000 of the term bonds due in the year 2027. Paine Webber has purchased all the bonds and is responsible for selling the remaining bonds so there is no risk to Montana Board of Housing.

The total underwriting spread of 95A series bonds ended up being 11.20/\$1000 of bonds, which is better than any of the 94 series bonds in which the best one was the 94C bond with a 11.38/\$1000 of bonds total underwriting spread.

There was discussion on the mortgage rate and the advantage of setting the mortgage rate to be compatible with the bank accounting systems by going with the 6.75% rate. Paul Bankhead made a motion to set the mortgage rate at 6.75%. Bob Savage seconded the motion.

Collateralized Investment Agreement

Mitch explained that our best bid from commercial banks for investing the bond proceeds was a collateralized repurchase contract with the Republic National Bank of New York which would provide a 6.07 rate for the proceeds and allow four draws per month for one year. The average coupon rate is 6.21 so there is very little negative arbitrage.

Bond Resolution

John Wagner discussed the resolution 95-0324-S1 to authorize the issuance of \$33,580,000 of Single Family bonds for the 1995 series A, to approve the Supplemental Trust Indenture and to accept the form of certain disclosure documents and program documents and authorizing the execution of such documents. Normally the program documents are not included in the resolution, but with the change in procedures, the Board is approving program documents to be consolidated into a single document.

A motion was made by Paul Bankhead and seconded by Waneeta Farris to pass the resolution. The motion was approved unanimously.

Administrative Rule Adoption

John Wagner indicated that the 30-mile rule change was reflected in the program documents so the Board would need to adopt the amendments to the administrative rules.

Mike Mulroney explained that the required procedures (the filings, publications, and the opportunity for hearings) for amending the administrative rules have been completed, and that the amendments to administrative rules 8.111.303, 8.111.305, and 8.111.405 were ready to be adopted.

Bill Oser made a motion to adopt the amendments to administrative rules and Barb Hamlin seconded the motion. The motion was passed unanimously.

Other Business

Pre-closing will be April 5, 1995 from 1-3 P.M. with a work session afterward.

Bill Oser asked John Wagner whether the 95 Series A issue would achieve the magic 2/3 consent of the bond holders to allow the amendment to the indenture. John stated that only 63% of the bond holders have consented to the amendment, which allows for greater investment flexibility.

Bill Oser motioned to adjourn and Bob Savage seconded the motion.


4-6-95

RESOLUTION NO. 95-0324-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$33,580,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1995 SERIES A (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE AND OTHER DOCUMENTS AND APPROVING THE FORM OF CERTAIN DISCLOSURE DOCUMENTS AND THE PROGRAM 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; and

WHEREAS, the Board has previously implemented a mortgage purchase program 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 Program Bonds, 1995 Series A (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$33,580,000 (the "1995 Series A Bonds"), consisting of \$10,640,000 aggregate principal amount of its Single Family Program Bonds, 1995 Series A-1 (the "1995 Series A-1 Bonds"), and \$22,940,000 aggregate principal amount of its Single Family Program Bonds, 1995 Series A-2 (the "1995 Series A-2 Bonds"), which will be used to provide additional moneys to finance single family dwellings in the State pursuant to the forms of Mortgage Purchase and Servicing Guide, Invitation to Participate and Notice of Acceptance presented to the Board (the "Program Documents"); and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a 1995 Series A Supplemental Trust Indenture dated as of March 15, 1995 (the "Supplemental

Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1995 Series A Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated March 13, 1995, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1995 Series A Bonds, and which will be distributed to the purchasers of the 1995 Series A Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1995 Series A Bonds at the price 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 the 1995 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1995 Series A 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 1995 Series A Bonds do not involve direct loans.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance of the Board's 1995 Series A Bonds is hereby authorized and approved. The 1995 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as set forth in the Trust Indenture; provided, interest on the 1995 Series A Bonds shall be at rates which will be equal to or less than 6.55% per annum. The 1995 Series A 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 1995 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1995 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1995 Series A 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 Disclosure Documents.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman

of the Board is hereby authorized to execute and deliver a 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final official statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed.

Section 6. *Approval of Program Documents.* The Program Documents are hereby approved in the form submitted at this meeting, and the Administrator and Single Family Program Manager are authorized to execute and deliver the same to implement the Single Family Program.

Section 7. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1995 Series A Bonds is hereby approved, confirmed and ratified.

Section 8. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 9. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 10. *Execution of Non-Arbitrage Certificate.* The Chairman, the Vice Chairman or the Administrator of the Board is hereby authorized to issue certifications as to its reasonable expectations regarding the amount and use of the proceeds of the 1995 Series A Bonds as described in Section 1.103-13(a)(2)(ii) of Treasury Regulations and Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Effective Date.* This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 24th day of March, 1995.

MONTANA BOARD OF HOUSING

By Bob Thoms
Chairman

Attest:

By Maurice Kude
Treasurer/Administrator



MONTANA DEPARTMENT OF COMMERCE

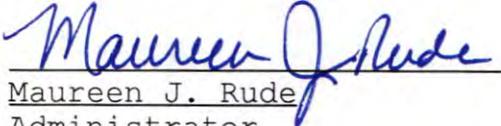
Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

March 20, 1995

The Montana Board of Housing will hold a special meeting via telephone conference call on Monday, March 20, 1995, at 2:00 p.m., in the Board's office, 2001 11th Avenue, Helena, Montana, to discuss the Board's 1995 Series A Bond issuance, including the structure and amount of the issue, the achievable mortgage rate, and the pricing of the bonds.


Maureen J. Rude
Administrator

Posted 3/14/95

"Working Together to Make It Work"





MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING CONFERENCE CALL MARCH 20, 1995 2:00 PM

Maureen Rude called attendance.

Board members present include:

Paul Bankhead
Bob Thomas
Mike McKee

Bill Oser
Bob Savage
Barb Hamlin

Board member absent: Waneeta Farris

Others present include:

Maureen Rude-MBOH
Bob Morgan-MBOH
Kelly Rusoff-MBOH
Peter Nolden-PaineWebber
Roan Blacker-PaineWebber

Mike Mulroney
Andy Poole-MBOH
Sandy Shupe-1st Interstate
Mitch Litke-PaineWebber NY
John Ferry-PaineWebber NY

The first order of business was to act on the resolution to name Paul Bankhead secretary of the Board and Maureen Rude as Administrator/Treasurer. A motion was made by Bob Thomas and seconded by Bill Oser. The motion carried with all members voting yes to the resolution.

Bonds

Bids will be taken March 21, 1995 from commercial banks to provide a collateral investment agreement for the acquisition fund, to purchase mortgage loans as they come in.

Commercial banks must be rated:

P1 - Moody's

A1-Standard & Poore's

Pledge collateral in the amount of deposit, 102%, approximately 30 mil. (Treasury & GSE for collateral). No penalty if money is all drawn down before April 1, 1996.

Mitch L.

Interest rates 6% to 6.15% or 6.20% for collateral repurchase contracts.

John Ferry (PaineWebber)

Mutual Bond Market:

Current 7.4 treasury yield, -market looks very good. Tax exempt market has remained the same. John covered the recommended pricing based on the structure on the Preliminary Official Statement.

Bob Savage

If rates go up and money goes fast, why aren't we doing a bigger bond? Answer: 30 Mil was recommended at the last Board meeting.

Underwriting discounts

Present (new) Bond	95A	94C	94B
Underwriter discount-	10.60/1,000	11.38/1,000	10.43/1,000 bonds

Breakdown of new bond underwriting discounts:

- \$2.00-management fees
- \$6.10-take down
- \$.00-net underwriting
- \$2.50-expense
- includes .50-clearance fee

The above was proposed by DA Davidson on behalf of the co-underwriters.

Three banks expected to bid for collateral repurchase agreement are:

1. Morgan Guarantee
2. Chemical Bank
3. Republican Bank of NY

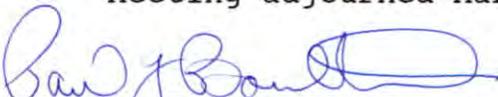
All are rated  or A1

Bids will be taken 9:30 AM NY time March 21,1995. They should be wrapped up by noon NY time on March 21, 1995. All parties should expect a Federal Express package Thurs. March 23,1995 with a draft of official statement and rate. This material will be discussed on the March 24, 1995 conference call.

Money should be available April 6, 1995 for reservation. Must first verify with Sandy Shupe that she has received the funds.

Next meeting is a conference call scheduled for March 24, 1995, at 9:00 AM Montana time.

Meeting adjourned March 20,1995 at 2:52 PM.


Secretary

4-6-95

Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1995 Series A
(Federally Insured or Guaranteed Mortgage Loans)
Up to \$40,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$40,000,000 in mortgage revenue bonds, a portion of which will be used to redeem prior bonds and the remainder to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on Thursday, March 30, 1995, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: March 16, 1995.

MONTANA BOARD OF HOUSING

By: Maureen J. Rude

Maureen J. Rude
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
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MJM/jb



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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MONTANA
February 23, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
-January 24, 1995 Business Meeting
- III. UNDERWRITER UPDATE _ Peter Nolden
- IV. MULTIFAMILY RISK SHARING PROGRAM - Maureen Rude
- V. MULTIFAMILY CONFERENCE UPDATE _ Maureen Rude
- VI. SINGLE FAMILY PROGRAM UPDATE _ Robert Morgan
 - A. 1994 Series B
 - B. 1994 Series C
 - C. Homebuyers Cash Assistance Program
 - D. Status of Recycled Mortgage Programs
 1. City of Kalispell - Susan Moyer
 2. Neighborhood Housing Services - Nancy Stevenson
 3. Western Federal Savings Bank - Charlie Eiseman
 4. Montana Peoples Action Update - Jim Fleischman
- VII. FARMERS HOME ADMINISTRATION(Rural Economic and Community Development Program) - Tony Preite
- VIII. NEW LENDER-SERVICER REQUEST
 - A. Montana Mortgage Company
 - B. Mann Mortgage Company
 - C. Norwest Mortgage Servicing - Tom Ellis, Norwest Bank
- IX. OTHER BUSINESS
- X. SET NEXT MEETING DATE AND LOCATION
- XI. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.



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DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
FEBRUARY 23, 1995

ROLL CALL OF
BOARD MEMBERS:

Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris, (Present)
Barbara Hamlin (Absent)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF:

Andy Poole, Acting Administrator
Maureen J. Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Diana Hall, Secretary

COUNSEL:

Mike Mulroney, Board Counsel, Luxan and Murfitt

BOND COUNSEL:

John J. Wagner, Kutak Rock

UNDERWRITERS:

Mark Semmens, D.A. Davidson & Co.
Gorden Hoven, Piper Jaffray Inc.
Gene Huntington, Dain Bosworth Inc.
Peter Nolden, Paine Webber

OTHERS:

SharlaRae M. Stuber, First Security Bank of
Havre
Robert Gauthier, Salish Kootenai, Housing
Authority
Charlie Eiseman, Western Federal Savings Bank
Craig Hedietre, RECDS
John Guthmiller, RECDS
Dick Brinck, HUD
Jim Valeo, Montana Mortgage Company
Mike Milodragovich, Milodragovich, Dale,
Stronbrenner & Binney
Nancy Stephenson, Neighborhood Housing
Dale R. Gilbert, RECDS Rural Economic &
Community Development
Tom Ellis, Norwest Bank Montana N.A.
Jim Fleischmann, MT People's Action

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Approval on minutes postponed due to correction needed on Montana Mortgage Company's application as a servicing agent. Review of tape will be done and correction in minutes will be done.

INTRODUCTIONS

Special note: Waneeta Farris, Norwest Bank, newest board member.

UNDERWRITER UPDATE

Peter Nolden updated the Board with a graph comparing the 30 year treasury bond against the revenue bond since January of 1994. The dotted line drawn vertically on the chart indicates the time period of when the Board sold the last three bond issues. Interest rates have been trending down since the later part of '94. There are very few tax exempt bonds being sold. About the only tax-exempt bonds being issued in the last couple of weeks has been for single family issues. The calendar is filling with a number of state agencies specifically New York with a \$200 million single family issue. But we don't see any of the other state agencies affecting the interest rates because the volume of bonds is so low. Peter indicated the Board has another refunding opportunity within the single family II indenture that could provide significant additional savings. A stand alone issue right now without the refunding would result in a mortgage rate in the area of 7.4%. With the refunding, the mortgage rate could range from 6.24% to 7%, depending on the amount of new money bonds. The Board asked what amount of lendable proceeds Peter was talking about. Peter indicated he was looking for direction from the Board regarding the loan pool.

Peter indicated the Board could sell \$100 million in bonds and get very effective interest, but it depends on the size of loan pool the Board wants. Peter suggested the total bond issue would be less than \$50 million dollars, with the refunding portion being \$10 million or less. A \$25 million dollar loan pool would be about a \$35 million dollar bond issue. The Board asked what rate that would yield, Peter indicated somewhere around 6.5%. A general discussions of rates and the economy took place, including where conventional loans are.

Bill Oser made a motion to the effect that we institute a \$40 million dollar bond issue with the refunding. Paul Bankhead seconded the motion. Mike McKee indicated he would like some discussion on the motion, because over the recent years most of the issues have been for \$25 million they have done well. Mike said he would be supportive of an amendment to the motion to do \$25 million. Mike said he was still concerned about staffing at the Board and the ability to handle another issue. Andy Poole said Kelly and the accounting staff have the books, General Ledger, so forth, up to date at this point in time and understand the Board probably would be considering a motion to issue bonds at this point. Andy said there are some vacancies in the Board of Housing that are in the process of being filled and there is some flexibility in hiring temporary staff if we need to.

The Board had a general discussion of the size of the bond issue, the amount

of the loan pool, and the amount of the refunding to be used at this time. Mike McKee expressed concern over large bond issues because of some previous large issues which were difficult to originate mortgages. Bob Morgan indicated there seems to be a lot of demand for Board mortgage money and people are lining up in cities like Billings for first time home buyer workshops.

Andy Poole asked whether the Board is currently in a situation where we can invest our funds at the same rate or higher than our bond rate. Peter indicated that is the case. Peter discussed the situation in the past three years, where the acquisition fund was invested at lower than the bond rate, causing significant negative arbitrage. Currently the bond proceeds can be invested at a rate equal to the rate of borrowing, or possibly higher. Peter indicated that would be one argument for a larger size bond issue.

The Board then had a general discussion about the speed of reservation and acquisition of the 1994 bond issues and whether the Board should set a maximum rate for mortgages as well as the mortgage pool amount. The Board, Andy, and Peter discussed using only a portion of the subsidy to be obtained from refunding the 1985 B bonds, and saving some of the subsidy for another bond issue, since the 1985B bonds are the last refunding candidate for some period of time, until possibly 1998. Peter discussed using the subsidy to spread out the advantage to more home buyers, rather than providing a smaller number of home buyers with a larger subsidy.

John Wagner explained the tax law, and that a refunding doesn't make money for the Board, because the tax law is written to allow only a certain spread, but the refunding does allow the Board to fix some problems with the cashflows within the indenture.

The Board then had a general discussion regarding the economy and where interest rates are going, given the economic situations in Mexico and Canada. Peter indicated the consensus of Wall Street right now is that rates are going to trend down this year, but how far down nobody knows. Chairman Thomas then called for the question regarding the motion. Bill Oser's motion was to initiate a \$40 million dollar bond issue, with lendable proceeds to be approximately \$30 million dollars. The Board and Peter then discussed investment of acquisition funds, and the use of an investment contract to invest the funds, where the Board has a guaranteed investment rate. This would take out some of the risk. Most state housing agencies use this type of agreement. With this type of agreement the Board could theoretically leave the money invested for up to two years with out much interest rate risk.

After more discussion regarding the mortgage rate and whether to use all of the refunding subsidy on one issue, the motion was brought up again with a target mortgage rate of 7% or under. The motion passed unanimously.

MULTIFAMILY RISK SHARING PROGRAM

Maureen Rude presented information regarding the multifamily programs. The first item of business was a request for a management change for two of the multifamily loan projects which are owned by Bob Christiansen, but were

previously owned by John Buchanan. Maureen explained the same two people who have been doing the management will be going to work for the new management company owned by Mr. Christiansen, and recommended the Board approve the management change, which has already been approved by HUD. Paul Bankhead moved to approve the management change. Waneeta Farris seconded. The motion passed unanimously.

Maureen discussed the projects the Board has financed for the Ronan Housing Authority, which were completed under the first Multifamily Pilot Program. Ronan Housing Authority needs some additional funds for the other fourplex they are now building, and the Board has been approached as a financing source. Maureen indicated Ronan State Bank had approached her to provide the permanent loan, and Ronan Housing Authority is willing to go through the FHA insurance process. This project would not fit under any of our current programs, but would go along with the original projects we did. Paul Bankhead said he would encourage Maureen to pursue the project, Bill Oser agreed. The Board determined no motion was needed. Maureen indicated an FHA insured loan is very good for the indenture as far as meeting asset requirements.

LOW INCOME HOUSING TAX CREDIT CONFERENCE UPDATE

Maureen Rude provided the Board with an update on the conference she attended in Washington D.C. The conference was originally set up to be a subsidy layering training conference with HUD, and was then expanded in to a state tax credit administrators round table. Subsequent to the Board approving travel to the conference, Maureen was asked to participate in a Best Practices Task Force on the tax credit program for two days. Maureen described the various parts of the conference to the Board, and emphasized how important it was for a state like Montana to be involved in these types of projects, especially because administering the programs is so different logistically in a state like Montana.

Maureen discussed a survey being completed of the tax credit program under contract by HUD, and NCSHA is recommending the states not allocate a lot of time to complete it until additional review of the reason for the survey is done. Maureen also covered some general items related to what is going on with HUD programs in Washington, and the Conference of Governor's policy report on housing.

SINGLE FAMILY PROGRAM UPDATE

Robert Morgan explained the single family staff would be doing workshops around the state and provided the Board with a preliminary schedule. Bob encouraged any Board members to attend the workshops if they were interested.

1994 Series B and C

Bob Morgan provided an update on 94B, including 18 reservations out for \$1,810,000 yet to purchase. The Board purchased 360 loans for \$22,665,000 and there is a balance of \$34,870. In 1994C we have 94 reservations outstanding, for \$6,299,000. We have purchased 270 loans for \$17,648,000. The average purchase price is \$63,713. The average income of those home

buyers is \$30,311. We have a balance in that program of \$3,500. The Board asked where the \$3500 left over would go, and Bob indicated it would be used to call bonds. Paul Bankhead asked what was happening with the Sanders County deal, Bob answered there were some problems to work out on the loan, and it was still in process. Bob then covered the lenders with the most participation in the programs. The Board discussed the increased loan amounts and purchases prices under the programs, as well as the home costs around the state.

Home Buyers Cash Assistance Program/Setaside Programs

Bob Morgan discussed the Home Buyers Cash Assistance Program, there are 4 reservations, and 37 loans have been purchased. The program has been completed. The average loan under this program has been \$47,400. The average income has been \$18,200. Bob then discussed the summary of the setaside programs (list of set asides incorporated in to minutes). The Board had a question regarding the second mortgages under the Energy program. Bob explained the utility companies and DNRC are guaranteeing the second, but they are not FHA insured.

City of Kalispell

Bob Morgan said Susan Moyer from the city of Kalispell would not be at the meeting, so he would give the update. The city is in the process of trying to make the project work as initially planned but with a different piece of property, which would be traded for the original piece. Once that process is done, the city will come back to the Board. The Board then discussed changes to projects which the Board has approved and ideas on how to work with the issue. Bob said the city assured him when they come back to the Board everything will be in order for the project.

Neighborhood Housing Services

Nancy Stephenson of Neighborhood Housing Services (NHS) in Great Falls told the Board that Senator Christaens is sponsoring a Housing Trust Fund Bill that will be introduced shortly. Nancy then explained Neighborhood Housing is working to set up a project where they would be able to help communities around the state, and not just Great Falls. The national organization is looking at Great Falls as a model, and because of the national support, this new project would be able to help in areas not currently available. Nancy then updated the Board on the status of the tax credit project in Great Falls, which should be under way very soon. The Owners in Partnership II project is now under construction, and should be sold sometime in late March or April. The Owners in Partnership III project has 6 of 12 houses completed, and most of the additional lots have been purchased.

Nancy said NHS has asked the City of Great Falls for \$75,000 of HOME money, because the City now gets its own entitlement HOME funds. The city has approved the funds for this proposal, and the money should be available by July 1. Nancy asked the Board for a setaside of \$780,000 of 6.5% 30 year mortgage money for the new program. The new program would provide down payment assistance of up to \$5,000 per unit. Nancy told the Board the price of housing has increased 7% every year for the last three years. The down

payment assistance will have a 5 year return clause if the home is sold and there is a gain. The other difference between this and the last program is that it will be citywide. Nancy said the vacancy rate in the NHS neighborhood has gone from 16% to under 1%.

Mike McKee said he has some concerns about the changes in the program, regarding the increased down payment assistance, and the Board has over \$1,000,000 dollars set aside for NHS. His concerns related to the increased mortgage amounts, with housing targeted to 80% of median income levels, and whether the home buyer has to put cash down, and whether NHS looks at the assets the home buyer has. Mike was concerned that a home buyer might have an expensive vehicle or stereo system, but no down payment for a house, and the Board would be helping them when they did not sacrifice in other areas. Nancy explained that the NHS client base has mostly been single mothers and handicapped individual who have no assets whatsoever, and are paying almost as much for rent as they could for a house.

Chairman Thomas stressed that the Board does think the program is great and there is the need for a Nancy in every community.

Bob Savage motioned to make the set aside of \$780,000 at 6.5%. Bob Morgan indicated there were sufficient set aside funds available. Bill Oser seconded the motion. The motion passed with Mike McKee opposing.

Western Federal Savings Bank/Salish Kootenai Housing Authority

Charlie Eiseman of Western Federal explained they have a joint proposal requesting allocation of \$1,000,000 of recycled funds to finance home ownership on Montana Indian reservations. The home buyers will be tribal members purchasing units on tribal trust lands or on pieces of land owned by the housing authority. The tribal members qualified for financing will be independent and would free up funds to provide housing for other tribal members. The loans would be guaranteed by the HUD 184 Program. There are approximately 400 members on a waiting list for affordable housing on the Salish Kootenai Reservation alone. This program would be available for all lenders and all reservations in the state of Montana as long as they meet the HUD 184 requirements. The request for a mortgage rate is 6%, with the possibility of the 184 program being eligible for future Board of Housing bond issues.

The Board asked for clarification of how the program works, and whether all of the Board's usually restrictions under the tax law would apply. Charlie and Robert Gauthier of the Salish Kootenai Housing Authority said both the Board's restrictions and the 184 restrictions would apply to these loans. The program is different than FHA, because the guarantee is through HUD, but they feel they need the Board of Housing to get the program off the ground and give it a jump start.

Robert Gauthier explained he was on a congressional commission that was charged with finding out why we weren't doing a better job collectively of meeting native housing needs throughout America. The single biggest finding in this study was that HUD provides 4% of the housing given to moderate to lower income families. In Indian country its close to 60%. There has been

no private lending on reservations. The 184 effort was to give lenders a vehicle that would let them feel comfortable lending in Indian country. A discussion took place regarding whether the guarantee was 100%, the security for the mortgages, and the foreclosure procedures under the program. It was explained the eviction and foreclosure procedures for Salish Kootenai tribe are identical to Montana, and the procedures have to be in place before HUD will approve the tribe to use the program. Salish Kootenai is the first tribe to get certified, and this would be the first partnership of this type in the nation. The Board questioned whether each tribe had to get its own certification. Mr. Gauthier said the certification is separate for each tribe, and is done by HUD.

Mike Mulroneu asked what the security was, and whether we could do the program under the indenture we have. John Wagner said it was possible, but he would need to look at the differences between the 184 and the FHA and VA programs, and whether it would qualify. Dick Brink of HUD explained the program is a 100% guarantee similar to FHA, but instead of foreclosing, the Board would assign the property back to HUD. The tribe then does the eviction. Approved lenders would be the same as under any of the other housing programs. The Board questioned the effect of a 30 year guarantee when there is talk of shutting HUD down. Mr. Brink said HUD has long-term contracts, and the budget contracts are for the life of the mortgage, guaranteed by the federal government.

Mike Mulroneu said he would want to examine the document and have John Wagner determine whether the indenture would allow the program. John said the Board would want to see the certificate. Peter Nolden asked whether the program was eligible for FNMA or GNMA funds, and Mr. Brink indicated that just recently it was approved. The Board then had a discussion regarding the concept of leaseholds on Indian land, and foreclosure/eviction policies.

Mike McKee asked whether there was sufficient recycling funds to do the set aside. Andy Poole indicated there has been set aside money returned, therefore there is funding available. Mike McKee then made a motion, after commenting that it is an opportunity for the Board to be on the cutting edge of providing financing that we all recognize is a real need. The motion was for a commitment to set aside the funds for the Salish Kootenai 184 program, subject to Mike Mulroneu and John Wagner reviewing the program and making sure it meets requirements of the indenture criteria. Bill Oser seconded the motion. Bob Savage asked what court the foreclosure action is done in. The panel explained it would be done by the tribal court. Bob also asked if the Department of the Interior is ever involved. The Interior has to approve every leasehold.

Mike McKee amended his motion to set the funds aside at 6% provided the lawyers review and approve the documents and Peter Nolden gives it his stamp of approval. Bill Oser agreed to the amendment. Chairman Thomas called for a vote and the motion carried unanimously.

Montana Peoples Action

Jim Fleischmann thanked the Board for the opportunity to give an update. He

explained Montana Peoples Action (MPA) is a tax exempt non-profit corporation and is about 13 years old. MPA became involved in housing development in Billings primarily when the First Bank Foundation purchased a property on the south side which is the poorest urban neighborhood in the state. MPA rehabilitated it and resold it to a qualified family through financing with First Bank. First Bank had agreed to take the proceeds from that sale and set them aside for future projects. MPA then received CHDO status from the Department of Commerce and applied for Home Funds to rehabilitate abandoned structures in Billings and to sell them to qualified low-income families. The Board of Housing set aside funds for mortgage purposes. MPA thought it could rehab the old homes for less than new affordable housing is being constructed in the Billings area. As it turned out, acquiring the properties located in the neighborhood became more difficult than originally anticipated. The opportunity that presented itself was purchasing at an extremely low cost, properties that were slated for demolition in other parts of the city. MPA was able to get the city of Billings to provide MPA with title to abandoned lots in the south side neighborhood. MPA then did the infrastructure improvements with CDBG funds and the proceeds from the first home sold with First Bank. MPA acquired three properties, did the infrastructure improvements on the lots, and moved houses from the medical corridor in Billings where they were slated for demolition. The progress has been slow, and it took us longer to build our internal capacity. We now own 3 properties, and one structure is completed. The city provided us an additional 3 lots for future projects and we anticipate applying for city HOME and CDBG funds.

Bill Oser said he had wondered where the \$600,000 set aside amount came from, and wondered if the Board should drop the set aside amount since only three houses will be done. Bill Oser moved to drop the set aside to \$150,000, with Mike McKee as the second to the motion. Bill said if additional funds were needed, MPA could come back and ask for them. Jim said he would like to see the set aside be \$200,000, but he could live with \$150,000. Chairman Thomas called for the question and the motion passed unanimously. Jim passed around some photos and thanked the Board.

FARMERS HOME ADMINISTRATION

John Guthmiller, Rural Housing and Community Development Service (RECD) said Tony Preite, the state Director, was unable to make it because he was in St. Louis, but he wanted John to read a letter. John introduced the other RECD staff at the meeting (see participant list) Tony wanted to thank the Board for letting them appear, and wanted to request some modifications from the Board. John said the lenders have been having trouble using the rural guarantee program, which has been around since 1992. The lenders indicate the problems are the Board does not have money available all the time, and there is not another guarantee program available. The main difference is that the rural program does not require a down payment nor do we require mortgage insurance. But right now the Board of Housing still requires the down payment the same as if it were FHA. RECD requests a set aside of a certain amount of money for a certain period of time for the lenders in the state of Montana to put together some housing applications under this particular program, so that they know when they get done putting together the application, there is some funding source available for them to go to to

sell it on the secondary market. John also requested the requirement of down payment on RECD guarantees be waived.

The Board discussed the rates of interest and how the rate is determined under the RECD program, the differences between the RECD program and FHA and VA programs. The major differences being no down payment under RECD program, and in case of a default, the Board would always get the house back with RECD program. With FHA program the Board never gets the house, and with VA the Board only gets an occasional house. In addition the RECD program can only be used in rural areas.

Mr. Guthmiller pointed out RECD does allow 10.94% of the appraised value to be utilized by the servicer to cover selling costs, and explained the guarantee is 100% up to 35% of the original mortgage, and 85% of the balance over that. Mr. Guthmiller said there is some risk, but the risk is minimized by our guarantee payment. The RECD program provides financing that is not currently available, and right now we have people looking for housing all over the state and coming in to RECD offices.

The Board discussed which income guidelines would be followed, that the Board's guidelines would have to be followed for any loans made under its programs. The Board then got in to a discussion regarding the quality of homes and whether the program requires public roads. Mr. Guthmiller said RECD looks at all of these issues. The Board and the panel then had a general discussion regarding loans with no down payment and credit risk of borrowers. Waneeta said she believed the program could be used in small communities and there are a lot of properties that would be available under the program.

The Board had questions for the panel regarding whether mortgage insurance was required. The panel explained it is actually a guarantee fee, but there is no ongoing mortgage insurance.

Mike McKee asked if RECD was asking for a set aside under the Board's next bond issue? Mike said he has a concern over changing the down payment requirements because the Board has a fiduciary responsibility to the bond holders, and the down payment helps the Board make sure there is going to be money to pay the bonds back, and believes the Board should still maintain the down payment requirement for loans that are made under the RECD program. Mike said he would not object to setting aside the \$1,000,000, since the Board has done set asides for rural housing in the past for the first 30, 60, 90 days of an issue, then if the program uses up that million dollars then the next bond issue comes around, maybe the set aside would be a little more. Mike said the Board has an interest in seeing more of the Montana Board of Housing money put out into the rural area. Mike then made a motion to consider a setaside - a 90 day setaside for \$1,000,000 on the next bond issue for use by the Rural Housing Program. The motion did not include a change in the down payment requirement.

The Board then had a general discussion of some of the advantages to the RECD program over FHA programs relating to rural areas because the RECD program requires the property to have access to the county road, and is not as restrictive as FHA. Mr. Guthmiller stressed RECD would not approve a

property without access to a county road.

The Board discussed a letter from Governor Racicot giving his support for the program. Bill Oser asked if his motion was still in place. Chairman Thomas said there was no second. Bill said he would like to see \$1,000,000 be set aside for a 90 day period. John Guthmiller asked if it would be possible to consider a separate interest rate for those guaranteed buyers without a down payment. In other words, add 1/8th of a percent to set aside in special reserve accounts to offsets any potential losses in the future. Bill asked John Wagner if the Board would have to include that in the return on the bonds, John said yes, and explained how the calculation would be done, and it would be no problem to include the calculation in the new bond issue. It would help to mitigate the risk, but the Board would need to decide how much of a return it wants for the perceived risk.

Chairman Thomas indicated it was time to move on. Bill Oser made a motion for a set aside of \$1,000,000 from the new bond issue for 90 days for the use of the RECD program, and loans not having a down payment equal to that required by FHA would carry a mortgage rate of .25% greater than normal mortgage rate. Paul Bankhead seconded the motion. The motion carried with Mike McKee opposed.

NEW LENDER-SERVICER REQUEST

Montana Mortgage Company

Mike Milodragovich, a lawyer out of Missoula, and Jim Valeo, owner of Montana Mortgage Company appeared before the Board to discuss a letter sent to Bob Morgan dated January 11, 1995 which explains their petition with respect to the denial of Montana Mortgage Company application to be a servicer of Board of Housing loans. Mr. Milodragovich said he believes the servicing approval is an administrative decision and not a Board act, and he has not had any response to the request made on page 5, and there is nothing in the statutes that gives us any other procedure. Mr. Milodragovich said their appearance in front of the Board does not waive any rights they are appearing based on discussions with Mike Mulroney that apparently there is some Board interest or inquiries. There was a letter that was the Board's January meeting packet, but there was no action taken on it.

Mike Mulroney said the Board has never in the past had an objective case hearing before the board. In that the Board is a quasi judicial Board and is subject to the Montana Administrative Procedures Act and a person who disagrees with a decision of the Board to deny a servicing contract, has the right to come before the Board and address the Board or answer any questions that you may have, and then after that, the individual may apply for a contested case hearing if you were to reject the application at this time. The next step in the Administrative Procedures Act is to apply for a contested case hearing. In that event, then the Attorney Generals Office appoints a hearing officer and we appear before the hearing officer. Mike Mulroney said he disagrees with Mr. Milodragovich that this is a merely a administrative act. In the past, it is the policy of the Board to review applications to become servicers as well as lenders and then based on that review, and analysis of the documentation that has been submitted as required

by the Administrative rules, then the Board makes the decision as to whether they want to enter into the servicing contract. Mike said the Board has made its determination after looking at the documentation, and clearly these people have a right to come before the Board and answer any questions that you may have. Mike directed the Boards attention to Administrative Rule 8.111.305a which refers to qualified loans servicers. Under the rule, any institution which has as its function to service mortgage loans secured by residential real estate, and maintains an office in the state, may apply in writing to be designated as a qualified and approved servicer for Board of Housing mortgage loans. And then it says all applications shall include the following: the application as submitted must include the items listed. After the appropriate listed items are given to the Board, then it is up to the Board to determine based on the material that is submitted, whether or not to approve the institution as a qualified servicer. The Board has reviewed all of these documents, and now is the time to ask any questions.

Mr. Milodragovich added that his problem with the actions of the Board is there is no objective standard by which these applications are judged. Materials submitted indicated net worth of around one half million dollars, yet there is apparently, as Mr. Morgan put it, a denial due to having a thousand dollars worth of art work, and there are limited partnerships and antique cars, which provide less than 15% of the total net worth of the company. There is additionally in Mr. Morgans letter a separate section discussing that in some fashion, the Board of Housing was at risk. Mr. Milodragovich said he believes if there is any risk to the Board, it is Montana Mortgage originating the loans, which they have been approved to do. Because once the Board has an FHA certificate, to accompany the mortgage, it is insured against losses other than fraud. And that fraud could occur here within the Board of Housing, for example, if there were some sort scheme to defraud the Board through some fashion of embezzlement or if there is some sort of fraudulent loan generation on the part of the originating agency. Mr. Milodragovich said he sees it as essentially a zero risk situation as far as the Board is concerned.

Jim Valeo, President of Montana Mortgage Company, added that in the administrative rules, there are two specific financial criteria. He believes Montana Mortgage meets those with more than flying colors. Bob Savage said he was concerned about the insurance certificate deductible of \$15,000, as he has never seen a deductible that high, other applications have been \$5,000. Bob asked if the reason was because of a premium quote or was there another reason. Mr. Valeo indicated he felt he could self insure up to the deductible amount, that his company is a private company with very close control over our directors officers, and the \$15,000 was a reasonable amount to self-insure. Bob Savage asked Mr. Valeo if he knew the difference between the premium for \$5,000 and \$15,000 deductible, and Mr. Valeo did not.

The Board had a discussion regarding the difference in premiums based on deductibles. Mr. Valeo said he did not think there was a requirement to have a specific deductible. Mr. Milodragovich said their problem is not with the Board having a requirement, for example, of malpractice coverage, or of having a minimum cash requirement. The problem is that there isn't anything that is objective out there by which standards of like applicants are judged.

His review of the regulations and the activities of the Board, for an applicant like Mr. Valeo's company, indicates the company satisfies the regulation and they are entitled to the servicing contract.

Mike Mulroney said the rules do in fact require a certificate of errors and omissions. Mr. Milodragovich said the certificate was supplied, and there are no dollar criteria. Mike McKee said this application was presented to the Board with a May 31, 1994 balance sheet and audited financial page. The information attached today, with the letter is the May 31, 1993 statement. The issues that were of concern to the Board had to do with the assets of the corporation and a total assets balance of \$630,700, of which \$217,803 was invested in a limited partnership which is an out of state partnership with no information provided, \$85,000 in antique automobiles, and \$1,000 in art work. These assets add up to \$303,800 which is approximately 50% of the total assets of the company. On the 1993 statement, there are no assets of a limited partnership in that financial statement with a total assets of \$603,000. Mike said the issue he recalls discussing at quite some length is the company has 50% of the total assets of the company are comprised non-liquid assets. When the Board looks at an insured financial institution, FDIC regulated, OCF and OCC regulated, the asset makeup is significantly different from the asset makeup of Montana Mortgage Company. These issues were discussed at quite some length.

Mr. Valeo said there is no criteria regarding the makeup of assets in the administrative rules. He said he analyzes financial statements based on a percentage of assets related to net worth, and asked Mike McKee if he knows the percentage of liquid assets in his company. Mike said he does. Mr. Valeo clarified he is talking about fixed assets, plant, equipment, net worth. Mike said it would be about \$3,000,000 of \$60,000,000. Mr. Valeo said a lot of major financial institutions will have buildings, computers, plant, and equipment, equal to 50% of their net worth and his company is well within those ratios.

Mike clarified that it is easier to determine the value of fixed assets than the value of an investment of limited partnership out of state or antique automobiles. Mr. Valeo said he has audited financial statements prepared by a CPA that not only meet AICPA standards, they also meet HUD standards and the assets are verified annually by the auditor.

Paul Bankhead asked whether Montana Mortgage still has Security Bank servicing its loans, as was originally proposed when the Board approved Montana Mortgage as an originator. Mr. Valeo said the agreement has not been terminated, Montana Mortgage would just elect to begin servicing loans. Security Bank is currently servicing the loans originated by Montana Mortgage. Mr. Milodragovich said the agreement gives Montana Mortgage the right to withdraw the servicing from Security Bank when it is approved by the Board to service loans. He said they have tried to comply with the Boards approval. He made the point that by making subsequent assignments following his letter of January 11, Montana Mortgage was not waiving any rights to their position by the fact that they've made a subsequent assignment. He said he believes whoever prepared the original regulations, set up a contest where there could be a continuation of the private sector in trying to enhance competition for houses or that provide financing for houses in

Montana. The decision may be with the Valeo company at this point they are in a position where they can undertake services and do a good job of it and add that to the line of services they provide for their potential borrower market.

Mr. Valeo said Montana Mortgage is and approved servicer by FHA, and he read from the HUD servicing manual:

"A valid mortgage insured certificate executed by HUD shall be conclusive evidence of contract of mortgage insurance. And the validity of any contract so executed shall be incontestable in the hands of a prudent approved mortgagee (*meaning the board of housing once you acquire the loan*) except for fraud or misrepresentation by such mortgagee." (Emphasis added based on comment of speaker.)

What that says in effect is once there is a valid insurance certificate on the loan, there is no exposure. Mr. Valeo said while he appreciates the financial analysis of his company, the fact of the matter is there is no risk to the Board once there is an approved valid mortgage certificate on a particular loan. If there is a default on the loan and if there is a problem with the servicer, that would be between the servicer and HUD, there would be no exposure to the Board or to the bondholder.

Mike Mulrone said he thinks there would be exposure to the Board. If there was a problem with the servicer, one of the things the Board looks for, and there is an objective criteria, but the criteria is subjective as well because that is why this Board is made up of the expertise it has. The financial people, bankers, and people who understand the housing market and housing problems.

One of the things we look for in a servicer is if the servicer makes mistakes, that the servicer has the where-with-all to and the financial capability to repurchase the loan. That is specifically in the servicing agreement. And if there should be a situation in which the servicer made a mistake, HUD or VA would look at the Board and say the Board has problem with the servicer, but not with HUD.

Mr. Valeo disagreed. John Wagner commented that Mr. Valeo is correct in his statement about risk on the origination. But once the borrower makes the payment to the servicer, there is risk to the Board. If Montana Mortgage takes the money and runs away with it, the Board can not go to HUD and get a penny of that back. In fact, there has been situations where that has occurred. Texas, for example, a servicer had absconded with \$35,000,000 in monthly payments and FHA won't pay a dime of it because once the home owner has made their payment, FHA's obligation is satisfied. There in fact is a substantial risk if the Board has a servicer who does not have the financial where-with-all and because of that, the Board runs a greater risk of loss. Mr. Valeo, you are right about the guarantee, but once the payment is made by the home owner, if you take the money and run away with it, the Board is out and they do have obligations under the bond resolution to make sure that they monitor servicing and that all the servicing contracts and servicers are conducting servicing according to industry standards. There is an obligation on the part of the Board to make sure that what they do with respect to

reviewing servicers is consistent with industry guidelines.

Mr. Milodragovich said if FHA will accept Montana Mortgage as servicer, and Montana Mortgage meets their requirements on a first party relationship, and the Board has a different criteria, in dealing with FHA mortgages, that seems to be a patent inconsistency in the position the Board is taking. Everybody is acting on the same audited financial statement information, on the same certificate and exposure, and to be able to meet the federal guidelines and then not be able to get past this Board without further objective standards being present, and the fact that there is \$1,000 worth of art work in a statement, to me is not an application of due process. Mr. Milodragovich further commented he is not making any fault with anybody's position on the Board or any institution or anything like that. In a quasi-judicial setting, there would be some other standards that would be applied subsequently that I think that haven't been met in this case, such as due process and manner of proceeding.

Bob Savage asked Mr. Milodragovich why is there a purchase of E&O coverage by your company if you believe there is no risk once the certificate is issued. Mr. Milodragovich said that is one of the conditions of the Board, and he did not see any minimums or maximums stated in the rules. Mike Mulroney said the rule says the coverage must be in accordance with the program documents and the minimum level can be set as part of the program documents. It actually reads:

"a certificate of errors and omissions insurance coverage and/or fidelity insurance coverage in a minimum amount as is required by the program documents for each bond issue in which the loan servicer is participating."

So that figure may vary. Mr. Milodragovich said he is just saying the E&O is one of the conditions preceding to being able to be a servicer in Montana, as established by the Board by the Administrative Rules.

John Wagner said that the servicer is an agent to the Board. As soon as the servicer receives a payment, the Board is then deemed to have received the payment. Then if you abscond with it, the Board is out. And that's why you always watch the strength of the servicer, because if they get into financial trouble, and it has happened over the last five years, they may take two or three months collections, particularly this is a problem with pre-payments, the servicer may not report the pre-payment and then suddenly, the servicer is off to the Virgin Islands or South America and the Board is out all that money. That is why you are right about the guarantee being acceptable, but your wrong in saying that HUD protects the Board because it does not.

Mr. Milodragovich said the point he would like to make as an adjunct to that is that anyone who is seated around this table, in any bank situation, is equally susceptible to going off to Brazil with a pile of money. We can't predict who's going to do that or who isn't going to do that. If the Board is concerned with enacting a requirement that is absolutely zero risk situation, then the fidelity bonding of some sort of servicers across the board applies to all servicers within the state, would be a way to mitigate that risk, as opposed to doing it on an individual by individual basis. If that is the criteria, there are better ways the Board can address that, and

if it is across the board for all servicers, Mr. Valeo would be happy to comply with it.

Paul Bankhead asked if in the past the Board required mortgage companies to secure further assistance? Mike Mulroney said a number of years ago, there was a company that wanted to become a servicer but seemed to be under capitalized, and what that servicer did was it entered into a contract with a bank, and the contract provided an indemnification agreement whereby if the servicer couldn't purchase a mortgage, then the bank would purchase the mortgage for it. The Board accepted in lieu of the additional capital the agreement between the servicer and the bank or financial institution that was much stronger. Mike said he does not believe the agreement stayed in place for a very long period, and the capital of the servicer was increased to the point where it was deemed acceptable by the Board.

Mr. Valeo said that is not something he would be particularly interested in. If all servicers were required to meet a required fidelity bonding insurance level, applied to all servicers I think we would be happy to be a part of that.

Mike McKee asked Mr. Valeo if he is currently servicing loans for your own portfolio or for any other lenders? Mr. Valeo said his company is currently selling our servicing. The reason Montana Mortgage wants to service these loans is that the servicing really strengthens us. We've got a relatively substantial funding when we sell loan servicing. However, we are in the process of getting FannieMae approved and we do expect to service loans for them in the near future. Mike McKee mentioned part of the Board's issue is there is no track record of servicing loans by Montana Mortgage.

Mr. Valeo said the predecessor company to Montana Mortgage did service some loans and I think we provided the experiences of the people involved. We do have experience enough to service loans, but it is from predecessor companies.

Mike McKee said the other situation that could come up is in the case of fraud or misrepresentation on the part of the borrowers, where there is potential for the FHA insurance certificate to be evoked. In that case, the loan has to be bought back by the service who is handling it. And so obviously, the cash assets of the company are what we look to. Mike mentioned there was a \$200,000 decrease in cash in the resources of Montana Mortgage Company between 1993 and 1994. That is just two periods of time and we don't know where we are at in February of 1995.

Mr. Valeo said his company has \$5,000,000 available for that purpose, and the risk you pointed out is the risk you have already accepted us as an originator. That is a risk that I presume was analyzed when we were accepted as an originator of loans.

Paul Bankhead asked if there is a probation period when a servicer is approved. Mike Mulroney said the Board's generic servicing agreement can be canceled without cause or with cause on 5 days written notice for any servicer.

Mike Mulroney asked if any Board members have any more questions or a motion or change? Chairman Thomas said unless there is a motion there is no action. No motions were made.

Norwest Mortgage Servicing

Tom Ellis from Norwest Bank presented an application for servicing rights on the Board of Housing mortgages that have been serviced by Bank of Montana and Montana Bank. Norwest would like to transfer those to Norwest mortgage. Approximately one year ago the Board approved a subservicing agreement during the transition period where Norwest was buying the other bank systems. Many of the operations of Bank of Montana, Montana Bank and Norwest have been merged and eventually Bank of Montana and Montana Bank will go away. Mr. Ellis said he would like to assign the servicing rights to Norwest Mortgage. That's essentially what's in the application. Mr. Ellis clarified Norwest's insurance coverage is through Superior Guarantee Insurance Company which is Norwest's captive insurance company, which is not licensed in Montana. Superior is reinsured with the National Union Fire Insurance Company which is licensed in Montana and pays into the guarantee fund. The coverage is \$100,000,000, with \$100,000 deductible.

Waneeta Farris and Mike McKee indicated they would abstain from this discussion due to conflicts, and Mike excused himself from the room. Bill Oser said there was a lot of trouble when First Banks did this type of change. They had to make a lot of changes to comply with the Board's rules, one of which was that any mortgagor or ours could walk into any bank in the Norwest system and have information on the loan brought up on a computer. First Bank could not do that at first, but got around it by putting \$5 in an account of the customer's money so they could access the main computer. How will Norwest handle this? Mr. Ellis said Norwest Mortgage has a coordinator in the Billings office that works for Norwest. The local offices can call her, and she can call up anything she wants to on the computer. Norwest does not have computers in each bank that are hooked into Norwest Mortgage. I provided a list here of people to talk to in every bank and we encourage them to do that. We encourage our local officers to stay with the customer and try to get these questions all answered.

Mike Mulroney said the Administrative rules require a principal office in Montana, and Norwest meets that. The Board has allowed a situation where the local office could get on a telephone and get the question answered, and the Board approved that situation. Mr. Ellis indicated Norwest has a designated mortgage loan officer in each bank who can call the Billings office and the person in the Billings office gets all the information on the computer. All of the information that there is. We consider them our customer if we service their loan, they do not have to have another account. Norwest has taken the position from the customer service stand point that the customer should be able to walk into any Norwest bank, not only in Montana but in North Dakota or any other place and get help.

Mike Mulroney further discussed the insurance issue, and suggested three things the Board could do. An indemnity agreement with the parent corporation, an indemnification agreement from the reinsurer, or the company could get qualified to do business in Montana.

The Board then brought up a list of problems Board staff is having getting some information from Norwest. Board staff were informed by someone at Des Moines that the Montana Board of Housing loan portfolio was so small that it could fall through the cracks. There were also indications loan files were kept in several different places.

Mr. Ellis said he was not aware of any complaints, but the Board's portfolio is a significant portion of Norwest servicing. Norwest did have a problem for a while when all the refinancing was happening. Mr. Ellis said he feels it is running smoothly, and it may be necessary to get someone from the servicing area to come out here and sit down and run through some of those issues with you to try to see how we can try to resolve them to make it more convenient even. Norwest has a real desire to make it work with the Board as we move forward.

The Board discussed with Tom what date a payment would be credited if it were brought in to the local Norwest branch. Mr. Ellis and Waneeta indicated the payment would be date stamped, and the customer is credited the day the bank received the payment. It is considered paid the day the local branch receives it. The local offices also have the authority to handle any problems related to this issue.

Paul Bankhead made a motion to approve Norwest Mortgage servicing, with an instruction that Norwest and Board staff get together and that the insurance carrier become qualified to do business in Montana. Bill Oser seconded the motion. The chairman called for the question, and with four voting members the motion carried.

Mann Mortgage Company

Bob Morgan presented the application for approval as a lender presented by Mann Mortgage. The company provided a list of offices including their personnel and qualifications, and a certificate of errors and omissions and fidelity insurance.

Bob Savage commented that the certificates Norwest gave the Board have a limit of liability of \$100,000,000 for Norwest and \$5,000 per occurrence deductible. Mann Mortgage has a \$300,000 aggregate rather than \$300,000 per occurrence. That \$300,000 aggregate means that is the most that the insurance company will ever pay irrespective of how many claims there are. Mike Mulroney said if there was ever a claim the Board could cancel the servicing agreement.

Bob Savage said he does not like \$300,000 aggregate, because it puts the Board at risk because the \$300,000 would have to include legal defense. Bob Morgan said the insurance company is licensed to do business in Montana.

The Board suggested staff look at this issue when new insurance certificates are received from the servicers and to check the FHA rules to determine whether the minimum requirement is per occurrence or aggregate. Mike McKee said he has some financial questions regarding assets, as of Dec. 31st, total restricted and unrestricted cash assets are about \$55,000. Total cash is about \$55,000, which means if they had to repurchase one loan it could tap

them out. Also on page 7, which is a supplemental schedule to the property and equipment, there is a mortgage on that. Mike had concerns over the company with a relatively small amount of cash assets, and it appears the income from the operation pays out to the partners. Bob Savage indicated his further review of the application pointed out the certificate of insurance expired at the end of 1994.

Mike McKee made a motion not to approve the application due to less than \$55,000 in total cash assets, and including the fact that they do not have current insurance. The rule requires that they have insurance. Bob Savage seconded the motion, and it passed unanimously.

OTHER BUSINESS

Paul Bankhead mentioned he would like Andy to try to get hold of the housing trust fund bill so the Board can have some input on it. Mike McKee asked what Mike Mulrone thought would happen with the Montana Mortgage Company issue. Mike said they could ask for a formal hearing, but the Board has the expertise and fiduciary duty to make the kind of call it made.

Chairman Thomas suggested a thank you party for the Board members who finished their terms, and maybe even a plaque.

SET NEXT MEETING DATE AND LOCATION

The meeting date was set for the 27th and 28th. Bill Oser motioned to adjourn and the motion was accepted.


Secretary

4-6-95
Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
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MONTANA BOARD OF HOUSING
DOWNSTAIRS CONFERENCE ROOM
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
JANUARY 24, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- December 22, 1994 Business Meeting
- III. REVERSE ANNUITY MORTGAGE LOAN PROGRAM - Janet Kunz
- IV. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
- V. SINGLE FAMILY PROGRAM UPDATE - Robert Morgan
 - A. 1994 Series A
 - B. 1994 Series B
 - C. 1994 Series C
 - D. Homebuyers Cash Assistance Program
 - E. Status of Recycled Mortgage Programs
 1. City of Billings Program Update - Joe Burst
 2. Western Montana Mental Health Center Update - Patricia Kent; and Human Resource Counsel XI - Rand Kennedy
 3. City of Kalispell - Susan Moyer
 - F. Norwest Mortgage Servicing - Tom Ellis, Norwest Bank
- VI. MULTIFAMILY RISK SHARING PROGRAM - Maureen Rude
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Maureen Rude
- VIII. OTHER BUSINESS
- IX. SET NEXT MEETING DATE AND LOCATION
- X. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

1/17/95



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
DEPARTMENT OF COMMERCE
1424 9TH AVENUE
HELENA, MT
JANUARY 24, 1995

ROLL CALL OF
BOARD MEMBERS:

Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Dean Mart, Secretary (Present)
Barbara Hamlin (Present)
Paul Bankhead (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF:

Andy Poole, Acting Administrator
Maureen J. Rude, Administrative Officer
Robert D. Morgan, Administrative Officer
Alene Gorecki, Administrative Assistant
(Economic Development Division)

COUNSEL:

Mike Mulroney, Board Counsel, Luxan and Murfitt

BOND COUNSEL:

John J. Wagner, Kutak Rock

OTHERS:

Joe Burst, City of Billings
Rand Kennedy, District XI Human Resource Council
Patty Kent, Western Montana Mental Health Center
Dick Brinck, HUD
Margaret Morgan, Montana Association of Realtors
Jerry Boone, HUD
Susan Moyer, City of Kalispell
Carol J. Grigg, City of Kalispell

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The minutes were approved as presented.

REVERSE ANNUITY MORTGAGE LOAN PROGRAM

Robert D. Morgan, Administrative Officer, updated the Board on the status of the Reverse Annuity Mortgage Loan Program.

SINGLE FAMILY PROGRAM

R. Morgan updated the Board on the activity in the Single Family Bond Program, 1994 Series A, B and C.

RECYCLED MORTGAGE PROGRAM

R. Morgan reported on the status of the Recycled Mortgage Programs, specifically the City of Billings and the Western Montana Mental Health Center. Joe Burst, City of Billings, gave a brief update for his area. Rand Kennedy, District XI Human Resource Council, reported on his project. Patty Kent, Western Montana Mental Health Center, also updated the Board on her project's status. Last Spring she requested a setaside of \$240,000 for a housing project but failed to include the cost of mortgage insurance. Kent requested an additional \$5,400 to cover the insurance. R. Morgan stated that there was enough money available to cover the amount. Chairman Thomas called for a vote and the motion passed unanimously.

HOMEBUYERS CASH ASSISTANCE PROGRAM

R. Morgan updated the Board on the status of the Homebuyers Cash Assistance Program.

APPROVED LENDER APPLICATION

R. Morgan reported that 1st Security Bank of Roundup's errors and Omissions insurance is provided by Bank Insure, Inc., who is licenced to do business in Montana and is a member of the Montana Guarantee Fund and recommended approval of 1st Security Bank as an approved lender. Chairman Thomas called for a vote and the motion passed unanimously.

POLICIES AND PROCEDURES

R. Morgan noted the following policies and procedures currently being followed in the Single Family Program. They appear to be causing some inefficiencies and he proposed solutions to correct the problems.

- 1) Mike Mulroney, Board Counsel, discussed the "30-Mile Rule." It was suggested to change the rule to eliminate the 30-Mile requirement and allow one MBOH loan at any one time for any Board of Housing (BOH) program. An amendment to Board rules would have to be made to delete any reference to the "30-Mile Rule," and Mulroney asked for permission to do so. Dean Mart made the motion, which was seconded by Barb Hamlin, to amend Board rules in this regard. Chairman Thomas called for a vote and the motion passed unanimously.
- 2) R. Morgan discussed the fee for extending the reservation period which must be paid by the lender. The topic was discussed at last month's meeting and was resolved then.
- 3) R. Morgan discussed hazard insurance coverage which must cover the amount of a loan, with a maximum deductible of \$250. A discussion ensued regarding whether the price of the land should be included as part of the

replacement cost. Bill Oser motioned to increase the deductible to \$500 and take the insurance coverage based on replacement cost of the residence, not the land. Paul Bankhead seconded the motion. Further discussion of land value took place between Oser, Mike McKee, Bob Savage and Dick Brinck (HUD). Oser changed his motion to state the insurance would cover replacement cost of the improvements and to raise the deductible to \$500. This would affect future bond issuances, not existing bonds, according to R. Morgan. Sewer connections were discussed--property owner/insurance is responsible for problems occurring within the property boundaries. McKee stated that the insured is BOH, not the servicer. Chairman Thomas called for a vote and the motion passed unanimously.

4) R. Morgan discussed purchase price limits. BOH's purchase price limits are 2.5 points below FHA's limits. He suggested the Board set its purchase price limit equal to that of FHA. Savage motioned to set the purchase price limit in relation to acquisition cost such that the purchase price limit is equal to FHA maximum mortgage limit. Dean Mart seconded the motion. Chairman Thomas called for a vote and the motion passed unanimously.

5) R. Morgan discussed the current policy of having separate documents for signature by a lender to sign up for participation in each bond issue. He suggested having one master agreement signed one time and a two-page addendum for each new bond issue. Bond counsel would need to be involved in preparing the agreement. McKee motioned to do so and Paul Bankhead seconded. Chairman Thomas called for a vote and the motion carried unanimously.

6) Andy Poole, Acting Administrator, discussed prioritizing reservations and reserving small amounts of funds made available by the cancellation of reservations after funds from a new bond issue have been closed. Currently BOH has been reserving these funds from excess requests for reservations from the current bond issue. It was agreed the reservation procedure in place is suitable as is. No motion was required on this issue.

7) R. Morgan discussed excess land limit. Currently, policy and program documents say parcels of land greater than five acres are not eligible. Many lots are greater than five acres in size and still only maintain basic livability of the residence. Comprehensive land use plans, zoning laws and subdivision requirements will not allow the dividing of these lots to where the five-acre limitation can be met. R. Morgan recommended changing the allowable lot size to not exceed 30 acres. Discussion ensued regarding the rural nature of the state where 20-30 acres may often be purchased for less money than an urban plot. Perception was also discussed. BOH is concerned with low-income housing and a lot of 20-30 acres might be perceived as excessive and not fitting into the public's perception of low-income. Savage motioned to change the land limit to not exceed the limitation, at the time of the application, of the Montana Small Tract Financing Act and the cost of land not to exceed 35 percent of the loan amount. Bankhead seconded the motion. Chairman Thomas called for a vote and the motion passed by a vote of 4-3. Oser, McKee and Barbara Hamlin dissented.

8) R. Morgan discussed face-to-face interviews. Current policy requires a lender to perform the due diligence required in explaining and obtaining certification that the federal requirements for tax exempt bonds and BOH requirements have been met. He stated BOH program documents do not say that this due diligence has to be a face-to-face interview. R. Morgan proposed changing the program documents to require a loan officer with the institution that has signed a Mortgage Purchase Agreement to do a face-to-face interview to explain the BOH and federal requirements of the program. McKee motioned to adopt R. Morgan's solution and Mart seconded it. Chairman Thomas called for a vote and the motion passed unanimously.

OTHER DISCUSSION ITEMS

Poole said he and Jon Noel met last week with FmHA representatives regarding FmHA's guarantee Rural Economic Community Development (RECD) Program. The program allows them to make loans to individuals without a down payment. BOH requires a small down payment. McKee motioned to not change the existing down payment requirement because of the risk involved. Mart seconded the motion. Chairman Thomas called for a vote and the motion passed unanimously.

Poole applauded R. Morgan's work in earmarking improvements that needed to be made in the program and suggesting the solutions that were voted upon today.

R. Morgan discussed mortgage loans insured by FHA 203 (k) program and that current MBOH policy is to not purchase such loans until the rehabilitation work has been completed. Jerry Boone, FHA Manager, said that the FHA insurance coverage was effective at the beginning of the loan and MBOH did not have to wait until the rehabilitation work was completed to have the security of the insurance. John Wagner, Bond Counsel, said that purchasing a FHA 203(K) loan prior to the completion of the rehabilitation work would not be a problem with the bonds. Mart motioned that MBOH purchase 203 (k) loans once insured and not wait until the rehabilitation is completed. Savage seconded the motion. Chairman Thomas called for a vote and the motion passed unanimously.

RECYCLED MORTGAGE PROGRAM

R. Morgan introduced Susan Moyer who presented an update on the City of Kalispell's \$2.4 million setaside. Moyer explained that the program won its CDBG and HOME grants, but there exists a problem with the neighbors near the seven-acre site--they do not want low income persons in their neighborhood or the high density of 44 units. As a result, the program did not get the conditional use permit or the zone change as requested. Instead of 44 units, 24 will be built--18 three-bedroom units and 6 four-bedroom units. The other 20 units will be built but a new site must be found. Because of this, the site development costs will double and the homes will be slightly higher in price than originally thought. Moyer asked for an increase in the setaside from \$2.4 million to \$3 million.

McKee said he had a problem with the City of Kalispell's commitment to developing affordable housing. It owns the land and is promoting the need for affordable housing, yet the city did not approve the new zoning and is basically forcing Moyer's group to build higher-cost homes. Moyer said the pressure, in protest of the high density, put on the city council by the neighborhood and local schools was unbelievable. The final vote was 4-5. The city still strongly supports the project and will contribute more of its own money during the next budget year, which begins July 1, to help pick up the infrastructure costs. Kalispell needs affordable housing and the demand is tremendous she said. McKee asked if the protest centered around having low income persons in the neighborhood or the high density. Moyer said she felt it was mainly the high density--44 units was just too much for seven acres.

Oser said he wanted to see something in black and white that says what BOH is going to do in light of these changes in the setaside. Moyer said the funding is in place for the 44 units--CDBG, HOME and the city--and it is not necessary to go back to those sources because of the changes. Savage wanted to know how the figure of the additional \$600,000 was derived, i.e., was it based on detailed analysis. Moyer said it was based on her figures for the construction site, for the "brick and mortar" construction of the units and to increase the size of the units on the seven acres. Infrastructure costs will be paid for with the CDBG and HOME funds.

Bankhead asked Mulroney for a legal opinion as to how these changes affect the original \$2.4 million setaside approved by the Board for the construction of 44 units. The city has said that is no longer the case. Mulroney said under those circumstances the setaside is void. Oser said the Board is not against doing the project, but the game plan has changed. The Board set aside \$2.4 million originally and he wants to see just what see her plans are. Moyer said she would submit in writing the "brick and mortar" construction costs for the 24 units on the seven-acre site approved by the city/county planning board and the city council. She would also give the Board an estimate of what the remaining 20 units will cost. She hoped the Board would approve the 24 units so construction can begin. Then Moyer would go before the Board again regarding the remaining 20 units when an appropriate site is found. Bankhead reiterated that the original setaside is now void. She asked for approval of a new agreement to construct the 24 units. Bankhead said they are now back to square one. Moyer said she would submit a new proposal in writing next month. Chairman Thomas agreed.

McKee said some of the projects the Board approved over the last six months have come back to the Board with "snags and glitches" requiring them to accommodate those changes. He suggested the Board work toward dealing and acting with projects that are farther along, put the money out on a first come, first served basis with projects that are ready to go. Bankhead said other funding, like CDBG, is contingent on BOH monies being available. Oser said the fact that the Board is monitoring the setasides more closely now, may solve the problem. Perhaps if a zoning change is necessary, the project should have the city approve the change before application is made for a setaside.

MULTIFAMILY RISK SHARING PROGRAM

Maureen J. Rude, Administrative Officer, updated the Board on the Multifamily Risk Sharing Program. She discussed a preliminary feasibility application request to build eight units in Missoula targeted at the elderly able to live independently. McKee motioned to approve the request and Mart seconded. Chairman Thomas called for a vote and the motion passed unanimously.

OTHER BUSINESS

Rude discussed a two-day Subsidy Layering Workshop taking place in Washington, D.C. in February. One day covers risk sharing and the other day covers tax credits. She asked for permission to attend. Bankhead motioned for approval and Hamlin seconded. Chairman Thomas called for a vote and the motion passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Rude updated the Board on the Low Income Housing Tax Credit Program.

OTHER BUSINESS

Oser mentioned the National Council of State Housing Legislative Conference in Washington, D.C., February 27,28 and March 1. He thought perhaps it coincided with the workshop Rude will attend. She said the council meeting is later. He feels that with the changes which will probably take place in the Legislature, someone from the Board should attend the conference. Wagner said all the state housing agencies, for the most part, send representatives who have an opportunity to meet with HUD and other program staff to discuss what is going on in the federal arena. The representatives also have a chance to meet with delegations from the other states. Oser said the Board needs to keep up with the changes being made and this is a good opportunity to do so. Bankhead said he attended last year and would like to see attendance continue. Chairman Thomas asked if anyone would like to go and discussion followed as to how many should attend. Savage and Bankhead said they would go. Oser motioned that anyone who wants to go be allowed to go. Bankhead seconded. McKee asked about the policy on the number of attendees. Andy said normally no more than two board members are approved to travel to an event because of budget and the public perception of being fiscally responsible. McKee motioned to send a maximum of two people. Mart seconded the motion. Chairman Thomas called for a vote on Oser's motion. The vote was 3 for and 3 against. Mart and Hamlin wanted to vote on McKee's amendment of Oser's motion. McKee said he was expressing a personal opinion, not making an amendment or a motion. McKee moved to amend Oser's motion and send only two people designated by the chairman to Washington, D.C. Mart seconded the amendment. Chairman Thomas called for a vote and the amended motion passed unanimously.

Mulroney suggested deferring the presentation on mortgage servicing by Norwest Bank to another meeting since Tom Ellis missed this meeting.

Mulroney discussed the letters received from Montana Mortgage in early January. Mulroney said the Board is not under an obligation to approve a lender/servicer just

because they have submitted the required documents. The Board then had a general discussion of the reasons Montana Mortgage was not approved as a servicer, including inadequate capitalization, makeup of assets, and the high deductible on the E&O insurance. The Board did not take any further action on the letter from Montana Mortgage, and there were no representatives from Montana Mortgage at the meeting.

Poole discussed the Board's contract with Luxan and Murfitt, with Mulroney providing the service. Karen Wynn brought up an issue two meetings ago, noting that the amount of the contract had been exceeded by \$438.00. The contract amount was \$20,000. In order to pay the excess claims, that amount needs to be amended. Poole proposed amending the amount to \$25,000. McKee said if the Board established a contract with the law firm and there is a cap, then that is what it should be paid. Mulroney explained that contract caps with other agencies are usually \$25,000 and if that amount is exceeded, the board amends the contract to increase the cap. Poole said the contract year goes from February 1 to January 31. As of November 1994, the amount spent on the contract was \$20,438.67 and the contract is for \$20,000. There may be more claims on the contract amount for December 1994 and January 1995. Mulroney was not prepared to state what that excess might be. Bankhead stated Counsel is reporting more directly to the Board because there has been no administrator and the Board has utilized Counsel more than usual. As a result, the Board has changed the playing field. Bankhead moved to amend the amount of the present contract to \$25,000. Savage seconded the motion. Chairman Thomas called for a vote and the motion passed unanimously. This is a two-year contract. Poole said the Board can review the contract situation next year to see if the contract amount needs to be amended, although he thinks the amount will come in under \$25,000 in the coming year. Oser motioned to limit the coming year's contract to \$25,000. Savage seconded. Chairman Thomas called for a vote and the motion passed unanimously.

Savage mentioned that in the meeting packet there was a status report for the Reverse Mortgage Program. He noted that there are some deadlines for proposed amendments to the Administrative Rules. Since Janet Kunz is no longer with BOH, Savage wanted to make sure that someone at BOH would follow up with these deadlines. Mulroney said there are two amendments--one he worked on with R. Morgan and one he worked on with Kunz. Poole will check to see if either one has been sent to the Department of Commerce for processing. He asked if any of the motions passed earlier in the meeting would effect the rules. Mulroney said the motion on the "30-Mile Rule" would require an amendment.

Savage said R. Morgan was asked at the last board meeting to check on the E and O carriers that insure the Board's servicing agents and lenders to make sure they were insured by companies licensed to do business in Montana--consequently, a member of the Montana Guarantee Association. He understood R. Morgan found one company, Superior Guarantee Insurance Company, which insures Norwest Bank Corporation for their mortgagees, is not licensed in the state of Montana. R. Morgan said that was correct and all lenders were sent a notice at the first of the year to provide disclosures regarding their insurance carriers. This was the first to be returned. Savage wanted to

know what the Board would do if one of its lenders provides a certificate of insurance issued from a carrier not licensed in Montana or a not a member of the Montana Guarantee Association. He felt it would be a real problem if they went into liquidation and didn't have any insurance. Mulroney said the contract with the lender would be terminated. He said the servicer should be called and informed of that fact and tell them if their insurer is not licenced and covered by the Guarantee Association within 10 days, the Board will terminate the contract. These are not surplus lines companies; they simply are not licensed to do business in the state of Montana. McKee said the Board should adopt a policy requiring insurance companies to be licensed in the state and belong to the Montana Guarantee Association to be approved agents. If the Board does not get a servicer response in an appropriate time frame, further action would be taken to terminate their services. Mulroney speculated that Norwest's insurance pertains to its domicile so if the insurance company in that state went broke, the guarantee association in that state would have to buy all of the policies. Casualty insurance works a little differently than life or health insurance. The Montana Guarantee Association would not cover it but the Minnesota Guarantee Association probably would. He agreed the Board should set a policy. It would not involve a rule change. Savage motioned that all of the Board's lenders and servicing agents be required to supply the Board annually a certificate of insurance issued by a company licensed in the state of Montana and also a member of the Montana Guarantee Association by virtue of that licensure. Bankhead seconded. Chairman Thomas called for a vote and the motion carried unanimously.

Bankhead expressed some concern about being kept up to date concerning any legislative bills that might affect housing issues. Poole said things are moving quickly in the Legislature and he is following anything that might effect housing. He said Commerce's budget hearings begin next week and any Board member is welcome to attend. Poole will present the budget for BOH. He went on to explain the budget process.

Chairman Thomas said he spoke with Lt. Governor Rehberg regarding Board appointments. He and Hamlin have been reappointed.

SET NEXT MEETING DATE AND LOCATION

The next meeting is scheduled for February 23-24, 1995 in the basement conference room at the Department of Commerce. Poole said he would like to change the format of the meeting, holding the Board's meeting one-half day on the 23rd and the remaining day and one-half devoted to interviewing candidates for the Board Administrator position. The Board agreed.

The meeting adjourned at 12:15 p.m.


4-6-95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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MONTANA BOARD OF HOUSING
Capitol Building, Room 312-1
Helena, Montana
December 5, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from October 30, 1995 Board Meeting
- III. SERVICER REVIEWS, BUDGET, LEGISLATIVE AUDIT COMMITTEE - Kelly Rusoff, Accounting and Finance Manager
- IV. QUALIFIED ALLOCATION PLAN, UPDATE ON TAX CREDIT AND MULTIFAMILY PROJECTS - Bruce Brensdal, Multifamily Program Manager
- V. AOD WORKSHOP UPDATE - Kurt Lewis, Accountant
- VI. NCSHA ONLINE - Bob Savage
- VII. DISCUSSION OF PROPOSED CHANGES TO SINGLE FAMILY II - John Wagner, Kutak Rock, and Peter Nolden, PaineWebber
- VIII. APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS - Robert Morgan, Single Family Program Manager
- IX. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
- Recycled Mortgage Program Updates
- 1995 Series A
- 1995 Series B
- X. HOUSING WORKING GROUP DISCUSSION - Paul Bankhead
HOUSING COORDINATING TEAM - Maureen Rude
- XI. ADMINISTRATOR'S UPDATE - Maureen Rude
- Strategic Planning for Programs
- Compliance Monitoring Training
- Tax Credit Task Force and Executive Director's Meeting
- HOME Program Awards
- XII. OTHER BUSINESS
- Set Next Meeting Date
- XIV. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

11/24/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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Helena, MT 59620-0528

Phone: (406) 444-3040
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Capitol Building
Room 312-1
Helena, Montana
December 5, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multi-Family Program Manager
Kurt Lewis, MBOH Accountant
Diana Hall, Program Assistant

UNDERWRITERS: Peter Nolden, Paine Webber
Gene Huntington, Dain Bosworth.

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Shirley Moore, Office of Budget and Program Planning
Roger Pedersen, Section 8 Housing

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee stated that the Sept. 27th minutes should be corrected to state that Paul Bankhead made a motion to accept the Audit committee meeting report, and that the Board acknowledges receipt of the Audit Report. Mike McKee made a motion to amend the minutes. Bill Oser seconded the motion which passed unanimously.

The October 30th minutes should be corrected on page 6 to state Mike Mulrone explained this would affect new applicants. Lender servicers who do not comply will not be automatically grandfathered. Staff and counsel will be working with current lender/servicers who do not currently meet the requirements to correct discrepancies. Mike McKee made a motion to accept the minutes as corrected and Bill Oser seconded the motion. The motion passed unanimously.

QUALIFIED ALLOCATION PLAN

Bruce presented a proposal for changes for the Qualified Allocation Plan For The Low Income Housing Tax Credit for 1996. He pointed out that on the national level there are cost limits per unit and asked the Board for feedback. Maureen pointed out that these limits would really hinder some good public service projects for MBOH to be involved in. The agencies who do have limits are ones who can do detailed plan reviews and have architects and on-site reviews. The Board recommended MBOH do a case-by-case review evaluating the area of the state and the community where the project would be located. The Board also discussed restrictive covenants in relation to the tax credit program.

A motion was made by Mike McKee to accept the plan as proposed. It was seconded by Barb Hamlin. The motion passed unanimously.

UPDATE ON LOW INCOME HOUSING TAX CREDIT APPLICATIONS

Bruce Brensda presented an update on the LIHTC application for Lake Elmo Apartments, Billings. He reviewed the summary of the application. A written management contract for 5 years has been received and Mike Mulrone reviewed it. Bruce went through the scoring and noted the applicant scored more than the minimum threshold. Bill Oser made a motion to approve the project. Paul Bankhead seconded the motion. It was approved unanimously.

Bruce presented a recommendation for a firm commitment for permanent financing for the Bozeman Human Resource Development Council Project called West Babcock Apartments. Paul Bankhead made a motion to approve the project. Bill Oser seconded the motion, which passed unanimously.

SERVICER REVIEW

Maureen brought up that Kelly presented the Board information with quotes from the Legislative Auditor on doing the servicer reviews. She gave quotes from previous reviews done by Anderson Zurmuehlen. Mike McKee recommended that the Board accept the Legislative Auditors proposal. An additional benefit would be that the auditors would have a broader perspective and a sense and feel for what is going on within the agency by going first hand rather than looking at numbers and reports. Mike McKee made a motion to accept the proposal as outlined in Maureen's letter and direct the staff to get with the Legislative Auditor to get the schedule made of the servicers and proceed. Bob Savage seconded the motion which passed unanimously.

AOD WORKSHOP UPDATE

Kurt Lewis reported that he and Dolly Snyder attended the AOD conference in Florida. One of the benefits of attending is the opportunity to present changes or enhancements to the system for no charge. Last year MBOH paid between \$500-\$1000 for a change recommendation. The conference gives our staff the opportunity to vote on changes. Bob pointed out that changes could save lots of time consuming handwork that is being done now.

NCSHA ONLINE

Bob Savage talked about the NCSHA online service coming to the Internet. Thirty-two agencies already belong. Maureen stated that it would eliminate some of the phone tag, faxing, and overnight delivery costs. Other states get regulation changes as they come out. Bob Savage made a motion to subscribe to NCSHA Online. Bill Oser seconded the motion which passed unanimously.

PROPOSED CHANGES TO SINGLE FAMILY II

John Wagner stated that at the last Board meeting a resolution was passed that authorized a number of changes in the basic indenture. One of things authorized was to permit the chairman to make changes in the permitted investment section of the Single Family II Indenture. The work session addressed what changes were permitted. John understood the consensus of the session to be that the Indenture would have broader permitted investments than the Investment Policy. In the Indenture, it will be stated that investments be made only if they are in accordance with the Board's stated Investment Policy. Therefore, all will know that the Investment Policy is controlling. The Investment Policy can be changed from time to time. The present policy is restrictive. The consensus was to require collateral for any investment regardless of who was providing it. It will permit both repurchase agreements and guaranteed investment contracts if they are collateralized. In the Indenture, the Board would permit providers that are national banks and insurance companies, non-banks and subsidiaries of foreign banks. This would not be permitted in the Investment Policy. Discussion and clarification ensued. Bob Savage made a two-part motion. The first part stated that the Board amend the Indenture to provide that any investments have to be consistent with the Board Investment policy. The second part of the motion was to expand permissible investments to include not only domestic banks, but also subsidiaries of foreign banks regulated by the United States government or state governmental entities in which they are situated, and also insurance companies and other non-financial institutions. The motion also included amending the Indenture to require collateral and that the collateral be delivered to a third party, preferably our Trustee. The motion was seconded by Bill Oser. It passed with all in favor except Mike McKee who opposed the second part of the motion.

APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS

Bob Morgan presented an application from the Ronan Housing Authority and from the Butte- Silver Bow (Tullamore Project). The Ronan project will build a four plex on two city lots which has a single family house which will be rented through the PHA's rental assistance program. The project met MBOH criteria with a score of 87. The staff recommended that the project receive \$113,200 at

6.00% with .25% reservation fee, subject to success in the CDBG funding cycle. Bob Savage made a motion to approve the request. Bill Oser seconded the motion which passed unanimously.

The ButteTullamore project is for borrowers who have been previously disapproved by banks for housing financing or who are not eligible for regular bank and MBOH financing because they did not have funds necessary to cover the down payment and closing cost for the mortgage or the household income could not support the monthly payment for the mortgage they were attempting to secure. The project scored 89 points with 80 being the minimum threshold. The staff recommended that the Board approve \$106,500 at 4.00% for the 2 houses at <50% Median Income, \$379,500 at 5.00% for 6 houses at 51% to 65% Median Income, and \$1,096,000 for 16 houses at 66% to 80% Median Income. These funds would be subject to: (1) Federal Home Loan Bank grant funds, if successful, HOME funds, and City funds, being used for project prior to MBOH funds; (2) All savings from projected budget to be used to provide additional affordability to reach as many low and very low income persons as possible; (3) The applicants must not qualify for MBOH Single Family Bond Program. Staff also recommended that one half be approved for 1996 and one half be approved for 1997. A motion was made by Bill Oser to accept the project as recommended. It was seconded by Paul Bankhead. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan reported that even though the Board approved a setaside for Missoula Housing Corporation, they didn't get a grant, therefore, they are not listed on the summary.

Bob Morgan gave an overview of the Recycled Mortgage Programs. For the Neighborhood Housing Services, there is a commitment of \$1,282,438. For Missoula City-County there is a setaside of \$160,000. Bob reported that the reservation was in our office, but had not been processed. Bob Savage noticed that the program expires in December of 1995. He made a motion to extend the program for the Missoula City-County for the \$160,000 through the end of January 1996. Bill Oser seconded the motion which passed unanimously. The City of Billings has \$904,854 setaside. The City of Kalispell is under construction for site 1, the project has \$2,686,000 committed. The Western Montana Mental Health/District XI Human Resource is under construction with an open house planned for Dec. 15 for their model home. This setaside is for \$2,830,000. The HUD Section 184 still has \$1,000,000 setaside. The project did not have an expiration date, but the plan was to complete it in a year. Bob Savage made a motion that the HUD Section 184 Program expire on July 31, 1996, thereby expressing the original intent of the Board that the program be for one year. The motion was seconded by Bill Oser. The motion passed unanimously.

The Disabled Accessible Affordable Homeownership Program has a remaining setaside of \$5,792,313. The Montana Peoples Action Affordable Housing Program still has \$150,000 setaside. The Western Montana Mental Health Center has \$171,000 left.

The Glacier Affordable Housing Foundation was approved last month contingent on getting the HOME grant for a six county area. Two counties were not funded, therefore, the staff deducted from their approved setaside all the portions that were for these two counties. The new balance is \$3,506,700.

The Cash Assistance Program has six loans reserved with one purchased, which leaves \$3,691,338 remaining in the program. The Western Montana Mental Health Center project approved last month has \$95,000. The District IX Livingston Land Trust received their Home grant and has a setaside of \$1,447,630. Bob stated that there is a total of \$23,717,273 committed for all recycled set asides.

The Disabled program status shows that the average loan purchased was \$58,042, while the average household income was \$16,862. The status of the Homebuyers Cash Assistance Program reveals that the average loan purchased was \$36,349, while the average household income was \$20,195. The incomes on both of these programs is lower than on the regular programs. The difference in the purchase price of the disabled program reflects how lower interest rates help people of this income purchase a home.

Bob Morgan gave an overview of the status of the 1995 Series A issue. He said that the program originally had \$30,086,633 and there was \$154,049 in reservation fees collected for a total lendable pool of \$30,240,682. There are 45 reservations outstanding for \$3,114,384 and 399 purchases for \$27,114,017. The average purchase amount has been \$67,954 and the average income has been \$31,090. The total balance to be reserved is \$12,281. Eight reservations in for 1995B were funded from cancellations in the 1995 A series. Bob gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each lender. Then he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and average income for the most active areas around the state.

Bob presented an update on the status of the 1995 Series B issue. He said that the program originally had \$33 million and there have been \$81,028 in reservation fees collected. There have been 193 reservations with a total of \$12,809,000. The Board has purchased 82 loans for \$5,239,005. The average purchase amount has been \$63,890 and the average income has been \$30,177. From the RECD pool of \$2,000,000, the Board has reserved 20 loans for \$1,392,850 and purchased two of them for \$119,764 leaving \$487,386 to be reserved. The 203K started with \$1,000,000. Three loans have been reserved for \$212,750 and two have been purchased for \$147,450, which leaves \$639,800 to be reserved. The total balance to be reserved is under \$15,000,000. Mike McKee observed that the two setasides were not necessary because funds were available for those loans.

Bob Morgan commented that the rate of purchases is the same as it was this time last year for the 1994C program. This confirms that the Board is achieving stabilization in the program and less cancellations. The quality of work is better, therefore, less packages are returned.

Bob presented a summary of the most active lenders. The summary included the total amount purchased by MBOH and committed by each lender. Next, he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and the average income for the most active areas around the state.

A mortgage rate survey was done around the state which revealed that the Board has about an 5/8% advantage over the regular market.

The financial statement from a servicer/lender for the months of September and October was presented. There was a loss in September, but a profit in October.

HOUSING WORKING GROUP DISCUSSION AND HOUSING COORDINATING TEAM

Paul Bankhead shared a letter from Senator Christiaens stating that his group was unable to attend the December meeting, but would like to come to the January Board meeting.

Maureen talked about information she received from the General Assembly of North Carolina concerning relationships with so many different people and entities when working with housing. They are spearheading legislation to encourage membership from a diversified group for the housing coordination and policy council.

The Housing coordination team is being coordinated by Roger Pedersen of Section 8. Maureen introduced Roger to the Board and thanked him for coordinating the meeting around Thanksgiving. The team works with the housing agencies to coordinate who does what program, what kind of things they fund, and who to call. The team will compile a list of the various projects of each agency to reveal if there are areas of the state that are being missed and if additional education and training is needed.

ADMINISTRATORS UPDATE

Maureen reported that it is time look at our program and plan for the future and start doing strategic planning. The Board agreed to have a work session in January to determine the direction that the Board wants MBOH to go.

The NCSHA calendar of events includes a Compliance Monitoring training session in February in Washington, DC. The staff would like to send Connie Boyer to the Training. Bob Savage made a motion to send Connie Boyer to the Compliance Monitoring Training. It was seconded by Bill Oser and carried by unanimous vote.

Maureen participated in the National Tax Credit Task Force in New York. A GAO study is being done to look at what they think states should have been doing. The task force will set up a meeting with the GAO and IRS at the end of January. Paul Bankhead made a motion to approve Maureen's involvement in the task force and to attend meetings as they come up. Bob Savage seconded the motion which was approved unanimously.

Maureen presented a list of the HOME projects that were approved. Maureen thanked Bob Morgan and Bruce for participating in the HOME ranking teams. Some of the projects that received grants are also being funded by MBOH programs.

Maureen explained she included several things in the Board's packets, including: press releases from other states; a copy of the joint resolution that was passed by the Legislature requesting us to include a study of Veterans housing needs; and some information presented to the Capital Finance Advisory Council on rating agencies; and general bond information; and some other assorted articles and information for the Board to read.

The Board agreed the next regular Board meeting would be January 9th in Helena. The work session will be on the 8th at 2:00 p.m. Bill Oser made a motion to adjourn the meeting. The motion passed unanimously. The motion was seconded by Paul Bankhead. The meeting was adjourned at 12:35 pm.

Paul J. Bankhead

Paul Bankhead, Secretary

1-20-96

Date



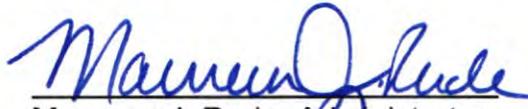
MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a work session on December 4, 1995, at 2:00 p.m. in Room 312-1 of the State Capitol Building in Helena. The work session is an informational workshop to include presentations on investment of the Board's funds, various types of investments, and the Board's investment policy. At 4:00 p.m., the Board will conduct an interim review of the Board's Investment Banking Team in accordance with its policy and selection process.


Maureen J. Rude, Administrator

11/24/95
Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
SRS Building
111 Sanders, Room 107
Helena, Montana
October 30, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from September 27, 1995 Board Meeting
- III. HOUSING COMMITTEE DISCUSSION - Jon Noel, Director, Department of
Commerce
- IV. SERVICER REVIEWS - Kelly Rusoff, Accounting and Finance Manager
- V. AMENDMENTS TO SINGLE FAMILY II TRUST INDENTURE - John Wagner,
Kutak Rock, and Kelly Rusoff, Accounting and Finance Manager
- VI. GUARANTEED INVESTMENT CONTRACT - Roan Blacker, PaineWebber
- VII. NEW LENDER APPLICATIONS - Robert Morgan, Single Family Program
Manager
- Missoula Federal Credit Union
- United Bank of Absarokee
- VIII. APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS - Robert Morgan,
Single Family Program Manager
- IX. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
- Recycled Mortgage Program Updates
- 1995 Series A
- 1995 Series B
- Miscellaneous
- X. MULTIFAMILY LOAN PROGRAM - Bruce Brensdal, Multifamily Program
Manager
- XI. LOW INCOME HOUSING TAX CREDIT APPLICATIONS (THIRD ROUND) - Bruce
Brensdal
- XII. ADMINISTRATOR'S UPDATE - Maureen Rude
- XIII. OTHER BUSINESS
- NCSHA Conference
- XIV. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

10/20/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

SRS Building
111 Sanders, Room 107
Helena, Montana
October 30, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Dolly Snyder, Assistant Accounting and Finance Manager
Chris Keisker, Administrative Support

UNDERWRITERS: Roan Blacker, Paine Webber
Gordon Hoven, Piper Jaffray, Inc.

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Jerry Boone, HUD/FHA
Scott Sherburne, Blackfeet
Herb Gilham, Blackfeet Human Rights Coalition
Dick Brink, HUD
Patty Kent, Western Montana Mental Health Center

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the September 27, 1995 meeting minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

HOUSING COMMITTEE DISCUSSION

Jon Noel, Director of the Department of Commerce, discussed with the Board the concept of the Housing Advisory Committee. Jon expressed concern over having a large group of individuals serve in an Advisory capacity who all have a vested interest in the housing programs. Jon also expressed concern that the group would try to set policy, based on his experience with other advisory groups who try to make motions and set policy. Paul Bankhead discussed the issues related to the reason behind the concept of a Housing Advisory Committee. Jon suggested the Board could accomplish the same thing by going around the state and meeting with groups on specific topics, rather than having a large committee. Jon and the Board discussed the concept further and no specific action was taken.

SERVICER REVIEWS

Kelly Rusoff presented information to the Board about previous servicer reviews performed and the costs of performing them. She also advised the Board that there had not been a review completed in 2 years. The Board discussed the issue and decided to have her pursue a bid from the Legislative Audit Division for conducting these reviews yearly.

AMENDMENTS TO SINGLE FAMILY II TRUST INDENTURE

Kelly Rusoff and John Wagner presented the proposed amendments to the Single Family II Trust Indenture, and a Resolution for the Board to consider which gives the Chairman the authority to sign the Supplemental Indenture when all of the points for change are agreed to. John summarized the proposed changes to the Supplemental Indenture which included:

- 2.01 - subsection (v) of Authorized Investments is expanded beyond just U.S. bank repos; subsection (ii) is also updated. John indicated Roan Blacker from PaineWebber would discuss this area further.
- 2.02 - shortens lease hold requirement
- 2.03 - eliminates publication requirement for bond redemption as long as all bonds are registered
- 2.04 - permits delivery of cash flow certificate 60 days (instead of 30 days) after a prepayment redemption
- 2.05 - clarifies that annual budget moneys can be held by State Treasurer
- 2.06 - permits Debt Service Reserve excesses to be transferred during a 90-day period each year instead of only 1 day each year
- 2.07 - clarifies that the Board has the option, but is not obligated, to use Mortgage Reserve Fund moneys to cover REO costs
- 2.08 - permits annual budget moneys, if held by the State Treasurer, to be invested with other State funds
- 2.09 - makes first mortgage and title insurance optional if mortgage is 100% insured/guaranteed and foreclosure proceedings are not a prerequisite to filing a claim; (this is to accommodate the Section 184 program)
- 2.10 - gives the Board an extra 30 days to file a cash flow certificate after the end of each bond year

- 2.11 - permits the Board to call high-yielding CAB's quicker instead of needlessly holding moneys in short-term low rate investments in years with no CAB debt service payments
- 2.12 - clarifies that old program prepayments can also be recycled into FmHA guaranteed loans

John explained the resolution. There was some discussion of changes in some of the sections and a minor change to the Resolution. Mike McKee made a motion to approve the Resolution with the changes discussed, giving the Chairman the authority to approve the Supplemental Indenture to the Single Family II Trust Indenture with such changes as he deems appropriate. Bill Oser seconded the Motion. The motion passed unanimously.

GUARANTEED INVESTMENT CONTRACT

Roan Blacker of PaineWebber presented information on the proposed change to the Single Family II Trust Indenture to allow Guaranteed Investment Contracts (GICs). John Wagner explained the present Indenture permits the Board to enter in to Repurchase Agreements with U.S. Banks only. The proposed change would allow Repurchase Agreements with banks, or GICs with banks, insurance companies or any financial institution so long as they are rated AA or if short term, so long as they are rated the equivalent short term rating. John indicated based on the Board's decision, he would make changes to the language. Roan then discussed the difference between the Indenture requirements, and the Board's Investment Policy, and that the indenture is the agreement between the Board and the Bondholders, where as the policy is what the Board intends to do. The Investment Policy was discussed as it is currently more broad than the Indenture. Roan discussed the basic idea of a GIC. The discussion included risk associated with the various types of investments, what types of institutions the Board could allow to be providers of GICs or Repurchase Agreements and risk associated with those types of providers. The Board also discussed the interest rate risk associated with both a locked in contract and with investing in the market on a daily or weekly basis and the rating agency requirements for cash flow projections differ depending upon the investment vehicles used for float funds. Maureen mentioned the Board is limited on the upside of interest rates because of arbitrage limitations under the tax law. Bob Savage asked Roan what other state housing agencies are doing. Roan indicated GICs are the most frequently used tool, and he is not aware of any other open indenture where daily and weekly investments are being made, and most agencies give themselves the utmost flexibility in the indenture, and does not limit the eligible institutions. John Wagner indicated most states allow any kind of provider, using rating agency requirements, and do not necessarily require collateral on all contracts. John recommended having a broader allowable investment clause in the indenture because it is much harder to amend the indenture than the Board's investment policy. Mike McKee proposed the Board table this issue and have a work session prior to the next Board meeting to allow the Board to learn more about the options available. After some discussion the Board agreed to have a work session on December 4th prior to the next Board meeting.

NEW LENDER APPLICATIONS

Bob Morgan presented a new lender application from Missoula Federal Credit Union. Bob Savage pointed out that the Errors and Omissions coverage (which shows 10/30000 on the companies insurance statement) did not seem adequate. Bob Morgan explained that this coverage is for the Credit Union Officers only. The coverage on the loans is actually \$3 million for mortgage Errors and

Omissions coverage and \$3 million fidelity bond coverage. Bill Oser made a motion to approve the application subject to clarification of their insurance coverage. Mike McKee seconded the motion. The motion passed unanimously.

Bob Morgan presented a new lender application from United Bank of Absarokee. Bob Savage made a motion to approve the application. Bill Oser seconded the motion. The motion passed unanimously.

APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS

Bob Morgan presented an application for Single Family Recycled Funds from the District IX HRDC. He stated that the project scored a total of 111 points with 80 being the minimum threshold. He said that the staff recommendation was to approve the application contingent upon CDBG and HOME funds. Bob Savage made a motion to approve the application contingent upon CDBG and HOME funds coming through. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob Morgan presented an application for Single Family Recycled Funds from Missoula Housing Corporation. He stated that the project scored a total of 87 points with 80 being the minimum threshold. He said that the staff recommendation was to approve the application. Bill Oser made a motion to accept the application subject to grant funding coming through. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob Morgan presented an application for Single Family Recycled Funds from Western Montana Mental Health Center. He stated that the project scored a total of 89 points with 80 being the minimum threshold. He said that the staff recommendation was to approve and commit \$95,000 at 6% with a .25% reservation fee (their request was for \$95,000 at 5%). Bob Savage made a motion to approve the \$95,000 at 6% with a .25% reservation fee. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter from Neighborhood Housing Services of Great Falls requesting an additional \$550,000 at 6.5% to finance more homes. The letter explained that it did not take as much in grant funds for each of the people they put in to home ownership as expected and it appears that they will be able to make approximately 10 more loans with down payment assistance from grant funds. The Board discussed the reasons for the request. Maureen commented this is not what the Board usually sees, as usually these projects end up taking more grant money and less mortgage money, whereas this time the project is going to use less grant funds per loan, allowing more households to get in to home ownership. Bob Savage made a motion to approve \$550,000 at 6.5% subject to the HOME money still being available. Barb Hamlin seconded the motion. The motion passed with Bob Savage, Paul Bankhead, Barb Hamlin and Bill Oser voting yes, and Waneeta Farris and Mike McKee voting no.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an overview of the Recycled Mortgage Programs. He stated that there is a total of \$24,700,270 committed for all recycled set asides. There will be \$105,473 returned to the program fund because the NHS FHA Repo Rehabilitation program was canceled due to lack of participation.

The Board discussed an extension of Western Montana Mental Health Center's setaside to April 1996 for continuity with the other Western Montana Mental Health Center project phases. Paul Bankhead made a motion to extend the Western Montana Mental Health Center's setaside to April 1996. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter from Western Montana Mental Health Center requesting that the Board consider making the non-profit setaside within the DAAHP available to those non-profits serving the very low income mentally ill. The Board discussed the issue, which had been considered at the time the DAAHP program was made permanent, and no action was taken.

He then presented the status of the DAAHP CAP Program II. He said that there was a total of \$5,050,000 set aside with the additional setaside of \$4 million in August 95. There are a total of five reservations totaling \$363,282 and there are 51 loans that have been purchased for a total of \$2,896,412.47, leaving \$5,790,305.53 yet to be reserved. The set aside from the Housing Trust Fund for down payment assistance was a total of \$50,000. There are three reservations totaling \$6,000 and three funded totaling \$5,106, leaving \$38,894. The average loan purchased was \$56,792 and the average income was \$16,862. Bob then gave a summary of where this program was used, including which areas and the number of loans for each area.

He presented the status of the CAP Program V. He said that there was \$2 million set aside at 6% and \$1,847 left from the Cap III program. There are 14 reservations totaling \$637,127. There are 30 loans that have been purchased for a total of \$1,332,904. This leaves \$28,122. The set aside from the Housing Trust Fund was a total of \$45,000 and there are 14 reservations totaling \$13,087 and 30 funded at \$25,820, leaving \$6,093. The average CAP loan funded was \$861, the average loan purchased was \$44,430 and the average income was \$19,242. Bob then gave a summary of where this program was used, including which areas and the number of loans for each area.

He presented the status of the CAP Program VI. He said that there was \$4 million set aside at 6¼%. There are 2 reservations totaling \$91,220. There are no loans that have been purchased. This leaves \$3,908,780. The set aside from the Housing Trust Fund was a total of \$90,000 and there are 2 reservations totaling \$2,000 and none funded. This leaves \$88,000. The average income was \$22,064. Bob then gave a summary of where this program was used, including which areas and the number of loans for each area.

Bob Morgan gave an overview of the status of the 1995 Series A issue. He said that the program originally had \$30,086,633 and there was \$151,869 in reservation fees collected for a total lendable pool of \$30,238,502. There are 66 reservations outstanding for \$4,633,085 and 378 purchases for \$25,587,869. The average purchase amount has been \$67,692 and the average income has been \$31,059. The total balance to be reserved is \$17,547. He then gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each lender. Then he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and average income for the most active areas around the state.

Bob presented an update on the status of the 1995 Series B issue. He said that the program originally had \$33 million and there have been \$44,225 in reservation fees collected for a total lendable pool of \$33,044,225. There have been 130 reservations with a total of \$8,294,704. The average

reservation amount has been \$63,805 and the average income has been \$30,243. The total balance to be reserved is \$24,293,979.

Bob Morgan presented a memo concerning a servicing requirement to make an exterior inspection of the premises covered by Mortgage Loans at least once every five years. Norwest Mortgage has requested a waiver of this requirement. The board discussed the issue. Mike McKee made a motion to eliminate the five year inspection requirement, but not change the servicing requirements. Bill Oser seconded the motion. The motion failed with Bob Thomas, Paul Bankhead and Bob Savage voting no, Barb Hamlin, Bill Oser and Mike McKee voting yes and Waneeta Farris abstaining.

Bob Morgan presented the quarterly delinquency report for the single family programs as of June 30, 1995. The total loans outstanding was 7,992, there were 2.56% total delinquencies with .35% in foreclosure.

Bob Morgan presented a lender/servicer financial report for the month of August 1995. Their net loss for August was \$11,645.

Bob Morgan presented the proposed administrative rule change that would require new lenders to have and maintain a minimum net worth according to generally accepted accounting principles (GAAP) of \$1 million. Mike Mulrone explained this would affect new applicants. Lender servicers who do not comply will not be automatically grandfathered. Staff and counsel will be working with current lender/servicers who do not currently meet the requirements to correct discrepancies. Mike McKee made a motion to accept the proposed administrative rule change. Waneeta Farris seconded the motion. The motion passed with Paul Bankhead voting no and Bob Savage, Waneeta Farris, Bill Oser, Barbara Hamlin and Mike McKee voting yes.

Bob Morgan presented the HUD updated maximum mortgage limits for Montana. Changes included Beaverhead County at \$104,500 (will be \$100,000 for Board programs) and Lake County at \$99,750. Both were increased from \$77,197.

MULTIFAMILY LOAN PROGRAM

Bruce Brensda gave an update on the status of multifamily loans and their proposed closing dates. He then stated that he was in the process of finding out what needs to be done to provide for full disclosure on RAM loans in accordance with the changes to Regulation Z.

LOW INCOME HOUSING TAX CREDIT APPLICATIONS (THIRD ROUND)

Bruce Brensda presented a LIHTC application for Lake Elmo Apartments, Billings. Bruce went through the scoring and noted the applicant did not receive points for developer experience, and that the developer has an informal agreement with a local property management company for the long term management which gives the staff some comfort in the developer experience area, but there is no written contract. Bob Savage made a motion to hold the application in abeyance until the developer has a signed contract for management with a local property management company with experience in the program, reviewed by legal counsel and they find out what the track record of this company is. Paul Bankhead seconded the motion. The motion passed unanimously.

He then advised the Board that there was an application for Whitefish Terrace Apartments in Whitefish for \$130,274 in tax credits. He stated that this application is pending the allocation of HOME funds and if the project is successful in the HOME round he will bring it before the Board at the next meeting.

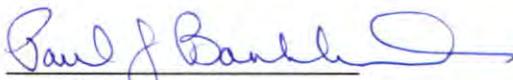
He also advised the Board that there were three other applications submitted that did not meet the qualifications. Hardin Affordable Housing requested \$44,460 in tax credits but did not meet the application submission date; Coalition Housing, Browning requested \$262,250 in tax credits, but the project did not have a sufficient debt coverage ratio (very close to 100%), the cost of the units were very high and the annual operating costs appeared too low, therefore the application did not meet the feasibility criteria; and Crow Affordable Housing, Crow Agency requested \$147,195 in tax credits but the project did not have a sufficient debt coverage ratio (very close to 100%), cost per unit was very high and the annual operating costs appeared low.

ADMINISTRATORS UPDATE

Maureen explained she included several things in the Board's packets, including a draft of the Consolidated Plan which discusses the economic benefits of MBOH housing programs and some other assorted articles and information for the Board to read.

OTHER BUSINESS

The Board agreed the next regular Board meeting would be December 5th in Helena. Bill Oser made a motion to adjourn the meeting. The motion passed unanimously. The meeting was adjourned at 1:20 pm.


Paul Bankhead, Secretary

12-19-95
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
SRS Building
111 Sanders, Room 107
Helena, Montana
September 27, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from August 29, 1995 Board Meeting
- III. REPORT ON AUDIT COMMITTEE MEETING - Mike McKee, Audit Committee
Chairman
- IV. AOD USER GROUP CONFERENCE - Dolly Snyder
- V. NEW LENDER APPLICATIONS - Robert Morgan
- First National Bank of Butte
- VI. REQUEST FOR PROPOSAL APPLICATIONS - Robert Morgan
- VII. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
- Recycled Mortgage Program Updates
- 1995 Series A
- 1995 Series B
- VIII. HOUSING WORKING GROUP BUDGET AND PROPOSAL - Paul Bankhead
- IX. ADMINISTRATOR'S UPDATE - Maureen Rude
- Staffing Level of Board Programs, Reorganization
- Relocation of Board Offices
- Kutak Rock Contract
- 1995 Series B Allocation Summaries
- Washington Update
- X. OTHER BUSINESS
- XI. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 9/18/95



MONTANA DEPARTMENT OF COMMERCE

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SRS Building
111 Sanders, Room 107
Helena, Montana
September 27, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Absent)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Dolly Snyder, Assistant Accounting and Finance Manager
Chris Keisker, Administrative Support

UNDERWRITERS: Gordon Hoven, Piper Jaffray, Inc.

OTHERS: Susan Moyer, Glacier Affordable Housing Foundation
Steven Van Helden, Glacier Affordable Housing Foundation

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the August 29, 1995 meeting minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

REPORT IN AUDIT COMMITTEE

Maureen Rude gave a report on the Audit Committee meeting held on September 26, 1995. The Board received an unqualified opinion with no recommendations or management letter. Paul Bankhead made a motion to accept the audit report. Barbara Hamlin seconded the motion. The motion passed unanimously.

AOD USER GROUP CONFERENCE

Dolly Snyder made a request to have Kurt Lewis and herself attend the AOD user group conference in Miami, FL on November 8 - 10, 1995. Bob Savage made a motion to send Dolly Snyder and Kurt Lewis to the conference in Miami, FL. Paul Bankhead seconded the motion. The motion passed unanimously.

NEW LENDER APPLICATIONS

Bob Morgan presented a new lender application from the First National Bank of Butte. He stated that this bank is owned by the same company and has the same Board of Directors as the First National Bank of Libby. The Libby bank has been open for more than a year and MBOH legal counsel felt that this would meet the requirements for new lenders. The Board discussed the issue pointing out that this would be setting a precedent and they were concerned about this. Paul Bankhead made a motion to approve First National Bank of Butte as a new lender. Waneeta Farris seconded the motion. The motion failed, with Paul Bankhead, Waneeta Farris and Barbara Hamlin voting yes and Bob Savage, Bill Oser and Bob Thomas voting no.

REQUEST FOR PROPOSAL APPLICATIONS

Bob Morgan presented the suggested scoring sheet for proposals for commitment of Single Family Recycled Funds. He said that the maximum possible points would be 160 and the minimum threshold would be 80 points.

Bob Morgan presented a proposal from Glacier Affordable Housing Corporation. This project would have 105 units over a 6-county area. All units would be low income. This project scored 92 total points. Bill Oser made a motion to accept this proposal contingent upon CDBG and HOME grants coming through. Barb Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan presented an application from RJS Development Inc. This project, due to the cost of each unit, would be in direct competition with the Board's regular bond program. This project scored 40 points and the staff recommendation was to deny the proposal and encourage them to use our regular bond program. Paul Bankhead made a motion to deny the proposal. Bob Savage seconded the motion. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an overview of the Recycled Mortgage Programs. He stated that there is a total of \$19,692,872 committed for all recycled set asides.

He then presented the status of the DAAHP CAP Program II. He said that there was \$5,050,000 set aside with an additional setaside of \$4 million in August 95. There are a total of 6 reservations totaling \$457,354 and there are 48 loans that have been purchased for a total of \$2,697,484, this leaves \$5,895,161 remaining. The set aside from the Housing Trust Fund was a total of \$50,000. There are 3 reservations totaling \$6,000 and 2 funded totaling \$3,460, leaving \$40,540. The average loan purchased was \$56,198 and the average income was \$17,025. Bob then gave a summary of where this program was used, including which areas and the number of loans for each area.

Post-it® Fax Note	7671	Date	10/3	# of pages	1
To	<i>Dee Byron</i>	From	<i>Bob Morgan</i>		
Co./Dept.		Co.	<i>Bd of Housing</i>		
Phone #		Phone #	<i>446-3040</i>		
Fax #	<i>444-4482</i>	Fax #			

He presented the status of the CAP Program V. He said that there was \$2 million set aside at 6% and \$1,847 left from the Cap III program. There are 17 reservations totaling \$795,841. There are 26 loans that have been purchased for a total of \$1,142,779. This leaves \$59,533. The set aside from the Housing Trust Fund was a total of \$45,000 and there are 17 reservations totaling \$16,087 and 26 funded at \$22,053, leaving \$6,860. The average CAP loan funded was \$848, the average loan purchased was \$43,953 and the average income was \$19,004. Bob then gave a summary of where this program was used, including which areas and the number of loans for each area.

Bob Morgan gave an overview of the status of the 1995 Series A issue. He said that the program originally had \$30,086,633 and there was \$151,869 in reservation fees collected for a total lendable pool of \$30,238,502. There are 91 reservations outstanding for \$6,603,099 and 349 purchases for \$23,446,641. The average purchase amount has been \$67,182 and the average income has been \$31,138. The total balance to be reserved is \$188,761. He then gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each lender. Then he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and average income for the most active areas around the state.

Bob presented an update on the status of the 1995 Series B issue. He said that the program originally had \$33 million and there have been \$7,056 in reservation fees collected for a total lendable pool of \$33,007,056. There have been 24 reservations with a total of \$1,447,609. The average reservation amount has been \$60,317 and the average income has been \$32,647. The total balance to be reserved is \$31,559,447.

Bob Morgan presented a survey he conducted on 30 year FHA/VA mortgage quotes. He then gave an overview of a memo from RECD about their FY 96 funding.

Bob Morgan presented the Intermountain Mortgage Company's financial report for the month of July 1995. Their net income for July was \$10,233.

HOUSING WORKING GROUP BUDGET AND PROPOSAL

Paul Bankhead presented the budget and proposal for the Montana Housing Advisory Committee. He stated that the budget for the committee is estimated to be \$2,800 for a two year period. This does not include travel expenses and per diem for the three Board member representatives, which are estimated to be at \$3,500 plus mileage. The Board discussed the issue. Bill Oser made a motion to proceed with the proposal. Bob Savage seconded the motion. The motion passed unanimously.

ADMINISTRATORS UPDATE

Maureen Rude discussed the staffing level at MBOH she stated that they were still two people short of full staff because personnel from within MBOH moved into the two previous vacant positions.

She then gave an update of the proposed move of the MBOH offices. She stated that a probable location had been found but the move probably would not happen until next spring.

Maureen gave a summary of the contract with Kutak Rock to provide the Board with bond counsel. She stated that DOC had approved the request for the contract.

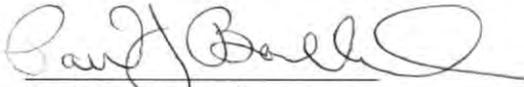
She also presented a summary of the following:

1. The Republican Governors Housing Task Force recommendations for Federal Housing and Community Development Assistance;
2. Moody's Rating of the MBOH series B bonds, which is double a (Aa);
3. The supplemental Trust Indenture between MBOH and First Interstate Bank of Denver, N.A.;
4. The 1995B series allocation summaries;
5. An update of the proposed legislation in Washington D.C. that would affect MBOH programs, including a proposed sunset of the Low Income Housing Tax Credit.

OTHER BUSINESS

The Board discussed the next meeting date and location. They decided on October 30th, 1995 in Helena and December 4th, 1995 in Helena.

Bill Oser made a motion to adjourn the meeting, the motion passed unanimously. The meeting was adjourned at 11:20 pm.



Paul Bankhead, Secretary

10-30-95
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES FROM AUDIT COMMITTEE MEETING SEPTEMBER 26, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas
Bob Savage
Mike McKee
Bill Oser
Paul Bankhead

STAFF: Maureen Rude
Kelly Rusoff
Bob Morgan

OTHERS: Vickie Rauser - Audit Manager
Jeane Carstensen-Garrett - Senior Auditor

Auditors Report

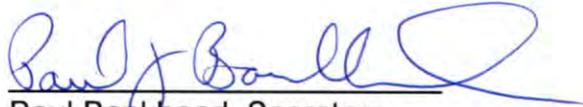
The Auditors gave a verbal report of their findings in reference to the Auditors opinion and financial statements for FY 1995 (6-30-95). They stated that they will give an unqualified opinion on the financial statements. They also reported that there are no suggested audit adjustments proposed for FY 1995. They also said that there was no Management letter or recommendations issued this year.

Third party servicer reviews

The consensus of committee was that servicer reviews should be re-instituted on an on-going basis. The "risk related" (i.e. a few 7-8) servicers who service the majority (80%) of MBOH loans should be reviewed on a regular basis, and lower volume servicers should be reviewed on a "Hap Hazard" basis.

The committee will review previous 3rd party servicer review engagement letters to develop a proposed scope for reviews during the upcoming year.

The Legislative Auditors office has expressed an interest in conducting these reviews, and will make a proposal for costs based on scope and number of reviews to be performed. The Administrator recommends using the Legislative Auditors office for reviews for continuity of information between financial statement audit work and servicer review work. The Audit Committee will address these issues at the October meeting with recommendations to the Board to follow.


Paul Bankhead, Secretary

3-4-96
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting of its Audit Committee on September 26, 1995, at 4:00 p.m., at 111 Sanders, Room 107, in Helena, Montana. The meeting is being held to discuss the Fiscal Year 1995-95 audit of the Board's financial statements.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Administrator

9/18/95
Dated



MONTANA DEPARTMENT OF COMMERCE

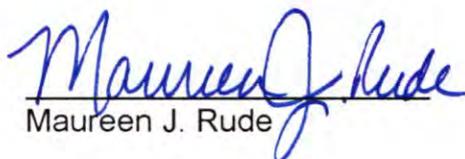
Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

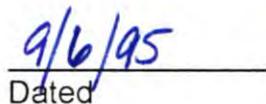
Phone: (406) 444-3040
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MINUTES OF SPECIAL PUBLIC HEARING SINGLE FAMILY PROGRAM BONDS, 1995 SERIES B SEPTEMBER 7, 1995, 9:00 A.M.

Notice having been given, the Montana Board of Housing held a public hearing on the (up to) \$95,000,000 Single Family Program Bonds Series 1995 B. Series 1995 B is the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing was called to order at 9:00 a.m. on Thursday, September 7, 1995, in the Board's office at 2001 Eleventh Avenue. Those attending were Maureen J. Rude-Administrator and Treasurer, Robert D. Morgan-Single Family Program Manager, and Michael J. Mulroney-Board Counsel. There were no comments, either written or oral and the meeting closed at 9:15 a.m.


Maureen J. Rude


Dated

**NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1995 Series B
(Federally Insured or Guaranteed Mortgage Loans)
Up to \$95,000,000**

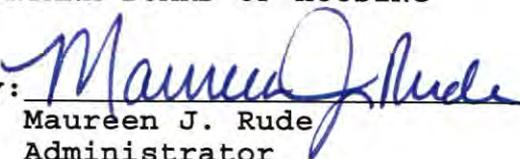
NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$95,000,000 in mortgage revenue bonds, a portion of which will be used to redeem prior bonds and the remainder to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on September 7, 1995, in the Board's conference room. The Montana Board of Housing is located at 2001 Eleventh Avenue, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: August 23, 1995.

MONTANA BOARD OF HOUSING

By: _____


Maureen J. Rude
Administrator
2001 Eleventh Avenue
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624-1144
(406) 442-7450

MJM/jb



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

SRS Building
111 Sanders, Room 107
Helena, Montana
August 29, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Meredith Miller, Program Specialist
Chris Keisker, Administrative Support

COUNSEL: Mike Mulroney, Luxan and Murfitt
John Wagner, Kutak Rock

UNDERWRITERS: Peter Nolden, Paine Webber
Dick Spalding, Merrill Lynch
Jim Spound, Merrill Lynch
Gene Huntington, Dain Bosworth
Mark Semmens, D.A. Davidson and CO.
Gordon Hoven, Piper Jaffray Inc.

OTHERS: Jerry Boone, HUD/FHA
Greg Olsen, DDPAC

CALL MEETING TO ORDER

The meeting was called to order at 8:35 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the July 27 and 28, 1995 meeting minutes. Barbara Hamlin seconded the Motion. The motion passed unanimously. Mike McKee made a motion to accept the August 17th conference call minutes. Paul Bankhead seconded the Motion. The motion passed unanimously. Bill Oser made a motion to accept the August 25th conference call minutes. Paul Bankhead seconded the Motion. The motion passed unanimously.

UPDATE ON FISCAL YEAR AUDIT

Kelly Rusoff presented an update on the Fiscal Year Audit. September 22 should be the last day with an opinion being released by September 27th. Kelly said that the Legislative auditors had mentioned doing the servicer reviews which have not been done since early 1994.

HOUSING WORKING GROUP

Paul Bankhead presented to the Board an update on the status of the Housing Working Group. He stated that there have been two meetings so far. This group, called together by Senator Christiaens, consists of people concerned with affordable housing and is bringing back together some of the people from last years housing task force along with some new. He said that there was a suggestion made to put this working group under the MBOH. This group would be a committee authorized by the Board. The different entities interested would make recommendations of a person to be on the committee then the chairman of the Board of Housing would make the appointments and would appoint the chairman of this committee. Paul also commented that the group is looking for some funding in the form of staff time, printing, phones and postage, but not in the form of travel for the participants with the exception of the Board of Housing members involved. This group would only be an advisory group and would not be able to take any type of action. Maureen commented that one concern she has heard is there is a need for people to be able to lobby which state and federal employees can't do. The Board cannot pay for any expenses for lobbying but can provide the forum for these people to come and get the information. Bob Thomas asked if this group would have a limited time period. Paul replied that he thought it would be good to limit it to two years and after that time the Board could look at it again. Mike Mulrone commented that the Board will have to very careful that any funds they provide this group are not used to fund lobbying of any type. Bill Oser made a motion to proceed with the committee, subject to final approval of their budget. Waneeta seconded the motion. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an overview of the status of the 1995 series A issue. He said that the program originally had \$30,086,633 and there was \$152,203 in reservation fees collected for a total lendable pool of \$30,238,836. There are 115 reservations outstanding for \$8,334,456 and 326 purchases for \$21,838,466. The average purchase amount has been \$66,989 and the average income has been \$31,156. The total balance to be reserved is \$65,914. He then gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each. He then gave an overview of the statewide housing profile giving the number of loans, the average loan amount and average income for the most active areas around the state.

He presented the status of the CAP Program V. He said that there was \$2 million set aside at 6% and there are a total of 26 reservations totaling \$1,223,735. There are 17 loans that have been purchased for a total of \$725,756, this leaves \$50,509 remaining. The set aside from the Housing Trust Fund was a total of \$45,000 and there are 26 reservations totaling \$22,393 and 17 funded at \$14,063, leaving \$7,815. The average CAP loan funded was \$827, the average loan purchased was \$42,691 and the average income was \$19,004. Bob then gave a summary of which areas and the number of loans for each, where this program was used.

He presented the status of the DAAHP CAP Program II. He said that there was \$5 million set aside and there are a total of 4 reservations totaling \$332,388. There are 48 loans that have been purchased for a total of \$2,697,484, this leaves \$2,020,127 remaining. The set aside from the Housing Trust Fund was a total of \$50,000 and there are 2 reservations totaling \$4,000 and 2 funded totaling \$3,460, leaving \$42,540 remaining. The average loan purchased was \$56,198 and the average income was \$16,871. Bob then gave a summary of which areas and the number of loans for each, where this program was used.

He gave an overview of the Recycled Mortgage Programs. He stated that there is a total of \$11,822,856 committed for all recycled set asides.

Bob Morgan presented a letter from Cindy Wulfekuehle which stated that there was a mistake when they had originally said that they ran out of grant funds, there is actually \$14,000 remaining in grant funds. They requested \$160,000 additional money be set aside to use up this remaining grant funding. Mike McKee made a motion to reinstate the \$160,000 set aside for utilizing the remaining grant funds in their program with a 120 day ceiling. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a new lender application from the Blackfeet National Bank which met all of the application requirements. Bill Oser made a motion to accept the application. Mike McKee seconded the motion. The motion passed unanimously.

Bob Morgan presented the Intermountain Mortgage Company's financial report for the month of June 1995. Their net income for June was \$18,908.

He presented a proposed administrative rule change that said there would be a minimum of \$1 million Net Worth, Stockholders Equity, Equity Capital of each participating lender/servicer. He gave a summary of the current net worth of the now participating lenders/servicers, he said that there were three that were less than \$1 million. The Board decided to reword the change to read that they could at their discretion extend up to 36 months, the time frame allowed for now participating lenders to meet the net worth requirements. The board requested staff and counsel present proposed changes in ARMS at the next meeting.

LOW INCOME HOUSING TAX CREDIT

Bruce Brensdaal discussed Tax Exempt Bond Financing by local Governments. He explained the concept to the Board and asked if they would like to see these type of projects in the future. Bruce explained the credits do not come out of the Board's annual volume cap of credits because the tax exempt bonds use volume cap, and the IRS code allows this exception. John Wagner commented

the Board almost has to allocate to the project, but is required to determine the allocation amount. The Board asked to receive quarterly or biannual summary reports, but did not want to review and approve each individual project.

Bruce Brensdal presented information about the proposed AOD Tax Credit Allocation and Compliance Software. He commented that this piece of software could save having to hire a new person for the multifamily program in the future. Bill Oser made a motion to have Bruce requisition this software. Waneeta seconded the motion. The motion passed unanimously.

NCSHA BOARD MEMBER WORKSHOP

Barbara Hamlin and Waneeta Farris gave a summary of their trip to the NCSHA Board Member Workshop.

ADMINISTRATORS UPDATE

Maureen Rude presented an application from Chester, MT for the Multifamily Program. Maureen discussed the concept of doing small loans for projects and the Board concurred.

UNDERWRITERS UPDATE ON 1995B

Peter Nolden gave an update on the status of the proposed 1995B bonds. He gave a summary of the bonds, their rates and their maturity dates. The Board discussed the issue. Peter pointed out that Fannie Mae will be a party to the purchase contract, he explained the reasons. He then said that bids were taken on investing the acquisition proceeds and that bids could only be made by domestic banks who were rated AA or better or equivalent short term rating by S & P and Moody's. The successful bidder was Republic National Bank of NY at 5.51%. Peter then gave a summary of the sources and uses of funds. He explained that the mortgage rate would be at 6.75% with a possibility of slightly lower rates for the second pool if the cash flows allow. The Bonds are scheduled to close on September 13, 1995.

BOND COUNSEL UPDATE ON 1995B

John Wagner presented and explained the Board Resolution No. 95-0829-S2 for approval and signature by the Board. He also presented the Supplemental Trust Indenture, Continuing Disclosure agreement and the Purchase contract. The Underwriters present commented that the sale was well received. Paul Bankhead made a motion to pass the resolution as presented. Bill Oser seconded the motion. The motion passed with Bill Oser, Waneeta Farris, Barbara Hamlin and Paul Bankhead voting yes and Mike McKee abstaining.

PROPOSED SETASIDES UNDER 1995B

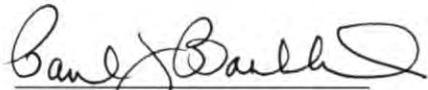
Bob Morgan discussed the proposed setasides under the 1995B programs. He presented a letter from RECD requesting a \$5 million setaside for their programs. He also presented a request from FHA for a \$2 million setaside for the 203K program. The Board discussed the issues of doing setasides and whether they should continue to make setasides for programs. Paul Bankhead made a motion to approve \$2 million for RECD and \$1 million for the 203K program. Barbara Hamlin seconded the motion. The motion passed with Bill Oser, Waneeta Farris, Barbara Hamlin and Paul Bankhead voting yes and Mike McKee voting no.

Bob Morgan then proposed that there be a setaside of \$4 million for the Cash Assistance Program (CAP) and \$4 million for the Disabled Accessible Affordable Homeownership Program (DAAHP) out of the \$10 million special programs money within the bond issue. He explained that another \$90,000 will come out of the Housing Trust Fund for the cash assistance part of the CAP program. The \$90,000 is currently allocated to RAM and would be moved from RAM to CAP. Bill Oser made a motion to approve the proposal. Paul Bankhead seconded the motion. The motion passed unanimously.

OTHER BUSINESS

The Board discussed the next meeting date and location. They decided on September 26th and 27th in Helena.

Bill Oser made a motion to adjourn the meeting, the motion passed unanimously. The meeting was adjourned at 12:10 pm.



Paul Bankhead, Secretary

9-27-95

Date

RESOLUTION NO. 95-0829-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$88,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1995 SERIES B (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; and

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

WHEREAS, in 1979 the Board issued its Single Family Program Bonds, 1979 Series A (Federally Insured or Guaranteed Mortgage Loans) (the "Prior Issue") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Program Bonds, 1995 Series B (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$88,000,000 (the "1995 Series B Bonds"), consisting of \$40,660,000 aggregate principal amount of its Single Family Program Bonds, 1995 Series B-1 (the "1995 Series B-1 Bonds") which will be used to refund the bonds of the Prior Issue which are subject to optional redemption, and \$47,340,000 aggregate principal amount of its Single Family Program Bonds, 1995 Series B-2 (the "1995 Series B-2 Bonds"), which will be used to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide

previously approved by the Board and the forms of the Invitation to Participate and Notice of Acceptance presented to the Board, and to fund certain reserve funds; and

WHEREAS, a Trust Indenture dated as of August 16, 1979, as supplemented by a 1995 Series B Supplemental Trust Indenture dated as of August 15, 1995 (the "Supplemental Indenture") (together, the "Trust Indenture"), between the Board and First Interstate Bank of Denver, N.A., as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1995 Series B Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated August 15, 1995, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1995 Series B Bonds, and which will be distributed to the purchasers of the 1995 Series B Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") dated as of August 15, 1995 has been presented to the Board, 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"), dated the date of adoption hereof, between the Board and the Underwriters and the Federal National Mortgage Association ("FNMA"), has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters and FNMA would agree to purchase the 1995 Series B Bonds at the price 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 financed through the issuance of the Prior Issue and to be financed through the issuance of the 1995 Series B Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1995 Series B 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 Prior Issue and the 1995 Series B Bonds do not involve direct loans.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance of the Board's 1995 Series B Bonds is hereby authorized and approved. The 1995 Series B Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Trust Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1995 Series B 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 1995 Series B Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman of the Board, and attested to by the Secretary or the Treasurer, each of whom is hereby appointed as an Authorized Officer of the Board (as such term is defined in the Trust Indenture) for purposes of executing and attesting the 1995 Series B Bonds. Such signatures may be in facsimile, provided, however, that such 1995 Series B 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.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the final Official Statement.

Section 5. *Sale of the Bonds.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Administrator of the Board is hereby authorized and directed.

Section 6. *Approval of Continuing Disclosure Agreement.* The Continuing Disclosure Agreement is hereby approved in the form submitted at this meeting, and the Chairman or Vice Chairman of the Board or the Administrator 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 7. *Approval of Invitation to Participate and Notice of Acceptance.* The Invitation to Participate and Notice of Acceptance are hereby approved in the forms submitted at this meeting, and the Administrator and Single Family Program Manager are authorized to execute and deliver the same, in conjunction with the previously approved Mortgage Purchase and Servicing Guide, to implement the Single Family Program.

Section 8. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1995 Series B Bonds is hereby approved, confirmed and ratified.

Section 9. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman,

the Vice Chairman 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 10. *Execution of Non-Arbitrage Certificate.* The Chairman, the Vice Chairman or the Administrator 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 1995 Series B Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Administrator and Treasurer, 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 the Purchase Contract, 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 persons above named are hereby designated as Authorized Officers (as such term is defined in the Trust Indenture) for such purposes.

Section 12. *Effective Date.* This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 29th day of August, 1995.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice J. Rude
Treasurer/Administrator



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
SRS Building
111 Sanders, Room 107
Helena, Montana
August 29, 1995

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - Minutes from July 27, 1995 meeting and July 28 Public Information Meeting
- III. UPDATE ON FISCAL YEAR 1994-95 AUDIT - Kelly Rusoff
- IV. HOUSING WORKING GROUP - Paul Bankhead
- V. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
 - A. 1995 Series A
 - B. Cash Assistance Program
 - C. Disabled Program
 - D. Missoula City/County Setaside Request
 - E. New Lender Application - Blackfeet National Bank
 - F. Lender/Service Monitoring
 - G. Proposed Administrative Rule Change
- VI. LOW INCOME HOUSING TAX CREDIT - Bruce Brensdal
 - A. Tax Exempt Bond Financing by Local Governments
 - City of Missoula
 - B. AOD Tax Credit Allocation and Compliance Software
 - Request to Purchase
- VII. NCSHA BOARD MEMBER WORKSHOP - Barb Hamlin & Waneeta Farris
- VIII. ADMINISTRATOR'S UPDATE - Maureen Rude
 - A. Risk Sharing Program-Application for Chester, MT
- IX. UNDERWRITERS UPDATE ON 1995B - Peter Nolden, Paine Webber
- X. BOND COUNSEL UPDATE ON 1995B - John Wagner, Kutak Rock
- XI. PROPOSED SET ASIDES UNDER 1995B - Robert Morgan
- XII. OTHER BUSINESS
- XIII. ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

7/17/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a special meeting by conference call at 10:00 a.m. on Friday, August 25th to discuss potential pricing for a bond issue to finance single family mortgages.


Maureen J. Rude
Administrator



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL CONFERENCE CALL MEETING AUGUST 25, 1995, 10:00 A.M.

Vice-Chairman Bob Savage called the meeting to order, then Chairman Thomas came on to the call and asked for a roll call.

Bob Thomas, MBOH (present)
Bob Savage, MBOH (present)
Paul Bankhead, MBOH (present)
Barb Hamlin, MBOH (present)
Waneeta Farris, MBOH (absent)
Bill Oser, MBOH (present)
Mike McKee (present)
Mike Mulrone, Luxan & Murfitt (present)
Meredith Miller, MBOH (present)
Lore Perrina, MBOH (present)
Bruce Brensdal, MBOH (present)
Sandy Shupe, First Interstate (present)

Peter Nolden, PaineWebber (present)
John Wagner, Kutak Rock (present)
Mina Choo, PaineWebber (present)
Roan Blacker, PaineWebber (present)
Maureen Rude, MBOH (present)
Bob Morgan, MBOH (present)
Kelly Rusoff, MBOH (present)
Dolly Snyder, MBOH (present)
Connie Boyer, MBOH (present)
Kurt Lewis, MBOH (present)
John Feery, PaineWebber (present)

Peter Nolden explained the Preliminary Official Statement had been mailed and every one should have received one. The plan is to release the prices Monday morning, and closing the pricing Monday afternoon. Then Peter will get on a plane and fly to Helena, and present the Purchase Contract to the Board on Tuesday the 29th at the Board meeting.

Peter then explained the market had gone up, which is good for the Board because that means rates for MBOH bonds have gone down. There are no other housing bonds on the calendar for the week, and very low volume of any other bonds. There are also no Montana bonds on the market. Peter explained there are three U.S. banks who will potentially bid on the collateralized repurchase agreement, including Republic Bank, Chemical Bank, and Citibank.

John Feery of PaineWebber in New York then explained the market improved dramatically in the past 24 hours. The week of August 28 will be a light supply week, which is very favorable for the Board. In addition to a low volume of new bonds, there is also very little available on the secondary market, and there will not be any economic numbers released until later in the week. John said the co-managers indicate a very strong demand locally in the retail market for the serial bonds and the shorter term bonds. There are institutional investors looking strongly at the long bonds. John said he is sending out a consensus scale to the co-managers which is very aggressive. He

is going to release a price of 6.40% on the 2027 term bond. He recommended sending out the pricing Monday a.m.

Maureen asked John if the Board's average coupon might be lower than the 6.30% expected a couple of weeks ago. John said it looked like that might be possible. Maureen then asked what the collateralized investment contract on the investment of the acquisition funds might be? Peter Nolden and Roan Blacker said the brokers are estimating 5.7 to 5.75%. Maureen commented if the average coupon on the bonds was lower, the Board should experience less negative arbitrage.

Bob Thomas asked if any of the Board members had any questions. Then he asked whether the Board needed to make a motion to proceed. There was some discussion. Bill Oser indicated he wants to encourage the finance team to proceed. Paul Bankhead then explained why he is supportive of the proposed financing, and said he would like to make a motion to proceed. Barb Hamlin seconded the Motion. Maureen took a roll call vote of the Board members present:

Bob Savage, Barb Hamlin, Bill Oser, Paul Bankhead, and Chairman Thomas voted yes. Mike McKee abstained from the vote, explaining he was abstaining because he was not able to be part of the original discussions on the financing. The motion carried.

Bill Oser made a motion to adjourn. Barb Hamlin seconded the motion, the conference call adjourned.


Paul Bankhead, Secretary

8-29-95
Dated



MONTANA DEPARTMENT OF COMMERCE

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NOTICE OF SPECIAL MEETING

The Montana Board of Housing will hold a special meeting by conference call at 10:00 a.m. on Thursday, August 17th to discuss the potential for a bond issue to finance single family mortgages.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Administrator



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MINUTES OF SPECIAL CONFERENCE CALL MEETING AUGUST 17, 1995, 10:00 A.M.

Chairman Thomas called the meeting to order and a roll call of those present was taken:

Bob Thomas, MBOH (present)	Peter Nolden, PaineWebber (present)
Bob Savage, MBOH (present)	John Wagner, Kutak Rock (present)
Paul Bankhead, MBOH (present)	Mina Choo, PaineWebber (present)
Barb Hamlin, MBOH (present)	Roan Blacker, PaineWebber (present)
Waneeta Farris, MBOH (present)	Maureen Rude, MBOH (present)
Bill Oser, MBOH (present)	Bob Morgan, MBOH (present)
Mike McKee (absent)	Kelly Rusoff, MBOH (present)
Mike Mulrone, Luxan & Murfitt (present)	Dolly Snyder, MBOH (present)
Meredith Miller, MBOH (present)	Connie Boyer, MBOH (present)
Lore Perrina, MBOH (present)	Jennie Bloom, MBOH (present)
Kellee Pennington, MBOH (present)	

Peter Nolden explained the various cashflow scenarios run by PaineWebber. Peter indicated the scenarios included a complete refunding of the 1979A series, with 40 year bonds replacing those outstanding with approximately 14 years left. The refunding would allow for recycling of mortgage funds without the tax strings the new issues have. Peter explained it is also an economic refunding, with some margin of savings, and about \$40 million in bonds would be refunded. Peter explained the scenarios included three different issue sizes (loan pool funds available for the general loan program) of \$30 million, \$45 million, and \$60 million. The loan pools would include \$15 million of transferred reserves (which must be used to originate mortgages or call bonds), plus enough new money proceeds to equal the pool size. Peter clarified that none of the loan pool sizes included the \$10 million of special program monies, of which \$2 million is already committed to the single family RFP.

Peter explained the differences on the residual value of the indenture and the float rate calculation required by the rating agencies. John Wagner asked Peter to clarify what residual value is. Peter explained how the residual value is calculated, and that it is a present value calculation. Peter explained the Preliminary Official Statement has already gone through a couple of drafts and could be ready to go in a couple of days.

Bob Morgan, Bill Oser, Barb Hamlin, and Waneeta Farris explained where rates are and what rates would be competitive. Conventional 30 year FHA rates comparable to the Board's programs are at approximately 8.25-8.5%. Bob, Bill, Barb, and Waneeta all

agreed based on their discussions with lenders and Realtors, any rate under 7% would be acceptable and would work.

Peter then explained the bond issue size would be approximately \$57 million for a \$30 million loan pool, \$74 million for a \$45 million loan pool, and \$90 million for a \$60 million loan pool, plus the \$10 million pre-Ullman special program money.

Bob Thomas asked whether we could split out the pools of money and have two loan pools, half now and half in 90 days. Bill Oser asked about an Investment Contract and what type of rate. Peter said the Board can specify how it wants the funds to be used, and the pool could be split for \$30 million now and \$30 million in 90 days. Peter said the Investment Agreement rate would help minimize negative arbitrage, but there will still be some. The bond cost would be approximately 6.3%, the Investment Contract rate would be 5.70-5.80%, with about 60 basis points negative arbitrage. Maureen explained that on the 1992A bond issue, the negative arbitrage was over 300 basis points.

Waneeta asked what if the first \$30 million not gone in 90 days. Peter said the Board could keep the funds invested during the entire origination period. John Wagner clarified the Board actually has 42 months to originate the entire pool of funds under the tax law. Peter gave an approximate time schedule, stating the bonds could settle about in mid-September.

Bill Oser made a motion to proceed with a \$60 million dollar loan proceeds pool, approximately \$90 million dollar bond sale, at a mortgage rate of 6 3/4% or less. Paul Bankhead seconded the motion. Paul then asked what would happen if we get about 90 days down the road and rates have dropped and we do not think the money will go. Peter said the Board has two options, one would be to lower the mortgage rate. PaineWebber would run cashflows and send them to the rating agencies prior to any change being made. The second option would be to redeem bonds and cut losses. Bob Savage asked what the costs are? Maureen explained the costs of issuance are about 1.25% of the bond issue size.

Paul Bankhead said he thinks now is the time to try to try having a program with some stability, and that is why he is in favor of the larger issue size. Bob Savage asked how far conventional interest rates would have to drop before our money is not competitive. There was a general discussion regarding conventional rates. Bill Oser said he believes we are serving a different population of people than the conventional programs do. He asked about the 2.5% float rate PaineWebber uses for cashflows for the rating agencies, and said he did not feel that was a realistic rate. Peter explained it is not realistic, rather it gives a "worst case" view for the rating agencies to determine what the worst that could happen is. Maureen mentioned that in 1992 and part of 1993, 2.5% was not that far off from what was actually obtained.

Mike Mulroney asked when the Board could pull the plug. John Wagner said the Board

can pull the plug any time before the bond purchase contract is signed, but that after the contract is signed it would be very difficult. Maureen asked about the financial institutions and Wall Street August vacations before Labor Day, and whether the week before Labor Day was a bad time to sell? Peter said right now it looks really good because there are very few issuers, volume is small, and the financial people are out there looking for investments.

Bob Thomas asked whether there were any other questions. Waneeta asked about the special programs and whether we needed to decide those now. There was some discussion and the Board decided that could be done after the bonds are sold.

Maureen took a roll call vote of the six Board members present. All six Board members present voted yes, including the Chairman. Mike McKee was absent from the roll call vote.

Maureen then brought up two set-aside requests received by the Board. RECDS has requested a set-aside from the bond issue of \$5 million. FHA has requested \$1,000,000 out of each pot of money for the FHA 203(k) program. Maureen asked whether this needs to be done now for disclosure for the POS? John Wagner said it is okay for the Board to wait until the bond issue is approved, it would not necessarily have to be included in this Board action.

Bill Oser asked why 203(k) loans don't go in the regular program? Bob Morgan explained the loans take time to put together because the rehab costs have to be estimated before the reservation of funds can be applied for, which takes more time than a standard buy-sell. Bill asked how the RECDS program worked last time with the 1/4% higher interest rate. Bob Morgan indicated all of the funds had gone out.

Bob Thomas said he thought the Board should wait until the Board meeting for a motion on the set aside requests. The Board then scheduled the pricing conference call for August 25th at 10:00 a.m. Waneeta indicated she would not be available on the 25th.

Bill Oser made a motion to adjourn. Barb Hamlin seconded the motion, the conference call adjourned.


Paul Bankhead, Secretary

8-29-95
Dated

Flathead County Justice Center
920 South Main
Kalispell, Montana

PUBLIC INFORMATION SESSION, KALISPELL, 7/28/95

The July 28, 1995 public information meeting in Kalispell, MT was called to order at 9:10am.

Bob Thomas introduced the Board Members and explained the Board of Housing and its Purpose.

Maureen Rude introduced the staff present.

Bill Oser explained the RAM program. Some concerns that were expressed about this program included, what if the house is worth more than \$50,000 and questions whether the program could be used by the elderly for renovations. Bill explained if the value of the house exceeded over \$50,000 the Board's loan would still only be for \$50,000, and would not touch the remaining equity in the home. Bill also explained the program included a \$2,500 advance which could be used for rehabilitation.

Bob Morgan gave an overview of the Single Family Programs. Some concerns about this program were does the bank doing the financing service the loan. Bob explained in most cases the bank originating the loan also services the loan. Another concern was there is a lack of housing for people on Social Security income in the area.

Bruce Brensdaal gave an overview of the Low Income Housing Tax Credit Program and some projects that are being done in Flathead Valley.

Some concerns from the public attending the meeting were that the properties are overpriced in the area and the purchase price limits sometimes limit people on buying homes in the area. The Board was asked what recapture tax is. Bob explained if someone gets an MBOH loan, and sells the house at a gain within nine years, and their income goes up, the person may have to pay some of their gain back to the federal government. The Board was asked if MBOH will buy RECDS loans. Bob explained the MBOH purchased over \$1 million in RECDS loans from the last bond issue.

Paul Bankhead asked the lenders attending what interest rate they thought would work well for MBOH programs, the general consensus was 1.5 points below the market rates. Bob Savage asked about the MBOH fees and how they affected the marketability of the MBOH loans, the consensus was that they are fine the way they are. Paul asked what the lenders thought about the possibility of MBOH making money available continuously but at a slightly higher interest rate. The lenders thought a stable program would work very well.

The Meeting was adjourned at 10:25am.



Paul Bankhead, Secretary

8-29-95
Date



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Lake County Courthouse
106 4th Avenue E.
Polson, Montana
July 27, 1995

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Paul Bankhead (Present)
Mike McKee (Absent)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multi-Family Program Manager
Chris Keisker, Administrative Support

COUNSEL: Mike Mulrone, Luxan and Murfitt
Peter Nolden, Paine Webber
John Wagner, Kutak Rock

OTHERS: **ATTENDING IN POLSON**
Dick Brink, HUD
Gordon Hoven, Piper Jaffray, Inc.
Representative Bill Carey, Missoula Food Bank and HD #67
Charlie Eiseman, Western Federal Savings Bank
Tess Whalen, NW Regional RC&D
Greg Howell, Security State Bank of Polson
Matt Wagner, 1st Citizens Bank, Polson
Brenda Dennis, Ronan State Bank
Patrick Gowen, Summit
ATTENDING IN KALISPELL
Denise Armstrong, Whitefish Housing Authority
Susan Moyer, City of Kalispell
Elizabeth Moderie, Moderie Construction
Scooter Dearing, Moderie Construction
Sandy Center, NW Montana Human Resources, Inc.
Mark Delorm, All Pacific Mortgage Corp.

Steve Van Helden, Glacier Bank
Margi Riso, Glacier Bank
Sharon L. Stratton, Flathead County Commissioner

CALL MEETING TO ORDER

The meeting was called to order at 8:35 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the June 14, 1995 meeting minutes.

Bob Savage seconded the Motion. The motion passed unanimously.

ADMINISTRATORS UPDATE

Maureen Rude gave an update of the Housing Program reorganization and what this reorganization will do. She explained that the way that the structure is now is that MBOH, Section 8 Program and the Home Program are now part of the Housing Division. For policy matters for Board programs the MBOH is the policy making Board but the Department of Commerce is who MBOH goes to for administrative matters. That will not change. What will change is the Section 8 Program and the Home program will now report directly to her and she reports to Department of Commerce for both policy making and administrative matters. She said with this change hopefully it will allow better coordination between these programs.

Barbara Hamlin asked how this will affect Maureen's time. Maureen explained that the Section 8 and Home Program have their own Bureau Chief, and he is the only person there who will report directly to her. So administratively there will not be that much change, but learning the programs and spending time with the programs will take up some time.

Maureen then explained a working group that she, Bob Morgan, Paul Bankhead and Bruce Brensdal took part in. She explained that this working group focused on special needs housing. What they decided was to try to get together a coordinating group and that group could form committees to address specific issues. This group could make suggestions on changes but would not be an official policy making or advisory making structure. Paul Bankhead said he felt that this type of program was needed, but there needs to be some communication with MBOH and maybe MBOH should form a committee to look at some of these issues. The Housing Division should look at this problem and not the Department of Commerce. Bill Oser asked what they were trying to achieve with this proposal. Maureen explained they are trying to achieve increased coordination amongst the different housing programs in the state. Bob Thomas asked if this would work under the Board's work sessions. Paul explained that due to problems associated with affordable housing the different housing groups throughout the state got together and looked at the specific problems in the state with housing. Paul explained that the purpose of this group is that in the 97 legislative session they will be ready to propose changes and solutions to these problems. Paul clarified that this would be an advisory group that would only make suggestions. Representative Carey commented that there is a group that is trying to plan a statewide housing conference in January or February to bring together people who have done successful projects in and out of state.

Maureen then explained that RECDS had written a letter asking for another set aside if the Board proceeds with another bond issue. In addition, RECDS has a loan guarantee program that can be

used to guarantee essential community facilities. RECDS is looking at a project in Shelby, MT that would have city and county offices on the first floor and housing on the upper floors. The housing would be assisted living for elderly. RECDS could provide a loan guarantee for the housing portion, but they are looking for a source for the permanent financing. This could be a way MBOH could finance some additional housing under the multifamily programs, and Maureen indicated she would be following up on it with the rating agencies and bond counsel.

Maureen then gave an overview of the Republican Governors Housing Task Force letter she received. She explained that this was a concept that was put together by some Housing Finance Agencies and some Republican Governors and presented to Congress. What they said is that they would like to see the block grant idea happen but would like to see housing and community development as separate things so housing doesn't get lost in community and economic development. She then gave an overview of a list of probabilities that NCSHA put together for housing programs in the future. She pointed out that they predict that there is a 50/50 chance Mortgage Revenue Bonds will be repealed by the year 2000. She also commented on a letter from Barbara Thompson at NCSHA that shows what is happening in the House Subcommittees about housing related issues.

Dick Brink gave an overview of what is happening in Washington with the budget for HUD. Maureen reviewed the MBOH rating review from Standards and Poors when the MBOH rating was raised from AA to AA+.

Maureen advised the Board of the ABT Tax Credit Survey that HUD sent out. She explained that HUD does not have jurisdiction over LIHTC but she is still trying to honor their request and send the necessary information to them.

She then reviewed a letter from the Billings Community Housing Resource Board referring to Fair Housing issues and asking for an opportunity to speak to the Board. The Board concluded that it was not within their jurisdiction to handle these problems, because the Board's programs work through the lenders.

COOPERATIVE HOUSING CONCEPT

Representative Bill Carey presented an idea for the Board to help in funding cooperative housing in Montana. He explained to the Board that existing homes are too high priced but there are a lot of families out there who are paying as much in rent as a mortgage payment would be but can never get the down payment saved up to buy. He said that he felt that the cooperative housing concept would address a lot of the issues faced for affordable housing. Then he summarized the memo to MBOH about visits to other cooperatives around the country. These cooperatives demonstrated that the concept can maintain affordability. He explained that buying into a cooperative is not buying a home but better than renting. It offers people the opportunity to establish credit for the purchase of a home later, opportunities for savings and asset development, security of tenure and sound asset management. These programs have been proven to promote community involvement and pride in ownership. Bob Savage asked about getting Cooperatives defined in this past legislative session. Bill Carey explained that due to his lack of experience in getting a Bill through it was not passed but he will try to get it through at the next session.

UNDERWRITER UPDATE

Bob Morgan presented the 30 year FHA/VA comparable mortgage rate quotes.

Peter Nolden explained that due to the current bond market conditions the Board would not be able to do a 6.5% interest rate Single Family issue, and the best rate they could get at this time was 7% or higher.

He stated that refunding could also help make \$10 million available out of the 79 issue to finance more mortgages. This money would have the older less strict IRS guidelines and could thus be used for special programs that new money couldn't, therefore it would be a special source of funds. This would have made \$70 million in lendable proceeds, \$60 million in new money and \$10 million in special money.

Bill Oser asked Peter at what interest rate the money could be temporarily invested. Peter explained that with the current market conditions there would be some negative arbitrage to invest the money.

Maureen asked Peter to explain whether one \$60 million issue split into two \$30 million segments would cost less than two \$30 million issues. Peter explained that for two issues the administrative costs would be more because everything to prepare an issue would be done twice. Paul asked whether this would be a one issue or two issue deal. Peter said it would be based on the intent of the Board.

Bill Oser asked John Wagner about the high interest CABS that are outstanding. John explained that they are now calling some of the CABS from prepayments.

Paul asked what an issue at \$30 million would look like. Peter explained that a \$30 million issue would have an interest rate of more than 7% if there was no refunding combined with it. Peter then explained that if the refunding were applied then the interest rate could be lower because the refunding would apply to a smaller amount of money. Maureen expressed concern about staff load and effects on the real estate market with very low interest rates being offered. Offering very low rates causes a very large influx of reservations and really loads the staff down. Paul then expressed concern about putting a large amount of money out this time of year and not moving all of the money out.

Bob Savage made a motion to have Paine Webber proceed with the paperwork for a new issue but wait until the bond market improves to jump in. Bill Oser seconded the motion. The motion passed unanimously.

BOND COUNSEL UPDATE

John Wagner presented an update on the SEC rules (Continuing Disclosure Agreement)

He said that these rules stated that MBOH has to provide their annual financial statements, update their statistics annually, and agree to immediately report in case any of the eleven events stipulated occurs.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an overview of the status of the 1995 series A issue. He said that the program originally had \$30,086,633 and there was \$149,845 in reservation fees collected for a total lendable pool of \$30,236,478. There are 184 reservations outstanding for \$13,097,970 and 251 purchases for \$16,685,960. The average purchase amount has been \$66,477 and the average income has been \$31,259. The total balance to be reserved is \$452,547. He then gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each. He then gave an overview of the statewide housing profile giving the number of loans, the average loan amount and average income for the most active areas around the state.

He then gave an overview of the Recycled Mortgage Programs. He stated that there is a total of \$11,100,527 committed for all recycled set asides. Maureen clarified that the HOME money that some of these projects are waiting for is just about ready to be released.

He presented the status of the CAP Program II. He said that there was \$2 million set aside at 6% and there are a total of 25 reservations totaling \$1,104,636. There are 6 loans that have been purchased for a total of \$270,037, this leaves \$627,327 remaining. The set aside from the Housing Trust Fund was a total of \$45,000 and there are 25 reservations totaling \$24,214 and 6 funded at \$5,025, leaving \$15,761 remaining. The average CAP loan funded was \$838, the average loan purchased was \$45,006 and the average income was \$20,018. Bob then gave a summary of which areas and the number of loans for each, where this program was used.

He presented the status of the DAAHP CAP Program II. He said that there was \$4.3 million set aside and there are a total of 3 reservations totaling \$218,788. There are 47 loans that have been purchased for a total of \$2,649,284, this leaves \$1,431,927 remaining. The set aside from the Housing Trust Fund was a total of \$50,000 and there are 3 reservations totaling \$6,000 and 0 funded leaving \$44,000 remaining. The average loan purchased was \$56,368 and the average income was \$16,944. Bob then gave a summary of which areas and the number of loans for each, where this program was used.

Bob gave the Board an update on the City of Kalispell project. He said that the land for this project was successfully tied up within the allotted time. Susan Moyer should be getting her project ready for presentation to the Board at a later date.

He gave the status of the quarterly delinquencies, which are now updated for March. Bob explained we are always three months behind because the national figures are necessary for the calculations. He said that in March there were a total of 7,998 loans outstanding of those there was 1.26% 30 days delinquent, .61% 60 day delinquent, .58% 90 days delinquent for a total of 2.45% delinquency. He stated that the MBOH delinquency rate was better than the state, regional and national averages. He then went over the servicer delinquency rate comparisons which shows who the largest servicers of MBOH loans are and their delinquency rates.

Bob proposed an Administrative Rule change that would require lenders to have \$1 million in liquid assets to be an approved lender. Barb Hamlin asked what will happen to the lenders who are now participating that will not meet this new requirement and how long will the Board give them to comply. The board discussed this issue. Bill Oser said that he would like to see who this rule will affect.

Bob Morgan then presented to the Board a request for approval from Norwest Mortgage, regarding a merge with Directors Mortgage based out of California. The company would retain the name Norwest Mortgage. Mike Mulrone clarified that the only real change for the company is that they are now a California Corporation instead of a Minnesota Corporation, but they did not significantly change their Corporate entity. Bob Savage made a motion to approve Norwest mortgage. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob Morgan presented financial statements of a lender/servicer which he is monitoring for compliance with the Board's equity to asset ratio and positive return on assets requirements. Bob has asked the lender to send monthly financial statements and for additional information regarding its financial situation. The Board encouraged Bob to work with the lender, but to watch the status closely.

Bob Morgan presented the proposed Request for Proposal (RFP) procedures with the changes that were suggested at the June 14, 1995 meeting. Under this proposal there would be a \$3 million set aside limit for programs with the exception of entities that may pool together to make a proposal then they may be able to double the set aside. Bob Savage made a motion to approve the RFP proposal. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan updated the Board on the status of the HUD 184 program. He said that HUD addressed the problems that did not match with the MBOH Indenture. John Wagner advised the Board of problems with the 184 program and areas which would not work with the MBOH Trust Indenture. HUD agreed to some exceptions for a \$1 million set aside, HUD will waive the foreclosure requirements for the Board to receive a 100% guarantee. They also said that the Board would qualify as an approved lender. Under this program the mortgages would be only 25 years because of the Indenture requirement for a lease to be twice as long as the length of the mortgage. There is only a 50 year land lease agreement trust land. The Board discussed the issue. Bill Oser made a motion to make a new set aside of \$1 Million at 6% for the HUD 184 program but only those tribes that qualify under the HUD guidelines would be eligible. Maureen clarified the funds would come out of the funds available under the RFP approved earlier. Paul Bankhead seconded the motion. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDIT APPLICATIONS

Maureen Rude introduced Bruce Brensdal as the new Multifamily Program Manager. Maureen explained that both LIHTC applications being presented to the Board are resubmissions from last year. Bruce presented an application for the NHS apartments for LIHTC in the amount of \$120,762 per year. Bob Savage asked why the project was called NHS apartments. Maureen clarified NHS is selling the land and is still involved in the project, just not as a partner. Paul Bankhead made a motion to accept the application for NHS apartments. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bruce then presented an application for Sandstone Village apartments for LIHTC in the amount of \$219,491 per year. Bob Savage made a motion to accept the application for Sandstone Village. Bill Oser seconded the motion. The motion passed unanimously.

Bruce then explained that there were two other applications submitted, the Corsello Independent Living Center, Billings which was disqualified because they did not meet the site control criteria and Lake Elmo Apartments, Billings which was disqualified because they did not meet the application deadline.

OTHER BUSINESS

Maureen said that at the request of the Board she had requested from the director of the Department of Commerce that she be able to send six people to the NCSHA workshop in October. She confirmed that the six people would be Bob Thomas, Paul Bankhead, Bill Oser, Bob Savage, Bruce Brensdaal and herself.

The Board discussed the next meeting date and location. They decided on August 29th and 30th in Helena.

Bill Oser made a motion to adjourn the meeting, the motion passed unanimously. The meeting was adjourned at 11:45 am.

PUBLIC INFORMATION SESSION, POLSON

The July 27, 1995 public information meeting in Polson, MT was called to order at 1:40pm.

Bob Thomas introduced the board members and explained the Board of Housing and its purpose.

Maureen Rude introduced the staff present.

Bill Oser explained the RAM program. Some concerns that were expressed about this program were what happens to the property upon death of the borrower. When does it get paid back. What if a member of the family wants the property. The Board explained the money does not get paid back until the borrower dies or moves out of the home. The family could then refinance the home and pay the loan back if they chose to.

Bob Morgan gave an overview of the Single Family Programs.

Bruce Brensdaal gave an overview of the Low Income Housing Tax Credit Program.

Some concerns from the public attending the meeting were would there be a problem with the banks coming up with their own CAP program. Part of the problem with small communities is how to get the word out about the MBOH programs. The Board was also asked why the Disabled program only covers the mobility impaired. The Board explained the program was specifically designed to assist those people who need architectural and other modifications to allow them to move around and use their home, and to live independently.

There was a general discussion between the lenders present and the Board regarding the Energy program, income limits, purchase price limits, and the fees charged on the Board's programs. Bob Morgan clarified the Board allows the lenders to charge up to 2%, but does not require the lenders to charge 2% on the loans. The Board fee is only .5%.

The meeting was adjourned at 3:15pm.

July 27, 2015

MONTANA BOARD OF HOUSING GUESTS

PLEASE PRINT

POLSON

<u>NAME</u>	<u>REPRESENTING</u>
Peter Nolden	Fairview Inc.
John Wagner	Kutak Rock
Mike Mulrone	Lynch & Murphree
Dick Brinn	H.U.D.
GORDON HOVEN	Piper JAFFRAY, Inc.
Bill CAREY	MISSOULA FOOD BANK & HD #67
Charlie Eisenman	Western Fed. Sav. Bk.
Jess Whalen	NW Regional Clinic
Sam Hovell	Sec State Bank of Polson
Walt Wagner	1st Citizens Bank Polson
Brenda Dennis	Ronan State Bank
PATRYCK OWEN	SUMMIT



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL MEETING RIVER RIDGE TAX CREDIT PROJECT AND MONTANA MORTGAGE DECEMBER 20, 1996, 10:05 A.M.

Notice having been given, the Montana board of Housing held a special meeting on the River Ridge Low Income Tax Credit Project and Montana Mortgage. The meeting took place to discuss the proposed changes to the River Ridge Project and the proposed plan for Montana Mortgage to remain an authorized lender. Present were:

Board members: Bob Thomas, Barb Hamlin, Bill Oser, and Bob Savage.
MBOH Staff: Maureen Rude, Bruce Brensdal, Bob Morgan, and Diana Hall.
Luxan and Murfitt: Mike Mulroney.
Missoula Housing Authority: Ed Mayer
Pacific Harbor: Tom Kemper
Montana Mortgage: Jim Valeo

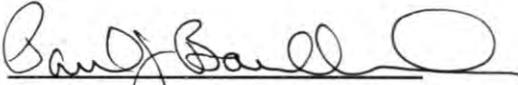
Bob Thomas convened the meeting after a quorum was established.

Bruce Brensdal presented the proposal for changes to the River Ridge Low Income Tax Credit Project. The original site for the project was at Fort Missoula. Certain social issues and legal problems at that site prompted them to request that the site be changed to a location on Reserve Street in the Gateway Development area. Major changes in a project require Board approval. The project has site control with an option to purchase the land and the property has proper zoning. Support letters were received from Missoula Housing Authority, the Mayor of Missoula, and one of the commissioners in Missoula. The changes are the site change and the exclusion of the participation agreement with the Missoula Housing Authority. Bruce read the support letters from the community. The project scored 89 points with the minimum threshold being 60 points. Bill Oser made a motion to approve the transfer of the site for the River Ridge Low Income Tax Credit Project. The motion was seconded by Barb Hamlin. The motion passed unanimously with a roll call vote.

Bob Morgan reviewed the events that have taken place with Montana Mortgage since the last Board Meeting. Montana Mortgage contacted Bob and stated they will comply with the Board's requests with the exception that they would like to be allowed 60 days instead of the 45 days to provide quarterly financial reports. Mike Mulroney asked Jim Valeo to clarify the reasons why he is requesting the 60 days. Mr. Valeo responded

that they historically do not do quarterly statements, but do monthly statements which do not contain certain accruals (just cash flow statements). Montana Mortgage will take three monthly statements and consolidate them in a quarterly statement and make the accruals that will make them a proper representation of financial condition of the company. The real time constraint is selling loans which don't close until the end of the month which is at the end of the quarter. Therefore, it would be a week or two before the loan went to the investor and another 30 days before the investor funds the loan and then the final report comes back with the actual profitability of the loan. Internal monthly financial reports are not done until the reports come back from the investor. Bob Morgan asked the Board if this is a reasonable request. Maureen stated that Montana Board of Housing normally closes its books at least a month past the month that ended because of reports that it receives from trustees. Barb Hamlin asked if that would set a precedent for others. Mike Mulrone stated that if others wanted a time extension, they would have to show the Board the reason why. Bob Savage made a motion to reinstate Montana Mortgage and allow them 60 days to provide quarterly reports. The motion was seconded by Bill Oser. The motion passed unanimously with a roll call vote.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 10:30 a.m.


Paul Bankhead, Secretary

1-21-97
Date


Maureen J. Rude

1/21/97
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting by telephone conference call on December 20, 1996, at 10:00 a.m., to discuss the proposed changes to the River Ridge Low Income Tax Credit Project which was approved at the Board's September 26, 1996 meeting. This project is located in Missoula and is proposing that the site location be moved. The Board will also consider the proposed plan for Montana Mortgage to remain a authorized lender. The call can be heard in the conference room at 836 Front Street in Helena, Montana.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

12/13/96
Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 10:00 A.M. on Tuesday, January 7, 1997, at the offices of the Montana Board of Housing. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 836 Front Street, Helena, Montana.

MONTANA BOARD OF HOUSING



Dated: December 6, 1996

BY: Bruce Brensdal
Multifamily Program Manager
836 Front Street
P.O. Box 200528
Helena, MT 59620-0528
(406) 444-3040



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT

DECEMBER 3, 1996

RESCHEDULED

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of October 31, 1996 Board Meeting
 - ▶ Minutes of November 12, 1996 Conference Call
- II. PROPOSED 1997 QUALIFIED ALLOCATION PLAN - Bruce Brensdal, Multifamily Program Manager
- III. REVERSE ANNUITY MORTGAGE PROGRAM PLANNING - Bruce Brensdal, Program Manager
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1996 Series A
 - ▶ Recycled Mortgage Program Extensions
 - ▶ Loan Leveraging, 203(k)
 - ▶ New Lender Application - First National Bank Butte
- V. UPDATE ON PREVIOUS BUSINESS
 - ▶ Low Income Housing Tax Credit Project Updates
 - ▶ Approved Lenders
- VI. BOZEMAN HRDC, BABCOCK APARTMENTS - Wrap-up- Bruce and Maureen Jeff Rupp, Executive Director
- VII. EXECUTIVE DIRECTORS UPDATE
- VIII. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Birthday Recognition!
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
November 20, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of October 31, 1996 Board Meeting
 - ▶ Minutes of November 12, 1996 Conference Call
- II. PROPOSED 1997 QUALIFIED ALLOCATION PLAN - Bruce Brensdal, Multifamily Program Manager
- III. REVERSE ANNUITY MORTGAGE PROGRAM PLANNING - Bruce Brensdal, Program Manager
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1996 Series A
 - ▶ Recycled Mortgage Program Extensions
 - ▶ Loan Leveraging, 203(k)
 - ▶ New Lender Application - First National Bank Butte
- V. UPDATE ON PREVIOUS BUSINESS
 - ▶ Low Income Housing Tax Credit Project Updates
 - ▶ Approved Lenders
- VI. BOZEMAN HRDC, BABCOCK APARTMENTS - Wrap-up- Bruce and Maureen Jeff Rupp, Executive Director
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836 Front Street
Conference Room
Helena, Montana
December 3, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Waneeta Farris (Absent)
Barbara Hamlin (Absent)
Paul Bankhead, Secretary (Present)
Michael McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multi-Family Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

UNDERWRITERS: Gene Huntington, Dain Bosworth
Gordon Hoven, Piper Jaffray, Inc.

OTHERS: Lorrie Moos, State Bank of Townsend
Mary Lou Falconer, Rural Development
Don Smith, FHA
Donna Schroder, FHA

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee made a motion to approve the October 31, 1996 Board meeting minutes and the November 12, 1996 conference call minutes. The motion was seconded by Paul Bankhead. The motion passed unanimously.

PROPOSED 1997 QUALIFIED ALLOCATION PLAN

Bruce Brensda presented changes for the 1997 Qualified Allocation Plan for the Low Income Housing Tax Credit Program. The changes were date changes, definition of the application being complete and sound, references being checked, the amount available, narratives required, references contacted, community support being project specific, fee schedules, Rural Development (not Farmhome) name change, Board of Housing being notified of any changes, not coordinating with RD for site inspections because inspections are done by the staff based on area of the state. Mike McKee made a motion to approve the Qualified Allocation Plan changes to go to public hearing. Bill Oser seconded the motion. The motion passed unanimously.

REVERSE ANNUITY MORTGAGE PROGRAM PLANNING

Bruce Brensda reported that the Reverse Annuity Mortgage (RAM) bill has been put on the agenda for the legislative process. He presented a report of RAM funds which showed a balance of \$314,050. Bruce stated that the Board will need to consider finding additional money to fund the RAM program.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the first phase of the 1996 A Program. There are 204 loans reserved for \$13,153,513 and 128 loans have been purchased for \$6,789,108. The average purchase amount was \$53,039. The average reservation amount was \$64,478. The average gross annual income was \$21,027. The total balance remaining to be reserved is \$10,138,133 as of November 29, 1996. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The reports also listed the most active lenders in the program.

Bob Morgan presented a chart comparing the number of reservations received per week for the 1995B and the 1996A bond series.

The recycled program has \$2,905,775 remaining to be reserved in the Single Family I set asides. The Single Family II set aside has \$15,487,846 remaining to be reserved. The total of funds from all set asides to be reserved is \$18,393,621. Mike McKee made a motion to extend the Butte-Silverbow Tullamore project for one year. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a note from the Homestead Homeowners Association thanking Montana Board of Housing (MBOH) for providing the opportunity for a single mom of three to purchase her first home.

Bob presented some examples developed for FHA of typical home buyers for various programs. Mary Lou Falconer of Rural Development presented a proposal to extend and modify the Rural Development Loan Leveraging Program. The program would partnership with FHA, MBOH, and Rural Development. Donna Schroder of FHA explained how the program would be applied.

Bill Oser suggested that the name be changed to Loan Partnership Program after it was pointed out that the program really leveraged Rural Development's money. Paul Bankhead made a motion to extend the Loan Leveraging Program to October 1, 1997 and modify the program as presented to the Board in Exhibit A. Bill Oser seconded the motion. The motion passed unanimously. Mike McKee said that philosophically he has a problem with putting people that otherwise would not qualify for a loan in a home. If you give something away, people use the program that can't make payments and the delinquency rate tends to be high.

Mary Lou Falconer presented a request for funds for a Self-Help Housing Loan Participation project with RD and Montana Board of Housing. The project is in Hardin, which is a targeted area, and would consist of ten homes which would be constructed simultaneously. The families would provide "sweat equity" for twelve months. Mike McKee recommended a shorter time-frame. Paul Bankhead stated that he would want to see figures for cost effectiveness and he had questions regarding equity. The request was tabled until the January meeting.

SERVICER REVIEWS

Bob Morgan presented a report on servicer reviews from the Legislative Audit division. The Auditor reviewed three lenders and reported their findings. Bob Morgan presented draft letters to these lenders requesting compliance with MBOH servicing agreements on insurance coverage of custodial accounts. Waneeta Farris (Via Fax) and Mike McKee gave suggestions to present to lenders. Bob will send a letter to all servicers to alert them of continuing problems and ask them to segregate MBOH funds into special trust or custodial accounts and inform them that certain insurance companies have the policy of dropping the mortgagees name off as "Loss Payee" at renewal time. Bob also presented a letter to FDIC asking for clarification.

NEW LENDER APPLICATION

Bob Morgan presented a new lender application from First National Bank of Montana in Butte Montana. Mike McKee made a motion to approve the application subject to receipt of evidence of current insurance coverage. Paul Bankhead seconded the motion. The motion passed unanimously.

UPDATE ON PREVIOUS BUSINESS

Bruce Brensdal gave updates on the Low Income Tax Credit Projects. The Felsman Project received AHP funding. The Agape Project did not receive funding, but the city may provide grants. The Lodgebuilder Project was not funded by AHP and ranked low. A draft letter in response to a letter from Lodgebuilder was presented. Mike McKee made a motion to deny the project based on lack of support from the community and financial feasibility. Bill Oser seconded the motion. The motion passed unanimously.

Maureen Rude presented a letter regarding the termination of participation to a lender in noncompliance with administrative rules. A discussion ensued regarding the letter. Mike McKee abstained from the discussion.

Bruce Brensda reported that the Bozeman HRDC, Babcock Apartments bond issue and loan closed and the HUD insurance endorsement was received.

EXECUTIVE DIRECTORS UPDATE

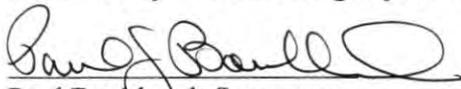
Maureen presented an organization chart showing the changes in staff at Montana Board of Housing. She reported on the meeting with Federal Home Loan Bank in Seattle.

Maureen Rude presented various articles regarding economic forecasts for Board member information. She also recognized the three Board members with birthdays in December. They were Bob Thomas, Bill Oser, and Barbara Hamlin.

OTHER BUSINESS

Bill Oser suggested that MBOH put up more pictures of completed housing projects in the conference room. Paul Bankhead thanked the Board for his time of serving with them, as he will not be able to participate any further due to his election to the House of Representatives.

The Board agreed the next regular Board meeting would be January 21, 1997 in Helena at Board of Housing's conference room. There will be a workshop in the afternoon. Bill Oser made a motion to adjourn the meeting. Paul Bankhead seconded the motion. The motion passed unanimously. The meeting adjourned at 12:00 p.m.


Paul Bankhead, Secretary

1-21-97
Date

Partnership Loans with FHA, MBOH and Rural Development

"New" Loan Leveraging Program

The Federal Housing Administration (FHA), Montana Board of Housing (MBOH) and Rural Development (RD) have "partnered" in an effort to provide affordable housing to low and very-low income applicants.

In order to maximize the funding available to Rural Development and make the program available to as many homebuyers as possible, a change has been made to the loan leveraging program. Instead of the previous 50/50 split, the partnership amounts will now fluctuate and the lender will determine the appropriate LTV split for the buyer. Rural Development will provide the funds for 10% to 50% of the loan with the balance coming from an FHA Insured Montana Board of Housing loan.

The lending institutions will qualify the borrower(s) on the lowest possible Rural Development share of the loan, based on the 29% Housing Expense Ratio. The Total Fixed Payment Ratio should not exceed the 41% ratio, as with any FHA or RD loan.

This "New" Loan Leveraging Program applies to new construction, existing homes, rehab using 203(k) and new manufactured homes on a permanent foundation. Due to RD regulations, existing manufactured homes are not eligible under this loan leveraging program.

The first mortgage will have a 6% fixed interest rate with a 30 year term and will be purchased by the Montana Board of Housing as the secondary market. The second mortgage will have an interest rate of 1% to 6.5% and will be funded by Rural Development.

- To come up with the FHA maximum mortgage amount, the lender will complete the F1 or F2 calculations on the Mortgage Credit Analysis Worksheet (MCAW), choosing the lesser of the two calculations. From there, the lender will actually work the loan amounts for the 1st and 2nd mortgages to see what the borrower could actually qualify for, keeping in mind that this partnership loan leverage program is trying to help as many first-time home buyers as possible.
- FHA's portion of the loan can vary between 50 - 90% LTV. The loan-to-value is still calculated by taking the mortgage amount before MIP divided by the appraised value. This may result in the borrower paying an annual premium for a period of 7 to 12 years, depending on the LTV.
- The borrowers's cash investment is typically 3% of the FHA portion of the loan. However, because of RD's limitation, the borrower may have to invest additional funds if the 1st and 2nd mortgages exceed their limit. Please be aware of the following on all FHA/MBOH/RD Loan Leveraging cases:
 1. FHA has a limitation that the 1st and 2nd mortgages cannot exceed the cost to acquire the property (sales price, closing costs, plus prepaids).
 2. RD has a limitation that the 1st and 2nd mortgages cannot exceed the property value plus the appraisal fee.
 3. Use the payment on RD's 2nd mortgage in your qualifying ratios.
 4. Follow the maximum mortgage limits for the area.

**Assumption Plus Loan
FHA-MBOH-RD**

**FOR BORROWER(S) BUYING A PROPERTY
WITH AN EXISTING RD OR FHA LOAN**

This plan takes advantage of existing, assumable FHA or RD loans to help first time homebuyers reach their dreams of home ownership. By combining new financing from an RD or FHA insured MBOH Loan *with* an existing assumable loan, more buyers might qualify for a home. The following are examples of how this program would work:

EXISTING RD LOAN ON A PROPERTY

Situation: A borrower locates a property they wish to purchase. There is an existing **RD** loan for \$40,000 that they can assume. The sales price is \$65,000 so the borrower needs a \$25,000 loan to pay the difference (or equity) to the seller.

Solution: Buyer obtains an Montana Board of Housing FHA insured loan for \$25,000. RD will subordinate the existing \$40,000 loan to a second lien position.

Advantage: The MBOH's lower interest rate for the 1st mortgage coupled with RD's existing low interest rate on the 2nd mortgage would lower the financing cost for the purchaser.

EXISTING FHA LOAN ON A PROPERTY

Situation: A borrower locates a property they wish to purchase. There is an existing **FHA** loan for \$40,000 that they can assume. The sales price is \$65,000 so the borrower needs a \$25,000 loan to pay the difference (or equity) to the seller.

Solution: FHA's existing loan can be assumed by a qualified owner-occupied buyer, and the loan remains in 1st position. RD will then provide a 2nd mortgage (which will be subordinated to FHA's 1st) to help a first-time home buyer with the additional money they need to pay the difference (or equity) to the seller.

Advantage: The lower interest RD second mortgage will lower the financing cost for the purchaser.



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MINUTES OF SPECIAL MEETING MULTIFAMILY PROGRAM BONDS, 1996 SERIES A NOVEMBER 12, 1996, 10:05 A.M.

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Multifamily Program Bonds Series 1996 A. The meeting took place to discuss the mortgage rate on the project. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Mike McKee and Barbara Hamlin.

MBOH Staff: Maureen Rude, Bruce Brensdal, Bob Morgan
Kutak Rock: John Wagner

Bob Thomas convened the meeting after a quorum was established.

Bruce started off by asking if everyone had received a copy of the memorandum written by John Wagner regarding the mortgage rate and the spread. Bruce then said he had reviewed the final numbers on the project, and the project debt coverages at a 1.15% with a 7% mortgage rate. However, the rents were significantly below what the maximums are, so the owners have a lot of flexibility.

Bruce said he recommends a mortgage rate of 7.25%, plus the Mortgage Insurance Premium of .5%. Bruce indicated the owners will need to raise the rents slightly, but this would give the Board 122 basis points spread, which would allow the Board to recover the funds it had to put in to the deal in three years. Bruce also said he believes this balances the need to obtain a spread with the Board's mission of low rents and affordable housing.

Bill Oser made a motion to set the rate at 7.25%. Bob Savage seconded the motion. Maureen indicated to Barb that she and Bruce had discussed not letting the project owner dictate what we ended up doing on the rate. Mike McKee commented that he really felt the Board needed to be setting policy and not setting rates like a loan committee such as this. Mike said he thinks the Board needs to look at this from the policy perspective and what is being set for future projects.

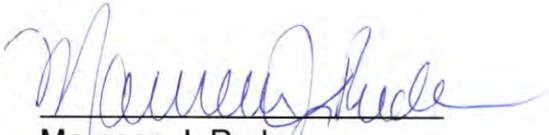
Bruce took a roll call vote, with all members voting yes on the motion and the motion passing unanimously.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting was adjourned at 10:15 a.m.



Paul Bankhead, Secretary

12-3-96
Date



Maureen J. Rude

12/3/96
Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
October 31, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of August 30, 1996 Board Meeting
 - ▶ Minutes of September 26, 1996 Board Meeting
- II. ACCOUNTING AND REPORTING - Kelly Rusoff, Accounting & Finance Manager
 - ▶ Bond Call Update
 - ▶ September 30, 1996 Budget Update
 - ▶ Final FY 1995-96 Financial Report, Annual Report
- III. 1996 SERIES A MULTIFAMILY BOND ISSUE - Bruce Brensdal, Multifamily Program Manager; John Wagner, Kutak Rock; Gene Huntington, Dain Bosworth
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1995 Series B
 - ▶ 1996 Series A-Refinancing, Reservations
 - ▶ 1996 Bridge Program
 - ▶ Recycled Programs
 - ▶ New Applications for Recycled Mortgage Setasides
- V. RAM PROGRAM UPDATE - Bruce Brensdal
- VI. ADMINISTRATORS UPDATE
- VII. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



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836 Front Street
Conference Room
Helena, Montana
October 31, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Absent)
Michael McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kelly Rusoff, Accounting & Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

UNDERWRITERS: Gene Huntington, Dain Bosworth

OTHERS: Dick Brinck, HUD
Jerry Boone, FHA

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee made a motion to approve the August 30, 1996 minutes. The motion was seconded by Bill Oser. The motion passed unanimously. Bill Oser made a motion to approve the September 26, 1996 minutes. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

ACCOUNTING AND REPORTING

Kelly Rusoff reported on the Single Family I bond call. Excess revenue and reserves with high interest rates had been kept in a Mortgage Purchase account and were earning 5.20%. After numerous discussions between Kelly, Maureen, and Bob, as well as bond counsel, staff determined the higher rate bonds within the indenture should be called out. The bonds in the three series that were issued in 87 and 88 have higher bond rates than the rates the money could be recycled at and what is earned on the investments. The cashflow report projects that all bonds will be called out by April 1, 2001. The rest of the excess money would be distributed to the issuer after April 1, 2001 because there would not be any more debt service. The decision was made to call bonds rather than recycle. The funds can then be used for other programs.

Kelly gave a budget report for the first quarter showing the percentage of the budget spent in each category. An overall total of 16% of the budget has been spent.

Mike McKee asked what benefits are received from dues for NCSHA. Maureen responded that the Board has the lowest dues of any state housing finance agency in the country. The Board receives weekly updates from NCSHA on what is happening in Washington. Information on any rules and regulations that have been passed is received within a week after they are published. Other sources take much longer. NCSHA staff is available to help with issues that arise. Concerns about rules and regulations are taken to Congress on behalf of the housing agencies. Conferences are available at a lower rate for members. All state agencies are members. NCSHA is a resource for Housing agencies to turn to.

A sample of State Housing Finance Agency expense levels showed Montana Board of Housing has the lowest number of staff members and compares assets and expenses of State Housing Finance Agencies.

The audited financial report is included in the Annual Report. The audit reports have to be to the trustee within 120 days after the fiscal year end. Kelly Rusoff reported that the financial audit report did get an unqualified opinion and no management comments. Bob Morgan pointed out that the pictures on the cover of the Annual Report are projects that have been financed by Montana Board of Housing. Maureen and Kelly appeared before the Legislative Audit Committee which had question about the projects and our programs. They asked for the total amount of Reverse Annuity Mortgage loans that have been done. More than a million dollars of loans have been done.

1996 SERIES A MULTIFAMILY BOND ISSUE

Maureen passed out copies of the minutes for the Conference Call for Board members to review. Bob Savage made a motion to approve the Conference Call minutes. Mike McKee seconded the motion. The motion passed unanimously.

Bruce Brensdaal reported that the bonds went to market Tuesday morning and they quit taking orders at 10:45 because there was so much interest. Gene Hinton said there was interest from

institutional customers in the 30-year paper that was not anticipated. Maureen presented a report of the final scale by dollar amount, maturity, interest rate and takedown that goes to the sellers. The total cost of issuance was \$51,182. A spreadsheet compared the bond issues from 1991 through 1996. The cost per bond was less when there were larger issues.

Bruce Brensdaal reported on the meeting with HUD in Denver. The project is the West Babcock apartments in Bozeman. The project is 24 townhouse type units with four handicap units and some three-bedroom units. There is a huge waiting list for these apartments. The project is completed. Mike McKee noted that the risk element to the Board is different from the single family mortgage risk. The Board knows what the project is when going into the risk sharing. The mortgage rate will cover the higher cost of issuance. This project is insured by FHA. The Board assumes 10% of the risk on the mortgage. HUD has five days after closing to do the final endorsement of the Note for insurance. Staff and counsel discussed doing a dry closing of the mortgage with indenture funds which are available and reimbursing the indenture after the bond closing to give enough time to have the insurance endorsement before closing on the bonds. John Wagner reported that it is a good idea to have time to work through any problems that might arise before the bond issue closes. Mike McKee agreed with the idea and the rest of the Board concurred.

John Wagner presented a draft of the Purchase Contract and the Supplemental Trust Indenture. He went through Resolution No. 96-1031-M1 and passed out a preliminary cover of the Official Statement. Maureen said that the bond issue did not qualify for the non-AMT 501 (c)(3) status. Gene Huntington said that it made a difference of ten basis points to the borrower. Bob Savage made a motion to pass Resolution No. 96-1031-M1. Bill Oser seconded the motion. The motion passed unanimously.

Bruce Brensdaal said that Multifamily deals are allowed to take 1.5% over the bond yield rate spread. He suggested a proposal of 7.25% interest rate plus the .59% Mortgage Insurance Premium for the loan. John Wagner said the arbitrage rules for Multifamily are more liberal than for Single Family because the Board can charge 1.5% and recoup additional interest on the mortgage so that the Board can earn back all expenses of the cost of issuance paid out. It is possible to earn 175 basis points. Maureen said a 1% application and origination fee was charged. Mike McKee stated philosophically that the advantage to the developer is the interest rate on bonds. He said there is a lot of work and staff time, therefore, Montana Board of Housing should charge the maximum amount that is allowable when setting the mortgage rates. He said conventional rates are about 10¹/₈% to 10¹/₂% with no Mortgage Insurance Premium for a multifamily loan at 80% of loan-to-value or less. A loan origination fee of 1.5% - 2% would be charged for that kind of a project. Bruce said that Caren Couch of Bozeman HRDC said the project could work at 8%, but closer to 7% would be better. Maureen said that they could serve lower income people if the rates were lower. A discussion occurred on whether the Board wanted to have a mortgage rate that makes housing more affordable versus taking the full spread. The mortgage locks up excess funds to be used for housing. Mike McKee said that the mission of affordable housing is accomplished even if the Board charges the maximum rate. Bill Oser stated that this project needs to be the primer of how to set rates because this is the first project of this kind. The tax laws do not allow having the rate up front because the Board can't issue bonds

until the projects are identified and underwritten. Mike McKee made a motion that the final mortgage interest rates be established at the maximum allowable rate over the bond cost under the tax laws plus MIP and other costs. Barbara Hamlin seconded the motion. John Wagner suggested the rate not be set at a maximum rate for a cushion. He suggested 3-5 basis points for a safety net. Mike McKee amended the motion to set the mortgage rate at the maximum allowable yield less five basis points plus MIP. Bob Savage said he wasn't crazy about the motion as a matter of public policy for this board. It emphasizes profit rather than affordable housing and it would tie the hands of the Board in the future. Mike McKee said this is the first one which will be a model down the road. The Board can always discount the rate if necessary. Barbara Hamlin said that the funds could be used for other projects. Mike McKee noted that the Board only charges a 1% origination fee which is significantly less than what is charged in the open market. Bill Oser liked establishing a precedent yet acknowledged that each case is different. Mike McKee said he would like some degree of definition. Maureen pointed out that in the old days the Board did multifamily bond deals and HUD went in and underwrote it for FHA insurance and Section 8 subsidies. Then the Board went out and sold the bond and whatever it took in rent to make the project debt coverage is what they set the rents at. Twenty years later we are now paying for that because those projects are coming to the end of these twenty year contracts and their rents are way over market rents. Most of our projects are more than 140% of fair market rent which is the HUD allowable rent. Now Congress and HUD are discussing marking these down to market, but these are loans which were cashflowed assuming that HUD was going to pay whatever it took to make them cashflow for forty years. In the old days they sold bonds, based the mortgage interest rate on the bond sale, and made the rents commensurate with that. Maureen said we're not in that situation, but we're breaking new ground doing subsidized or low income housing. John Wagner said that the Official Statement which discloses the rate on the mortgage needed to be finalized by Monday or Tuesday, so he recommended establishing a floor. Mike McKee withdrew his previous motion and Barbara agreed. Mike McKee made a motion that for purposes of the final Official Statement, the rate would be no less than 100 basis points above the Board's cost of money plus the Mortgage Insurance Premium. The final rate would be determined after further information is provided to the Board. Barbara Hamlin seconded the motion. The motion passed unanimously.

Maureen informed the Board that the City of Bozeman and the City of Missoula have done multifamily bond issues for private developers who wanted to do projects with their own underwriters. The cities were told there was no risk to the cities because they were conduit bonds and they were just lending their tax exemption to these projects. Both projects are having some problems. Maureen shared with the Board the concerns she has about doing conduit bond issues. The problems of these cities confirm that there are risks involved. A project will be monitored by the Board of Housing if it gets tax credits. Our mission says that the Board of Housing can provide technical assistance to local governments that are doing housing projects.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the 1995 B Program. There are 55 loans reserved that are not purchased for \$4,192,115 and 868 loans have been purchased for \$58,238,742. The average purchase amount was \$66,200. The average reservation amount was \$67,059. The average gross

annual income was \$30,063. The total balance remaining to be reserved is \$0 as of September 20, 1996. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The most active lenders in the program were listed.

Bob Morgan reported that the Refinance Program had a total of \$4,058,845 in Principal Payoffs for the three series. Three lenders had the majority of the loans that were eligible for refinancing and couldn't do all of them.

Bob Morgan reported that the first phase of the 1996 Series A Program has 216 loans reserved for \$13,016,974. The number of loans purchased is 57 for \$2,753,712. The balance to be reserved is \$14 million.

A report of the number of loans committed and purchased by each lender was presented. Maureen reported on the changes in staff.

The recycled program has \$2,905,775 remaining to be reserved in the Single Family I set asides. The Single Family II set aside has \$15,933,511 remaining to be reserved. The total of funds from all set asides to be reserved is \$18,839,286. A publication from the Neighborhood Housing Services had an article on the set asides for them and an article about the support that Montana Board of Housing has given them. The Board noted set asides that will expire in the next couple months. Maureen said that staff is looking at the best use of recycling funds and they are planning better. Bob said that the Disabled Program has set aside three quarters of a million dollars for rental housing that has not been used for three years. The staff proposes that those funds be put in other programs. Barbara Hamlin suggested that each year the Board needs to look at programs that are not doing as well. Bob Savage made a motion that the Board take away the \$750,000 of the unused set aside in the Disabled Program rental portion per staff recommendation. The motion was seconded by Mike McKee. The motion passed unanimously.

Bob reported the mortgage loan production from recycled funds for January 1, 1996 through October 31, 1996. The set asides have 55 reservations for \$2,883,823. There have been 225 loans purchases for \$11,021,513. The total is 280 loans for \$13,905,336. The Bridge program had 54 reservations for \$3,807,817. There have been 97 loans purchased for \$6,776,923 with a total of 151 loans for \$10,584,740. The total recycling for this year is 431 loans for \$24,490,076. The money remaining for recycling is \$2,190,184.

Bob Morgan presented two proposals for recycled funds. The Lake County Community Housing Development Corporation is requesting financing for five homes on a rent-to-own program. There would be grants for \$20,000 per house for subsidy. The project is for families with no credit history or blotched credit history. The loan funds requested are \$400,000 at 6%. The project scored 76 points with a minimum threshold of 50 points. Staff recommendation was for a .25% Reservation Fee with approval being subject to a successful award of HOME grant and the loan either FHA insured or RD guaranteed. Bill Oser made a motion to defer to the January meeting to see if funds are awarded. The motion was seconded by Barbara Hamlin. After significant discussion regarding the project the motion was retracted. Mike McKee made a

motion that the project not be approved. Bill Oser seconded the motion. The motion passed unanimously.

The Ronan Housing Authority is requesting financing for 20 single family homes targeted for two families whose income is less than 60% of the median income, nine families whose income is less than 70% of the median income, and nine families whose income is less than 80% of the median income. There will be approximately \$10,000 subsidy per home. The funds requested are \$1,200,000 with \$120,000 at 5.5%, \$540,000 at 6.0%, and \$540,000 at 6.5%. The project scored 83 points with a minimum threshold of 50 points. Staff recommendation was for the amount requested at the rates proposed. Mike McKee made a motion to accept the Ronan Housing Authority project as recommended by staff. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

RAM PROGRAM UPDATE

Bruce Brendsdal gave an update on the status of Reverse Annuity Mortgage allocation of loan funds. Five loans are in process which would bring the available funds down to \$282,000. This program has received lots of interest. The program is becoming more accepted on the national level. Maureen mentioned that planning should be done for future funding.

ADMINISTRATORS UPDATE

Maureen presented several articles for Board member information. Maureen reported that the documents were almost complete for the Federal Home Loan Bank nonmember borrower status. The Federal Home Loan Bank would like Maureen to attend an orientation in Seattle on December 2, 1996. Mike McKee made a motion to authorize Maureen to attend the orientation in Seattle with the Federal Home Loan Bank on December 2, 1996. The motion was seconded by Bob Savage. The motion passed unanimously.

Maureen passed out a pamphlet for a conference for seniors in Washington, D.C. on December 5 & 6, 1996.

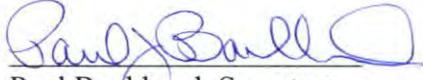
OTHER BUSINESS

A letter from Lodgebuilder Management was received via fax at 9:57 a.m. and then brought into the Board meeting. The staff and counsel were directed to review the letter and prepare a letter for the next Board meeting.

A report was given on the conference in Dallas. Bob Thomas said the high point was a presentation by John Wagner on the responsibilities, limitations, and obligations of a Board member. John and Mike Mulrone have agreed to give the presentation at the next meeting. Bob Savage said he attended a seminar on legal issues in the electronic age. He pointed out some problems that have arisen from housing agencies posting websites on the Internet without disclaimers. The National Conference of State Housing Boards Board meeting was in Dallas and they have tentatively chosen Grouse Mountain Lodge for their annual meeting in August. Bob

gave a video presentation of Grouse Mountain Lodge. Bob gave a list of suggested topics for Educational and Development Workshops and asked Board members to give their input.

The Board agreed the next regular Board meeting would be November 20, 1996 in Helena at Board of Housing's conference room. There will be a workshop in the afternoon. The bond pre-closing is scheduled in the afternoon. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 12:30 p.m.


Paul Bankhead, Secretary

12-3-96
Date

RESOLUTION NO. 96-1031-M1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; AUTHORIZING THE ISSUANCE OF \$890,000 AGGREGATE PRINCIPAL AMOUNT OF MULTI-FAMILY MORTGAGE BONDS, 1996 SERIES A TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT AND OTHER 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 issue its revenue bonds and to purchase mortgage loans in order to provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana; and

WHEREAS, the Board has previously implemented a mortgage purchase program in order to finance multi-family housing in the State for families and persons of lower income by making mortgage loans that are insured by the Federal Housing Administration ("FHA"); and

WHEREAS, the Board has been approved to participate in the FHA Risk-Sharing Program pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, and has developed policies and procedures previously approved by the Board (the "Program") for housing sponsors desiring to participate in the Program; and

WHEREAS, the Board intends to issue its Multi-Family Mortgage Bonds, 1996 Series A in the aggregate principal amount of \$890,000 (the "1996 Series A Bonds"), which will be used to provide moneys to finance an FHA-insured mortgage loan of approximately \$830,000 (the "Mortgage") under the Program for a multi-family housing project known as West Babcock Apartments (the "Project") located in Bozeman, Montana and to be owned by the HOME Corporation, a Montana non-profit corporation; and

WHEREAS, a 1996 Series A Supplemental Trust Indenture dated as of November 1, 1996 (the "Supplemental Indenture") (together with the Trust Indenture dated as of February 23, 1978, as amended and restated as of December 29, 1992, which it supplements, the "Trust

Indenture"), between the Board and First Trust Company of Montana, National Association, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1996 Series A Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated October 25, 1996, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1996 Series A Bonds, and which has been distributed to the potential purchasers of the 1996 Series A Bonds and others by Dain Bosworth Incorporated (the "Underwriter"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriter has been presented to the Board pursuant to which the Board would agree to sell and the Underwriter would agree to purchase the 1996 Series A Bonds at the price 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 project to be financed through the issuance of 1996 Series A Bonds constitutes a "housing development" within the meaning of Section 90-6-103(8) of the Act; and

(ii) that the housing market area to be served by such project to be financed as aforesaid consists of the urban area in which such project is located and the surrounding rural area in the 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 by the Project;

(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 housing developments for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Trust Indenture and the Program documents 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 sponsor" (as defined in Section 90-6-103(10) of the Act) is financially responsible;

(iv) that the Project 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 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 the findings required by Section 90-6-109(1)(f) of the Act are inapplicable because the project does not involve a direct loan but rather the purchase of an existing loan commitment with the execution of restated mortgage documents in the form previously approved for the Program.

Section 2. *Approval of Supplemental Indenture.* The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. *Authorization of Bonds.* The issuance, sale and delivery of the Board's Multi-Family Mortgage Bonds, 1996 Series A Bonds is hereby authorized and approved. The 1996 Series A Bonds shall mature, bear interest, be subject to optional, special and mandatory sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Supplemental Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1996 Series A Bonds shall be executed and delivered substantially in the form set forth in the Supplemental Indenture, with such additions, omissions and changes as are required or permitted by the Trust Indenture. The 1996 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 1996 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1996 Series A 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.* The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, 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.* The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1996 Series A Bonds is hereby approved, confirmed and ratified.

Section 7. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 8. *Execution of No-Arbitrage Certificate.* The Chairman, the Vice Chairman 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 1996 Series A Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 9. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 the Purchase Contract, including an agreement to provide continuing disclosure about the 1996 Series A Bonds, 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 Officers for such purposes.

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

ADOPTED by the Montana Board of Housing this 31st day of October, 1996.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice Rude
Treasurer/Executive Director



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting by telephone conference call on October 28, 1996, at 3:45 p.m., to discuss the proposed issuance of up to \$890,000 in multifamily mortgage revenue bonds for the West Babcock Apartments in Bozeman, Montana. The call can be heard in the conference room at 836 Front Street in Helena, Montana. The meeting will be held to update the Board with respect to the market and to receive the Board's approval to price the bonds on Tuesday, October 28, 1996.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

10/24/96

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
Warbonnet Inn, South 27th & I-90
Billings, Montana
September 26, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of August 30, 1996 Board Meeting
- II. 1996 SERIES A BOND ISSUE - Wrap-up-Maureen Rude
- III. LOW INCOME HOUSING TAX CREDIT APPLICATIONS, THIRD ROUND - Bruce Brensdal, Multifamily Program Manager
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1995 Series B
 - ▶ 1996 Series A-Refinancing, Reservations
 - ▶ 1996 Bridge Program
 - ▶ Recycled Programs
 - ▶ Lender Financials
- V. ADMINISTRATORS UPDATE
- VI. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
Conference Room
Helena, Montana
September 26, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Michael McKee (Absent)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multi-Family Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: Marvin Adami, The Realty Edge
Scott Sherburne, Lodgebuilder
Margaret Solheim, First Interstate Bank, Billings
Judy Hert, The Realty Edge
Steve Redinger, Intermountain Mortgage Co.

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

The approval of the minutes was tabled until the corrections suggested by Mike McKee could be made.

1996 SERIES A BOND ISSUE

Maureen reported that the bonds closed September 19, 1996 in Denver. The bond issue included the CAB's (Capital Appreciation Bonds) for refinancing at 7.5%. The overall bond cost was less than the 1995 B series. The cash flows look good except in the 2004, 5, and 6 time period which

is when the CAB's come due. The funds for 1996 A became available at closing. Bob reported that 41 loans have been reserved for refinancing and 23 loans have been reserved for the 1996 A program. A total of 64 loans have been reserved. The lenders have been signing up to participate in the 1996 A program.

LOW INCOME HOUSING TAX CREDIT APPLICATIONS

Bruce Brensdaal received five tax credit applications for the third round. He presented a summary of the applications received and pointed out similarities in projects. The Agape Housing in Billings, the Felseman Addition in Pablo, and the Lodgebuilder Subdivision in Browning have applied for AHP funding to help draw down the interest rate, pay soft costs, or structure as a low interest loan. Bruce explained the AHP Program. The Felseman Addition and the Lodgebuilder Subdivision are both constructions of single family homes, which haven't been done under the tax credit program before.

The Meadowlark Town Homes in Chester is a new construction project. They propose two two-bedroom units and four three-bedroom units. The amenities are standard. The utilities are gas heat and hot water with electricity for cooking and lighting. The property is owned by the sponsor and is zoned for multifamily use. The total actual cost is \$289,574. The total eligible basis is \$270,586. The tax credit requested is \$3,030. The rent levels are \$350 for the two two-bedroom units (50% of median) and \$450 for the four three-bedroom units (median income or less). Permanent financing is in place. The project scored 90 points out of a possible 118 points. The cost per unit is \$48,262 with tax credit cost being \$1,515 per unit. Bill Oser made a motion to accept the Meadowlark Town Homes application. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Maureen and Bruce said that projects not receiving the proposed AHP financing could have the option of being approved providing that the developer meets the 10% carryover test at the end of the year and the project ranked high enough in the total ranking of AHP grants to have a reasonable chance of receiving AHP funds in the next round. The application cannot be restructured if they are not approved.

The Agape Housing Project of Billings is an acquisition /rehab. project. They propose one one-bedroom unit, four two-bedroom units, and three three-bedroom units and one five-bedroom unit. The amenities are standard. The tenants pay the utilities, which are gas heat and hot water, electricity, water, sewer, and trash. The property is owned. The total actual cost is \$765,801. The total eligible basis is \$810,655 rehabilitation and \$60,000 acquisition. The tax credit requested is \$75,358. The rent levels are \$265 for the one one-bedroom unit, \$295 for the four two-bedroom units, \$350 for the three three-bedroom units, and \$405 for the one five-bedroom unit (50% of median). Permanent financing is with First Interstate Bank for \$193,512. The project scored 87 points out of a possible 118 points. The cost per unit is \$85,089 with tax credit cost being \$8,552 per unit. The Board discussed the cost per unit of this project and new construction versus rehabilitation. Bill Oser made a motion to accept the Agape Housing Project application contingent upon receiving AHP funding or being in the top 10% of those not funded

and meet the 10% carryover test. Paul Bankhead seconded the motion. The motion passed unanimously.

The Felseman Addition of Pablo is a new construction project. They propose 10 three-bedroom homes and 10 four-bedroom homes. The amenities are standard. The tenants pay all utilities which are electric heat, hot water, cooking and lighting. They also pay water, sewer and trash. Natural gas is not available in that area and electric is the most reliable. The property is owned by Salish & Kootnai Housing Authority and is zoned for single family use. The total actual cost is \$1,617,839. The total eligible basis is \$1,429,180. The tax credit requested is \$128,626. The rent levels are \$365 for the 10 three-bedroom homes, \$395 for the 10 four-bedroom homes (50% of median) plus utilities. The permanent financing is with Ronan State Bank for \$724,763. The project scored 84 points out of a possible 118 points. The letters of support were specific to the project. The cost per unit is \$80,891 with tax credit cost being \$6,464 per unit. Waneeta Farris made a motion to approve the Felseman Addition application contingent on receiving the AHP grant or the option outlined by the Board. The motion was seconded by Bill Oser. The motion passed unanimously.

The River Ridge project is for elderly apartments at Fort Missoula. They propose 53 one-bedroom units and 17 two-bedroom units. The amenities are elevator, fire sprinklers, life monitoring system, and a large community area. The owner pays all the utilities. There is an option to buy the land from Western Montana Mental Health Center. The option requires that they keep two units at 25% of median or less. The total actual cost is \$4,371,916. The total eligible basis is \$4,930,865. The tax credit requested is \$443,778. The rent levels are \$185 for the two one-bedroom units, \$370 for the 10 one-bedroom units, \$443 for the three two-bedroom units (50% of median), \$444 for the 41 one-bedroom units, \$532 for the 13 two-bedroom units (60% of median). The permanent financing is with Pacific Harbor Capital, Inc. for \$1,430,000 and deferred developer fees of \$194,916. The project scored 97 points out of a possible 118 points. The cost per units is \$62,455 with tax credit cost being \$6,399 per unit. Barbara Hamlin made a motion to accept the River Ridge application. The motion was seconded by Paul Bankhead. The motion passed unanimously.

The Lodgebuilder Subdivision is a new construction project at Browning. They propose 20 three-bedroom houses and 10 four-bedroom homes. The amenities are standard. The tenants pay the utilities which are electric heat, hot water, cooking and lighting. Mr. Sherburne told Bruce that Lodgebuilder would put in gas units if the Board so desired. The tenants also pay water, sewer, and trash. The property is owned by the sponsor and there is not a zoning requirement needed. The total actual cost is \$2,744,422. The total eligible basis is \$3,240,120. The tax credit requested \$261,610. The rent levels are \$380 for the 20 three-bedrooms and \$419 for the 10 four- bedrooms (60% of median). The financing is a first mortgage with Evergreen International of Kirkland Washington for \$949,835, an application for an AHP grant of \$130,752 and a developer loan of \$60,000. The project scored 61 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$91,480 with tax credit cost being \$9,720 per unit. Bruce indicated that the Tribe has not responded to his request for input. Bruce stated that when he last talked to the Tribe, they did not want to respond because of the outstanding legal issues. Mr. Sherburne met with Mr. Old Person on Friday and Mr. Old Person indicated he

would respond, but he was called out of town. Bruce said when he talked to Mr. Old Person on Friday he asked Bruce what Bruce wanted him to say. Bruce told him to say what he needed and wanted to say which is the purpose of the letter. The letter asks if the project corresponds to needs and if he would support the project. Mr. Old Person said he was uncomfortable with that and he was going to talk with his legal staff to find out if it would be appropriate. Mr. Sherburne said that he talked to Mr. Old Person after Bruce did and gave Mr. Old Person a draft of a letter which Mr. Old Person said he wanted to review with his legal staff Monday. Nothing happened. Mr. Sherburne stated that Mr. Old Person said Bruce had instructed him not to respond. Bruce indicated he specifically told Mr. Old Person that he needs to make the decision to respond or not to respond and that needs to be a decision that the Tribe makes. The letter is solely intended to get the input of the local area. Maureen stated that the Board in Helena doesn't feel it should be making decisions for communities, therefore, they write those letters every time they have a project to everybody they can think of. The Board looks to communities to tell them if a project is appropriate for a community and it is very difficult for the Board to make a decision if they don't know what the community wants. Bruce specified during his discussions with the Tribe, that the Tribe needs to do what is right for them. Mr. Sherburne said the Tribe agreed to everything proposed in the draft letter. Bob Savage asked Mr. Sherburne to clarify the draft letter that he gave Mr. Old Person to sign and that he referred to. Mr. Sherburne said that the draft letter was a response to Bruce's solicitation for information about support of the project and Lodgebuilder prepared a draft based on Bruce's letter. Bob Savage reiterated that Lodgebuilder proposed a draft letter for the Blackfeet Tribe to sign. Mr. Sherburne said that is correct, but Mr. Old Person wanted to review the letter with his legal staff. Mr. Sherburne said that Mr. Old Person agreed to the content, but because of the litigation wanted to be sure that there wouldn't be some problem. Bill Oser made a motion to defer any action until the Board gets more information from the tribe. Paul Bankhead seconded the motion. Scott Sherburne said he would furnish a letter from Chairman Old Person within five days after Monday. Bruce will also write to Chairman Old Person to inform him of the Board's deferral. A decision will be made by the Board after the Tribe input is received. Maureen stated that the Board knows there is a housing need, but, as a state organization, they need to make sure it is the right project and the right people to do the project and that the community and the Tribe want it, which is why input is so critical. The motion passed unanimously.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the 1995 B Program. There are \$10,351,561 reserved for 143 loans yet to be purchased and 783 loans have been purchased for \$51,901,131. The average purchase amount was \$66,200. The average reservation amount was \$72,388. The average gross annual income was \$30,063. The total balance remaining to be reserved is \$0 as of September 20, 1996. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The most active lenders in the program were listed. Bob presented a distribution of the loans as far as FHA, VA, or RD insurance or guarantees in each county. Missoula county had the most FHA loans with 71 out of 670. Great Falls had 39 out of 78 VA loans. Flathead county had 31 RD loans out of 80 statewide.

Bob Morgan reported that the 1996 Bridge Program had 180 loans reserved with the last one being reserved two days before bond closing. The lenders reported that they appreciate continuous funding because borrowers are not rushed and buy-sells don't expire and the staff is able to handle the workload. Barb Hamlin stated that home buyer education courses are needed.

Bob Morgan reported that the 1996 Series A Program has 23 reservations for \$1,800,000. The refinance program has 41 reservations for \$1,660,000. The total reserved for 1996 A is \$3,400,000. Bob gave an update on the CAB's. There are 420 loans eligible to be refinanced which would total about \$17,500,000. The CAB's are currently valued at \$37,700,000. Paul Bankhead made a motion to go over the \$5,000,000 limit for refinancing if need be. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter that was sent to the borrowers to inform them of the opportunity for refinancing. FHA waived the requirement of an appraisal to permit allowable closing costs to be included in the loan amount.

The recycled program has \$2,905,775 remaining to be reserved in the Single Family I set asides. The Single Family II set aside has \$18,835,801 remaining to be reserved. The total of funds from all set asides to be reserved is \$21,741,576.

Bob Morgan presented a letter for the Board's information from Legal Council to a lender in noncompliance with the net worth requirement. He also presented the financial report for two of the entities that have been asked to submit quarterly financial reports. Bob presented a letter to an applicant that was not approved as a participating lender.

ADMINISTRATORS UPDATE

Applications Oriented Designs is having their annual computer software conference in November in Miami. Maureen Rude recommended that Dolly Snyder and Lore Perrina go to the conference to get training on the system and bring back information. Paul Bankhead made a motion to send Dolly and Lore to the conference. The motion was seconded by Bill Oser. The motion passed unanimously.

Maureen asked for the Board's input regarding pursuing a General Obligation rating. Bill Oser suggested that Maureen proceed with pursuing the general obligation rating. The Board members agreed. The Board expressed that they were happy with the AA+ rating for the bond issue.

Maureen presented a letter submitted regarding legal services. The contract states that the duties of Agency Legal Services Counsel are to provide, as appropriate, legal advice, representation and/or hearing examiners on those matters assigned to it by the Board. It is understood that the duties of Agency Legal Services Counsel will not include matters directly related to substantive issues of bonds, bond issues, or securities law. Maureen pointed out that the Board of Housing does use Commerce attorneys in a way the Board of Investments and Health Facilities does not.

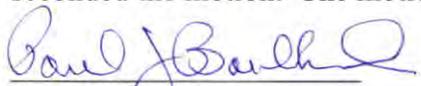
Maureen presented a memo from John Wagner giving the background of money in the Housing Trust Fund which is pledged to bondholders. He wrote a resolution to clarify that the money held in the state treasurer is, in fact, pledged to bondholders as a source of security should it be needed in order to pay the bondholders back. Bill Oser made a motion to adopt the resolution to clarify the action taken by the Board. The motion was seconded by Bob Savage. The motion passed unanimously.

Maureen had a note from Royal Johnson stating that he wanted to be at the meeting, but had to be in Helena at that time.

Chairman Thomas asked how the Board's tax credit program is funded. Bruce explained that fees are charged to cover the costs. Bruce said that there are enough tax credits to fund all the projects that have been submitted.

Chairman Thomas mentioned that out of town workshops were beneficial. He encouraged more advertising explaining what Montana Board of Housing does. Maureen said that there was good coverage for the 20,000th loan. The Department of Commerce has a public information officer that will help with getting the word out.

The Board agreed the next regular Board meeting would be October 31, 1996 in Helena at Board of Housing's conference room. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 11:30 A.M.


Paul Bankhead, Secretary

11-4-96
Date

RESOLUTION NO. 96-0926-52

A RESOLUTION OF THE MONTANA BOARD OF HOUSING CONFIRMING THE CONTINUING PLEDGE OF ALL AVAILABLE MONEYS IN THE HOUSING TRUST FUND THERETOFORE PLEDGED UNDER THE SINGLE FAMILY II FIFTH SUPPLEMENTAL TRUST INDENTURE.

BE IT RESOLVED BY THE CHAIRMAN AND MEMBERS OF THE MONTANA BOARD OF HOUSING, as follows:

WHEREAS, on August 21, 1992 the Board adopted Board Resolution No. 92-0821-S1 to pledge certain moneys and funds held in the Housing Trust Fund to provide additional security to holders of single family program bonds outstanding and to be issued in the future by the Board; and

WHEREAS, on May 1, 1993 the Board entered into a Fifth Supplemental Trust Indenture with First Interstate Bank of Denver, N.A. under which available funds contained in the Housing Trust Fund and to be placed in such Fund in the future were both pledged and transferred to the Trustee to provide additional security to holders of single family program bonds outstanding and to be issued in the future by the Board; and

WHEREAS, on June 24, 1993, the Board adopted Board Resolution NO. 93-0624-S2 to authorize the transfer of the Housing Trust Fund moneys from the Trustee for deposit with the state treasurer, but such Resolution did not by its terms address any release of the lien on such moneys in favor of the Trustee for the benefit of the single family program bonds, and this has resulted in some confusion over whether such moneys are still pledged to the Trustee although held by the state treasurer.

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED, as follows:

1. All available monies in the Housing Trust Fund, although transferred from the Trustee under the Fifth Supplemental Trust Indenture to the state treasurer pursuant to Resolution No. 93-0624-S2, are hereby reconfirmed as still pledged as additional security for the single family program bonds pursuant to Resolution No. 92-0821-S1 and the Fifth Supplemental Trust Indenture, until and unless released from such pledge by authority of the Board and by specific direction of an authorized officer of the Board.

ADOPTED by Montana Board of Housing this 26th Day of September, 1996.

MONTANA BOARD OF HOUSING

By Bob Roma
Chairman

ATTEST:

Paul J. Bauld
Secretary

10011
MBC

OCT 9 1996



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL PUBLIC HEARING SINGLE FAMILY PROGRAM BONDS, 1996 SERIES A SEPTEMBER 9, 1996, 9:00 A.M.

Notice having been given, the Montana Board of Housing held a public hearing on the (up to) \$65,000 Single Family Program Bonds Series 1996 A. Series 1996 A is the Board's proposed issuance of mortgage revenue bonds to finance single family homes for qualified families in Montana.

The public hearing was called to order at 9:00 a.m. on Monday, September 9, 1996, in the Board's conference room at 836 Front Street. Those attending were Robert D. Morgan-Single Family Program Manager and Michael J. Mulroney-Board Counsel. There were no comments, either written or oral and the meeting closed at 9:15 a.m.



Maureen J. Rude



Dated



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, Montana
August 30, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of July 29, 1996 Board Meeting
- II. DRAFT 1995-96 FINANCIAL REPORT - Kelly Rusoff, Accounting and Finance Manager
- III. 1996 SERIES A BOND ISSUE - Peter Nolden, PaineWebber
John Wagner, Kutak Rock
- IV. STANDARD & POOR'S PRESENTATION - Thomas Sheridan, Pam Berkowitz
- V. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1995 Series B
 - ▶ Quarterly Delinquency Report
 - ▶ New Lender Application - Little Horn State Bank
 - ▶ Montana Mortgage Company
 - ▶ Knutson Mortgage Company
- VI. MULTIFAMILY PROGRAM TOPICS - Bruce Brensdaal, Multifamily Program Manager
 - ▶ Shelby Project/Marias Heritage Center
 - ▶ HRDC West Babcock Apts. Risk Sharing Project - Proposed Bond Issue
 - ▶ Western Montana Mental Health Proposal
- VI. ADMINISTRATORS UPDATE
 - ▶ Federal Home Loan Bank Agreements - Mike Mulroney
 - ▶ Human Rights Commission Meeting - Bob M./Mike M.
 - ▶ September Meeting/Statewide Housing Conference
 - ▶ NCSHA Annual Conference
- VII. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
Conference Room
Helena, Montana
August 30, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Michael McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gordon Hoven, Piper Jaffray, Inc.
Peter Nolden, PaineWebber Inc.
Gene Huntington, Dain Bosworth

COUNSEL: John Wagner, Kutak Rock
Mike Mulrone, Luxan & Murfitt

OTHERS: Jerome Morusko, Toole County Health Planning Council
Kim Zink, Toole County Health Planning Council
Dick Brinck, HUD
Tom Sheidan, Standard & Poors
Pam Berkowitz, Standard & Poors
Patty Kent, Western Montana Mental Health Council

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes of the last meeting and the minutes of the special meeting on the issuance of Single Family Program Bonds, 1996 Series A. Paul Bankhead seconded the motion. The motion passed unanimously.

DRAFT 1995-96 FINANCIAL REPORT

Kelly Rusoff presented a draft of the financial report comparing June 30, 1995 and 1996 fiscal years. Investments went up by about five million because there was money from the 1995B series left in the acquisition fund. Mortgage loans and set asides for the single family program also went up. The majority of expense is the interest on bonds. A cash flow statement showed financing activities. The market value has dropped on investments. Kelly reported on the bonds payable, net and gave a summary of bond principal and interest. She presented a balance sheet comparing Single Family I-Single Family X.

1996 SERIES A BOND ISSUE

Peter Nolden reported that the 1996 bonds were priced August 27, 1996. The market was rocky at that time, but the long bond 30 year treasury was 6.97% or 6.98%. The bond sale went well. As of August 30, 1996, the market had picked up with 30 year treasury approaching 7.05%. Bids were taken to invest the acquisition fund for the lendable proceeds and the best bid was from Republic National Bank of New York. The mortgage rate on the bond issue carries some flexibility. Generally the mortgage rate is 7%. The rating on the bonds was confirmed by Moody's as Aa and Standard & Poor's as AA+ and the bonds are scheduled for closing September 19, 1996. John Wagner presented a Resolution to issue bonds, a draft of the 1996 Series A Supplemental Trust Indenture and the Purchase Contract and the Preliminary Official Statement. John went through Resolution #96-0830-SI, 1996 Series A. Paul Bankhead made a motion to approve Resolution #96-0830-SI, 1996 Series A. The motion was seconded by Bill Oser. The motion passed unanimously.

John discussed a letter that pointed out that the 83, 84, and 85 bond issues had CAB's which are coupon bonds that cannot be redeemed or called from anything but prepayments. The mortgages that support those bonds are paying less interest than the rates that the Board paid on the bonds, therefore, the Board is losing money on them. A timing sequence allows the Board to use the proceeds to offer refinanced loans to the people who have mortgage loans under the 83, 84, and 85 programs by October 15, 1996. The refinancing of the old loans causes a prepayment of the old loans and the trustee could use the money to call the old CAB's on December 1, 1996. The Board wouldn't change anything on the loans except for reducing the interest rate. The re would be a new Note and the Mortgage is modified and the title insurance is updated. Bill Oser made a motion to set aside \$5 million and proceed with the idea of refinancing as described by John at a rate of 7½% with a 1% origination fee. The motion was seconded by Paul Bankhead. The motion passed unanimously.

The interest rate for the mortgages under the new bond issue was discussed. Paul Bankhead made a motion to set the interest rate at 7% for the new bond issue. Barbara Hamlin seconded the motion. The motion passed unanimously.

STANDARD & POOR'S PRESENTATION

Thomas Sheridan and Pam Berkowitz gave a slide presentation of the Standard & Poor's Housing Finance Agencies General Obligation Ratings process and their Affordable Housing Programs.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the Bridge Program. There was \$10,800,000 allocated for the Bridge Program at 7.25%. There have been 111 loans reserved for \$8,000,000. The Bridge funds will be reserved until funds are available for the new bond issue. A waiting list for the 1996 A bond issue will be started if all the funds are reserved in the Bridge Program. Bob gave a summary of 1995 Series B. As of August 23, 1996, there were 269 loans reserved for \$19,196,737. The total of loans purchased was 650 for \$43,032,456. The average purchase amount was \$66,200. The average reservation amount was \$71,363. The average gross annual income was \$30,161. The total balance remaining to be reserved is \$23,500 as of August 30, 1996. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The most active lenders in the program were listed. Maureen announced that Rural Development gave Montana Board of Housing a certificate thanking them for making their program work. Montana Board of Housing bought over half of the loans that Rural Development has done this year.

Bob Morgan presented the quarterly delinquency report for March 31, 1996. There were 8,135 active loans. The total delinquencies were 2.64% with a foreclosure rate of .49% with most of the delinquencies attributed to bankruptcy chapter 7 and 13. Most of the bankruptcies are in the urban areas.

Bob Morgan presented an application from the Little Horn State Bank to be an approved lender. The Board discussed the application. Michael McKee made a motion to approve the application for Little Horn State Bank both as an originator and servicer. The motion was seconded by Bob Savage. The motion passed unanimously. Mr. McKee commented that Little Horn State Bank is a small institution, but they have solid capital, positive earnings, and are paying a dividend to their shareholders, as compared to the financial reports of some other companies which have submitted applications during the past year.

Bob Morgan presented a letter from Board legal counsel to a lender in noncompliance with the Administrative Rule of \$1 million net worth who chose not to provide the quarterly financial statements required by the Board. The lender responded that they wanted certain conditions to be met when they complied with the requirement for financial reporting. The conditions included that "no detrimental action would be taken against them based on the Board's review of the quarterly reports." The Board expressed concern that if a quarterly report contained adverse

information of a serious nature, they might have to take action after only one report. The Board was concerned by the lender's statement that the Board would not expect the million-dollar net worth to be achieved in equal increments over the five-year period. The Board would expect some progress before the five years were up. The lender also stated they wanted to receive immediate approval as a MBOH (Montana Board of Housing) loan servicer. The lender applied as a servicer previously and was turned down by the Board. The lender may reapply to be an approved loan servicer, but they do not currently have an active application to be a servicer. The Board also expressed that unaudited financial reports should be available before 90 days after the close of the quarter. The Board was displeased that the lender would try to attach conditions on agreeing to meet the Board's Administrative Rule requirement which is applied uniformly. Board members expressed that the conditions put forth by the lender are unacceptable except for #2, which states that the Board will receive audited statements for the fourth quarter at fiscal year end. Paul Bankhead made a motion to authorize Board legal counsel to write a letter expressing the concerns of the Board and that the conditions to comply with quarterly reporting are not acceptable or conditional upon MBOH agreeing to approve them as a servicer. Bob Savage seconded the motion. Michael McKee abstained from discussion and voting. The motion passed.

Bob Morgan presented a letter from Knutson Mortgage responding to concerns the Board had regarding their application to participate in MBOH bond programs. The Board felt that Knutson Mortgage did not respond directly to the questions asked by the Board regarding legal proceedings pending against them. The financial statement presentation of net operating income indicated Knutson Mortgage does not have positive earnings on the average assets as required by Administrative Rules and does not meet the Board's criteria for approval as an MBOH lender.

MULTIFAMILY PROGRAM TOPICS

Bruce Brensda presented a letter he sent to Representative Royal Johnson asking him to sponsor the legislation which would modify the Reverse Annuity Mortgage Loan Program. Representative Johnson called Bruce and agreed to sponsor the bill.

Bruce reminded the Board that in April the Board conditionally committed to construction financing for the Marias Heritage Center in Shelby. A letter from Lee Gibbs stated that the Toole County Health Planning Council (TCHPC) was able to meet all the conditions except for the city and county guaranteeing to cover any cost overruns to insure that the project will be completed and can be taken out with permanent financing and that the permanent financing will be available. The city or county cannot make a guarantee for an entity that is non-governmental. Jerome Morusko and Kim Zink were present to answer questions from the Board. Toole County offered \$204,000 in reserve funds to offset the guarantee plus assets that could be pledged. The Board stated they would need some kind of certificate of guarantee showing that Toole County Health Planning Council is financially strong. Paul Bankhead stated that the guarantee from the Toole County Health Planning Council would be sufficient. Mike McKee stated that risk measurement was the key to approving this project. Pledges of collateral bring comfort to the Board. Toole County Health Planning Council said they would provide audited financial statements through June and then current interims to the Board.

Bruce Brensda presented proposals for issuance of Multi-family bonds for the Human Resource Development Council of District IX-West Babcock Apartments project for a loan under the risk sharing program of approximately \$850,000. Barbara Hamlin made a motion for staff to proceed working with professionals which had submitted proposals and were selected by lot. Dain Bosworth was selected. Bob Savage seconded the motion. The motion passed unanimously.

Bruce presented a proposal from Western Montana Mental Health Center to help build 20 units of rental housing for the very low income mentally ill in Montana. Patty Kent explained the project to the Board. Bill Oser made a motion to consider a \$250,000 loan for five years at 4% or a lower interest rate to build a 20-unit project subject to receiving grant money and meeting all the criteria. The motion was seconded by Paul Bankhead. Michael McKee stated that he has a problem with things which are a public purpose mission verses a profitability mission. They are not mutually exclusive. The Board's public purpose is to remain as an independent non tax supported housing authority and has to earn a spread on whatever is done. Other projects of worthwhile nature for very low income people that the Board has supported were at 6% interest rate. Michael McKee believes the Board gets into grey areas when it says that one project is more worthy than another. Michael McKee opposed the motion in order for the Board's actions to remain consistent because all projects are worthy and have merit. Maureen mentioned that the funds available for this project can only be used for this type of project. Bob Savage expressed favor for the project in light of the fact that they are deinstitutionalizing Warm Springs and they will be releasing another 55 people who have nowhere to go. The mentally ill are the poorest of the poor and have discrimination against them even if they can afford to rent. The motion passed with Michael McKee opposing the motion.

Bruce Brensda presented a summary of the Low Income Housing Tax Credit applications received in the third round.

ADMINISTRATORS UPDATE

Maureen Rude reported that the contract for the Federal Home Loan Bank (FHLB) non-member borrower status was reviewed by Legal Counsel. Mike Mulroney recommended that the contract be approved and the chairman and secretary be authorized to execute the contract. Michael McKee made a motion to accept the contract with Maureen Rude, Kelly Rusoff, Bruce Brensda, and Bob Morgan being authorized to execute the contract with any two signatures. Paul Bankhead seconded the motion. The motion passed unanimously. As required by the FHLB, the Board passed Resolution #96-0830-GI approving the authorized signers for FHLB activity.

Mike Mulroney and Bob Morgan reported on the Human Rights Commission Meeting which discussed the Disabled Accessible Affordable Homeownership Program (DAAHP). The commission likes MBOH's Disabled Program and suggested a couple of changes in language to go with the American Disabilities Act. The program provides for architecturally accessible homes for people with a mobility impairment and defines immediate family members. Board members expressed that they liked the current language. Mike McKee made a motion that in

light of continuing and eminent developments on the legislative scene, that the discussion be tabled. Paul Bankhead seconded the motion. The motion passed unanimously.

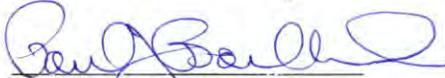
Bob Morgan asked the Board what to do if cost of rehabilitating a house for the Disabled Program exceeds the cost of a new house. The Board agreed staff can deal with individual cases as they arise if it makes more sense to allow a new home rather than incur the higher cost for rehabilitation.

Maureen presented a letter that was sent out regarding the Housing Working Group on Regulatory Issues. She also handed out an economic report for general information.

A Statewide Housing Conference will take place September 24-25 in Billings. The September Board meeting will be in Billings along with the conference on September 26. There will be a public meeting in the afternoon.

Bruce and Bob will attend the NCSHA conference in Dallas in October. Bill Oser and Bob Savage indicated they would like to attend the conference, as did Chairman Thomas.

The Board agreed the next regular Board meeting would be September 26, 1996 in Billings at the War Bonnet Inn. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 1:00 P.M.


Paul Bankhead, Secretary

11-4-96
Date



FEDERAL HOME LOAN BANK OF SEATTLE

Certified Copy of Resolution Authorizing Advances, Security and Deposit Agreement

Montana Board of Housing
(Name of Institution)

Resolution # 96-0830-61
(Docket Number)

I certify that I am the duly elected and acting Secretary of the Institution named above; that the Resolution set forth below was adopted by its Directors at a legal meeting held on August 30, 1996, and is recorded in its official minutes; that said Resolution continuously has been and is in the official records of the Institution and is in full force and effect; and that the signatures of the persons authorized by said Resolution to act on behalf of this Institution appearing below are genuine:

RESOLVED, that the Advances, Security and Deposit Agreement dated as of August 30, 1996 ("Agreement") is approved. Any two of the following named officers or employees ("Authorized Persons") of this institution ("Institution") are authorized to execute the Agreement and to act for this Institution from time to time relating to all transactions or dealings with the Federal Home Loan Bank of Seattle ("Seattle Bank") in connection with the Agreement and, but not by way of limitation if others are also authorized as to specific transactions, in connection with all other agreements, transactions or dealings with the Seattle Bank. This Resolution shall remain in full force and effect and it is and shall be a part of this Institution's official records. It shall be binding upon this Institution until written notice of revocation is received by the Seattle Bank. Receipt by the Seattle Bank of a subsequently duly certified copy (using the form prescribed by the Seattle Bank for such certification) of a Resolution that changes the Authorized Persons shall be deemed a revocation of this Resolution. The Secretary of this Institution is directed to certify to the Seattle Bank a true copy of this Resolution and that the signatures of the Authorized Persons are genuine; namely,

Typed Names and Titles

Signatures

Maureen J. Rude, Executive Director

Maureen J. Rude

Kelly Rusoff, Acctg. & Finance

Kelly Rusoff

Robert D. Morgan, Single Family

Robert D. Morgan

Bruce Brensdaal, Multifamily

Bruce Brensdaal

Dated, signed and certified on August 30, 1996

Bruce Brensdaal
Secretary



FEDERAL HOME LOAN BANK OF SEATTLE

Certified Copy of Resolution Authorizing Advances, Security and Deposit Agreement

Montana Board of Housing
(Name of Institution)

Resolution # 96-0830-61
(Docket Number)

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Typed Names and Titles

Signatures

Maureen J. Rude, Executive Director

Maureen J. Rude

Kelly Rusoff, Acctg. & Finance

Kelly Rusoff

Robert D. Morgan, Single Family

Robert D. Morgan

Bruce Brensdal, Multifamily

Bruce Brensdal

Dated, signed and certified on August 30, 1996

Paul J. Baill
Secretary



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting by telephone conference call on August 26, 1996, at 2:00 p.m., to discuss the proposed issuance of up to \$65,000,000 in mortgage revenue bonds. The call can be heard in the conference room at 836 Front Street in Helena, Montana. The meeting will be held to update the Board with respect to the market and to receive the Board's approval to price the bonds on Tuesday, August 27, 1996.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

8/22/96
Dated



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MINUTES OF SPECIAL MEETING SINGLE FAMILY PROGRAM BONDS, 1996 SERIES A AUGUST 26, 1996, 2:00 P.M.

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Single Family Program Bonds Series 1996 A. The meeting took place to discuss pre-pricing of the bonds. Present were:

Board members: Waneeta Farris, Bob Thomas, Bob Savage, Paul Bankhead and Bill Oser. Mike McKee and Barbara Hamlin were absent.

MBOH Staff: Maureen Rude, Bob Morgan (rest of staff were in the conference room)

PaineWebber: Peter Nolden, Roan Blacker, Mina Choo, Bill Schlichting

Kutak Rock: John Wagner

Wells Fargo Bank: Sandy Shupe

Luxan and Murfitt: Mike Mulroney

Peter Nolden indicated the rating had come back from Moody's and was confirmed as Aa. The Board discussed whether there were other Montana issuers in the market, and that Health Facilities had done an issue last week. Maureen indicated Jerry Hoover mentioned another deal Health Facilities had ready to go.

Bill Schlichting gave an update on the market, indicating there were a number of housing deals in the market the past week. Durable goods figures had been released, and the figures were very good, which was not good for the fixed income markets. The long term treasuries had closed at 6.95, and touched the 7% range. Things were very quiet on the fixed income front. Bill said the portfolio managers are focused on our transaction, and PaineWebber has communicated with the co-managers very well. Bill recommended proceeding forward with the transaction, but waiting to go in to the market until a little later in the day, about 10:30 a.m. New York time, and take orders until approximately 1:00 p.m. There were two housing deals priced the week before.

Peter said it appeared from the preliminary pricing numbers the maximum mortgage rate would be 6.95%.

Peter indicated that based on the research done on the Board's investment policy,

passed in January of 1996, there are five potential bidders for the acquisition investment contract. There will be some negative arbitrage, with the best estimate of the rate on the contract 5.45%. The estimate of the bond interest cost is 6.19%. Part of the negative arbitrage on the acquisition fund can be offset by investment of the debt service reserve fund and the mortgage reserve fund, which can currently be invested long term in investments exceeding the bond yield. This allows us, under arbitrage (and subject to tax counsel review) to recapture some of the negative arbitrage.

Peter indicated based on the preliminary numbers, there will be approximately \$59 million in lendable proceeds. Bill Oser made a motion to proceed with the pricing. Bob Savage seconded the motion. A roll call vote was taken with all Board members present voting yes (Oser, Savage, Bankhead, Farris, Thomas).

The meeting was adjourned.


Paul Bankhead, Secretary

8-30-96
Date


Maureen J. Rude

8/30/96
Dated

NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1996 Series A
(Federally Insured or Guaranteed Mortgage Loans)
Up to \$65,000,000

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$65,000,000 in mortgage revenue bonds, a portion of which will be used to redeem prior bonds and the remainder to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on September 9, 1996, in the Board's conference room. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: August 23, 1996.

MONTANA BOARD OF HOUSING

By: 

Maureen J. Rude
Executive Director
836 Front Street
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
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MJM/jb



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, Montana
July 29, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of June 18, 1996 Board Meeting
- II. 1995 B PROGRAM- Robert Morgan, Single Family Program Manager
- III. FUTURE FINANCINGS - Peter Nolden, PaineWebber
John Wagner, Kutak Rock
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan
 - ▶ Recycled Programs
 - ▶ Request for Recycled Funds
 - ▶ Neighborhood Housing Services - Great Falls
 - ▶ Kings Green - Billings
 - ▶ HUD Section 184 Program
 - ▶ Loan Leveraging Program
 - ▶ New Lender Application - Knutson Mortgage
 - ▶ Montana Mortgage Company - Administrative Rule/Quarterly Financial Response
- V. HOUSING WORKING GROUP/SUBDIVISION GROUP - Paul Bankhead
- VI. ADMINISTRATORS UPDATE
 - ▶ General Counsel Contract
 - ▶ Financial Report/Annual Report
 - ▶ Title
 - ▶ General Information
 - ▶ September Meeting/Statewide Housing Conference
- VII. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

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PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
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836 Front Street
Conference Room
Helena, Montana
July 29, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Absent)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gordon Hoven, Piper Jaffray, Inc.
Peter Nolden, PaineWebber Inc.

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Joe Burst, City of Billings
Jerry Boone, HUD/FHA
Dick Brinck, HUD
Charlie Eiseman, Western Federal Savings Bank
Mary Lou Falconer, Rural Development
Robert Gauthier, Salish & Kootenai Housing Authority
Nancy Stephenson, NHS
Cindy Yerger, Knutson Mortgage

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Waneeta Farris made a motion to approve the minutes of the last meeting. Barbara Hamlin seconded the motion. The motion passed unanimously.

1995 B PROGRAM

Bob Morgan gave an update on the 1995B Series. There was \$61,935,000 allocated for the Single Family II 1995B series 25. Reservation fees totaled \$285,041, giving an adjusted total allocation of \$62,220,041. The total reservations as of July 29, 1996 was \$27,510,939. The total of loans purchased was \$34,700,792. The average purchase amount was \$65,350. The average reservation amount was \$70,771. The average gross annual income was \$30,207. The number of loans reserved was 385 and the number of loans purchased was 531. The total balance remaining to be reserved is \$8,309 as of July 29, 1996. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The most active lenders in the program were listed. Statewide interest rates comparable to MBOH (Montana Board of Housing) are at 8³/₈%.

Maureen presented a survey that was sent to lenders participating in MBOH programs. She noted that the lenders would like reservations to be taken by fax. The lenders also indicated that they would like a continuous source of funds to be available.

FUTURE FINANCING

Peter Nolden of PaineWebber presented a graph comparing 30-Year Treasury Bonds with the Revenue Bond Index. The spread is wide which is favorable for MBOH. He said a bond issue now would yield a mortgage rate of approximately 7-7¹/₂% on a stand-alone basis. Peter said the concern is where to invest the bonds prior to purchase. Given the Board's conservative policy with respect to investing bond proceeds, that is, collateralized investment contracts with US domestic banks, the interest rate for nine months to one year average life would be 5.75 to 5.85 and the bond cost would be about 6.50. The negative arbitrage would be less than 100 basis points. He said there is talk about the Federal Reserve increasing short term interest rates. Barbara Hamlin and Waneeta Farris indicated that an interest rate of 7-7¹/₄% would work.

John Wagner said the initial interest rate of a larger bond issue could be higher to offset any negative arbitrage. Barbara Hamlin mentioned that now is a favorable time for buyers. Bill Oser liked the way the last bond issue worked for staff and lenders with funds available for six to nine months. Peter said the spread compared to the conventional market makes this an attractive time to sell bonds.

Paul Bankhead favors continuity of funds. He said the purpose is to provide affordability for people buying houses and the rate now is affordable. A larger bond issue would carry MBOH through the winter and political changes. There is some risk involved if the rates drop, but those risks can be lessened by the way the bond issue is structured.

Waneeta Farris agreed that a larger issue is better on the staff and 7¼% is a good interest rate. Barbara Hamlin and Bob Savage stated that MBOH should do at least as much as they did last time. Maureen said in smaller issues the lenders have indicated there is a concern of bad decisions being made by borrowers because of the rush involved to get the funds. She noted that MBOH has established good relationships with borrowers, lenders, and Realtors during the last year. Paul Bankhead made a motion to authorize procedures on a bond issue of \$65,000,000 total that is split into two releases. The motion was seconded by Bob Savage and Barbara Hamlin. The motion passed unanimously.

Paul inquired about using recycled funds for a "bridge program" between the 1995B program and a new bond issue. The funds would be available immediately at 7¼%. Bill Oser made a motion to have a Bridge Program of \$10,800,000 at 7¼%. Paul Bankhead seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan presented a summary of the Recycled Mortgage Program. The Neighborhood Housing Services setaside has \$219,775 remaining to be reserved. The City of Kalispell setaside is progressing with work on the streets and infrastructure and has \$2,686,000 remaining to be reserved. The Western Montana Mental Health Center/District XI Human Resource Council project has been completed and the properties sold. The total Single Family I set aside funds remaining to be reserved are \$3,611,606. The HUD Section 184 Indian Housing Program has \$965,809 remaining to be reserved. The Disabled Accessible Affordable Homeownership Program has \$5,047,914 remaining to be reserved. The Western Montana Mental Health Program has \$58,523 remaining to be reserved. Glacier Affordable Housing Foundation setaside has \$3,506,700 remaining to be reserved. The Homebuyers Cash Assistance Program VI has \$2,192,049 remaining to be reserved. District IX HRC Livingston Land Trust setaside has \$420,000 remaining to be reserved. The Ronan Housing Authority Program has \$113,200 remaining to be reserved. The Butte-Silverbow Tullamore Project has \$789,000 remaining to be reserved. The Rural Housing Loan Leveraging Program has been completely reserved with \$8,112 remaining. The City of Billings First-Time Homebuyer Program has \$2,000,000 remaining to be reserved. The total Single Family II set aside funds remaining to be reserved are \$15,101,307. The total funds remaining for all set asides are \$18,712,913.

Bob presented a letter from Joe Burst of the City of Billings HOME Program requesting \$30,116.31 to be added to the setaside to complete the financing for a final home. Maureen and Bob approved the request under the Board's 5%, \$50,000 policy.

Bob sent a letter to Caren Couch of the Livingston Land Trust which confirmed reducing the setaside to \$420,000 for the first phase of the project, with a commitment to add additional funds in 1998 and 1999 when the funds will be needed.

The amount of funds available for recycling as of June 30, 1996 is \$7,312,864.97. The rate per month of funds becoming available to recycle is \$775,000.

Joe Burst of the City of Billings requested \$700,00 for the Kings Green Project. The proposal scored 95 points out of a possible 105. Bill Oser made a motion to approve the project at 6% with a .25% reservation fee. The motion was seconded by Paul Bankhead. The motion passed unanimously.

Nancy Stephenson of Neighborhood Housing Service (NHS) requested two setasides. The NHS Owner in Partnership IV Project scored 95 points out of a possible 105. Paul Bankhead made a motion to approve the project with a setaside of \$624,000 at 6% with a .25% reservation fee. The NHS Downpayment and Closing Cost Assistance Project scored 81 points out of a possible 105. Bob Savage made a motion to approve the project with a setaside of \$2,950,000 at 6% with a .25% reservation fee. The motion was seconded by Paul Bankhead. The motion passed unanimously. Bob Savage requested that MBOH explore making a requirement that applicants not be in arrears of child support.

Bob Gauthier of the Salish & Kootenai Housing Authority and Charlie Eiseman of Western Federal Saving requested an extension of the setaside for the HUD 184 Indian Housing Loan Program. Bill Oser made a motion to grant an extension for the HUD 184 Program for six months. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan reported that the Loan Leveraging setaside with Rural Development, MBOH, and FHA was reserved. Mary Lou Falconer of Rural Development requested an additional \$1,000,000 setaside at 6% for the Loan Leveraging Program and to expand the setaside allocation \$500,000 for the 60-80% median income level. Bill Oser made a motion to approve \$1,500,000 for the Loan Leveraging setaside with income limits up to 80% of median income. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob Morgan presented an application from Knutson Mortgage to become an approved lender for Montana Board of Housing. Cindy Yerger was present to answer questions for the Board. She reported that Knutson Mortgage purchased FBS in April of 1996. The Board requested more information from the lender including: an explanation of the company's significant loss, information on the parent company, and information on the legal proceedings that the company is involved in. Paul Bankhead made a motion to table the application until more information is received. Barbara Hamlin seconded the motion. The motion passed unanimously.

A letter was presented from a lender in noncompliance with Administrative Rule of \$1 million net worth. The lender expressed that they could not see any reason to submit the quarterly financial statements requested by the Board. The Board discussed the letter and determined that other lenders are meeting the request and it should not be a burden to the lender because they have statements done monthly and the Board wants to be consistent in its rulings. Bill Oser made a motion to instruct Mike Mulrone to write a letter to the lender to agree within 10 days to conform to the Board's request to provide quarterly financial statements or the Board will terminate their contract. The motion was seconded by Waneeta Farris. The motion passed unanimously.

HOUSING WORKING GROUP

Paul Bankhead reported on the Ad Hoc Subdivision committee meeting which looked at planning, zoning, and regulations that are affecting building in Montana. The committee wants to find out from the Board how impact fees and regulations are affecting affordable housing. The Board discussed continuing with plans for the Housing Working Group. Waneeta Farris made a motion to send a letter informing entities that the Housing Working Group has been established and to invite them to participate by recommending someone to put on the committee. Barbara Hamlin seconded the motion. The motion passed unanimously.

ADMINISTRATORS UPDATE

Maureen Rude reported that the Legal Services review committee requested that the contract with Mike Mulroney be extended to June 30, 1997.

Maureen said that MBOH will publish the Annual Report at the same time as the financial statements. The Annual Report will be published by the end of September.

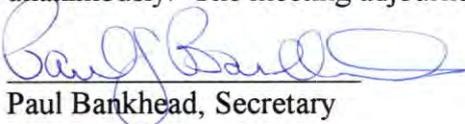
A summary of the status of Reverse Annuity Mortgages was presented.

Maureen requested that she be allowed to use the title of Executive Director for Board of Housing to be consistent with other State Housing Finance agencies. Paul Bankhead made a motion to change Maureen's title to Executive Director. Bob Savage seconded the motion. The motion passed unanimously.

Maureen presented a memo from the National council of State Housing Agencies regarding annual awards for Program Excellence. The Board discussed focusing on something unique to Montana. Bill Oser made a motion to table the discussion.

A Statewide Housing Conference will take place September 24-25 in Billings. Maureen suggested that the September Board meeting be in Billings along with the conference. The Board agreed to September 26 in Billings. Maureen presented general information and articles for Board members to review.

The Board agreed the next regular Board meeting would be August 30, 1996 in Helena. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 12:00 P.M.


Paul Bankhead, Secretary

8-30-96
Date



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
Conference Room
Helena, Montana
June 18, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Absent)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Joe Burst, City of Billings
John Grant, Jackson, Murdo, Grant & McFarland

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes of the last last meeting and the conference call. Waneeta Farris seconded the motion. The motion passed unanimously.

SERVICER REVIEWS

Vickie Rauser of the Legislative Audit Division presented the results of the servicer review of Intermountain Mortgage, Norwest Mortgage, and Security Bank. Random samples of a percentage of the mortgages serviced were used. The auditors looked to see that the borrower's name matched the name on the housing files, that the real estate taxes were paid on time, that the hazard insurance had been obtained and was adequate and named Montana Board of Housing

(MBOH) as the mortgagee, that the premiums were paid on time and an annual escrow analysis statement was prepared and mailed to the borrower. Mike McKee asked if the condo insurance policies covered the entire unit, inside as well as exterior. Vickie responded that the servicers said the blanket insurance policies were covering all areas. The Auditors looked at the allocation of principle and interest as the borrowers made their payments and also at the reconciliation procedures that the servicers were using and reconciling the loan balance with MBOH. Mike McKee asked if the annual escrow statements complied with the new change in the law which was effective last year since the method of allocating reserves for taxes and insurance changed. Mike Mulroneu suggested getting a letter from the lender certifying that they are in compliance with the law. Waneeta said the closing statements should say aggregate adjustment on the escrows. Vickie said the Auditors review the reconciliation of the custodial or servicer control checking accounts for collecting the payments on the mortgages and then remitting those collections to the Trustee. They also looked for proper account titles. Bob Savage asked why MBOH was not notified when there was a lapse or cancellation of hazard insurance. Bob Morgan responded that the servicer is notified. Servicers usually carry a blanket Errors and Omission (E&O) policy. Maureen said that the E&O, Fidelity, Officer's certificate, financials, and resolution are checked yearly. Bob Morgan wrote letters to each of the servicers asking them to respond to the Auditor's reviews, and the Board discussed followup to the reviews.

GASB EXPOSURE DRAFT

Kelly Rusoff presented a letter that she sent to the Governmental Accounting Standards Board. An Exposure Draft would require MBOH to book investments at market value and to show market gains as income to MBOH. MBOH does not sell most investments, therefore, the gains are not realized and that would be misleading to investors.

Kelly also presented a list of the fees paid to other State agencies. MBOH pays \$82,605 to various State agencies.

SINGLE FAMILY PRORAMS

Bob Morgan gave an update on the 1995B Series. There was a total balance to be reserved of \$16,733,749 as of June 18, 1996. Ten million dollars were reserved during the past month. The series allocation summary report showed that there were 219 loans reserved for \$14,977,961 and 392 loans purchased for \$25,433,902. The average purchase amount was \$64,882. The most active lenders in the program were listed. The Statewide Housing Profile report showed the number of loans and average amount of the loan and the average income for the various counties.

Bob presented a news release for the Tennessee Housing Development Agency which stated that they got 7.25% for a new bond issue. The maximum purchase price for their Start program, which is similar to MBOH's Cash Assistance Program, is \$44,000 with an income limit of \$17,000. The Vermont Housing Finance Agency sold a bond issue with a mortgage rate of 6.95%. The Colorado Housing Finance Agency received a general obligation rating of "A" from Moody's Investor Service.

Maureen gave an update from Peter Nolden of PaineWebber. He said a bond issue now would yield a mortgage rate of approximately 7%. Maureen mentioned possibly using recycled funds as a bridge between 95B and a new issue. She said that the lenders appreciate MBOH having money available in a steady manner. The Board discussed possible options for funds for mortgage loans. Bill Oser made a motion to instruct Peter Nolden to show the options that would be beneficial to MBOH in a preliminary study of a new bond issue and to report a conclusion at the July meeting. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan presented the terms and conditions of the Homebuyers Cash Assistance Program (CAP VI). Lenders in Great Falls have requested that MBOH combine the CAP Program with other grant funds. The Board members agreed to keep the condition that the Cap Program could not be used in conjunction with any other financing program.

Bob Morgan presented a letter from Nancy Stephenson of the Neighborhood Housing Service. The Board considered her suggestions and no action was taken.

A lender responded to the Board's action regarding complying with the Administrative Rule change. They plan to use retained earnings to achieve the \$1 million net worth requirement within five years. The lender asked to submit annual financial statements rather than the quarterly statements requested by the Board. The Board discussed their request and noted that the Board requires quarterly financial statements for the opportunity to continue to participate in MBOH programs and to bring the net worth into compliance. Mike McKee made a motion that the lender submits quarterly financial statements that coincide with their fiscal year to MBOH. The motion was seconded by Bill Oser. The motion passed unanimously.

Bob Morgan presented a summary of the Recycled Mortgage Program. The total Single Family I set aside funds remaining to be reserved are \$4,301,319. The total Single Family II set aside funds remaining to be reserved are \$15,480,306. The total funds remaining for all set asides are \$19,781,625.

Bob Morgan presented a letter from Community Development and Management Services requesting a 90-day extension for the District XI Human Resource Council (HRC) Homestead Housing Project and the Western Montana Mental Health Center (WMMHC) Eaton Street Project. Mike McKee made a motion to extend the set aside for the HRC and WMMHC projects for 90 days. Barbara Hamlin seconded the motion. The motion passed unanimously.

Mike McKee made a motion to extend the Rural Housing Loan Leveraging Program for six months to January 1, 1997. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan introduced Joe Burst from the City of Billings. Mr. Burst gave a status report on FY 95 First Time Homebuyer Program in Billings. Joe requested a set aside of \$2,000,000 for one year. Mike McKee made a motion to approve the City of Billings request as submitted. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter that he sent to Knutson Mortgage. His letter was in response to their request for an exception to the Administrative Rule requirement that Errors and Omissions insurance and Fidelity Bond coverage is provided by a company that is licensed to do business in Montana and is a participant in the Montana Guarantee Fund. Bob reported that Knutson Mortgage has now met the requirement and will be applying to be an approved lender, however their application was not complete in time for the June meeting.

MULTIFAMILY PROGRAMS

Bruce Brensda presented a proposal for permanent financing for the Meadowlark Town Homes in Chester. The project has six units. The tenants would pay for the utilities, which are gas heat and hot water and the electricity for cooking and lighting. There is an option to purchase the property and the property is zoned for multifamily use. The total cost of the project is \$289,574 with a request for a MBOH permanent loan of \$236,000 at 6%. The owners' equity is \$21,074. The rents are below median income. Letters of support were from the Town of Chester, the Mayor, Liberty County Hospital and Nursing Home, and Bootlegger Realty. Bill Oser made a motion to accept the proposal. Mike McKee seconded the motion. The motion passed unanimously.

LOW INCOME TAX CREDIT APPLICATIONS

Bruce Brensda received five applications in the second round. He presented a summary of the applications received.

The Hillcrest Apartments of Chinook is a rehabilitation project. They propose four one bedroom units and eight two-bedroom units. The amenities include laundry facilities. The utilities are gas heat and hot water with electricity for cooking and lighting and are paid by the tenants. Part of the rehab expense is to convert electrical heat and hot water to natural gas. The property is owned and is zoned for multifamily use. The total actual cost is \$178,890. The total eligible basis is \$178,890. The tax credit requested is \$7,155. The rent levels are \$225 for the one bedroom units and \$295 for the two bedroom units (60% of median). Permanent financing is with Rural Development with approval for a rehab loan of \$130,000 from Rural Development. The project scored 77 points out of a possible 118 points. Letters of support were from the City of Chinook and the Mayor. Bill Oser made a motion to accept the Hillcrest Apartments application. The motion was seconded by Waneeta Farris. The motion passed unanimously.

The Madison Apartments in West Yellowstone propose 28 Single Room Occupancy (SRO) units and 14 one bedroom units and 11 two-bedroom units. The amenities include laundry facilities. The utilities are gas heat and hot water with electricity for cooking and lighting which are paid by the tenants. There is an Option to Purchase and the property is zoned for multifamily use. The total actual cost is \$2,282,046. The total eligible basis is \$1,979,927. The tax credit requested is \$178,193. The rent levels are \$299 for the 28-SRO units (50% of median), \$395 for the 14 one bedroom units and \$475 for the 11 two-bedroom units (60% of median). The permanent financing is with Multi-family Capital Markets Inc. in the amount of \$1,440,000. The project scored 69 points out of a possible 118. Letters of support were from the Human Resource

Development Council, Gallatin County, the Town of West Yellowstone, and Senator Don Hargrove. Mike McKee made a motion to approve the Madison Apartments application. The motion was seconded by Waneeta Farris. The motion passed unanimously.

The Headwater Apartments in Three Forks propose 16 one bedroom units and eight two-bedroom units. The amenities include laundry facilities. The utilities are gas heat and hot water with electricity for cooking and lighting and are paid by the tenants. There is an Option to Purchase and the property is zoned for multifamily use. The total actual cost is \$1,064,786. The total eligible basis is \$1,033,400. The tax credit requested is \$93,006. The rent levels are \$299 for the eight one bedroom units (50% of median) and \$325 for the eight two-bedroom units (60% of median). The permanent financing is with Multi-family Capital Markets Inc. in the amount of \$520,000 and a land note with the City of Three Forks. The project scored 67 points out of a possible 118. Letters of support were from the Human Resource Development Council, Gallatin County, the City of Three Forks, and the Mayor. Mike McKee made a motion to approve the Headwater Apartments application. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bruce reported that the Reverse Annuity Mortgage Program has four new applications. RFP for the risk-sharing program is being mailed. Montana currently has 143 units available to allocate.

Bruce said Lodgebuilder Management sent a letter stating that they were not interested in a presentation at the Board meeting, instead they wanted to pursue a formal appeal. Mike Mulroney explained the procedure for formal appeals.

ADMINISTRATORS UPDATE

Maureen Rude presented a letter approving MBOH as a Non-Member Mortgagee where the Board will have direct access to Federal Home Loan Bank advance programs.

Maureen said a potential candidate for the Infrastructure Program for mobile home parks inquired if the program was going to happen again. She explained that the funds have been committed to the RAM Program and the money was no longer available.

Maureen presented budget and rate analysis information which gives a description of MBOH and its programs. The analysis outlines where the MBOH funding comes from, what are the responsibility centers, and how MBOH accounts for its money. A housing division mission statement, housing division goals and objectives and goals for the Board of Housing were listed. The goals include: Automating functions to improve efficiency, new ways of operating to improve timeliness, manage assets of MBOH in the most effective manner, to enhance ability to provide housing, use program earnings to recycle or call bonds, continuously review programs to determine if they are meeting the needs of the population they are intended to serve, continue to change our requirements based on current conditions, increase education and outreach to the citizens of Montana and MBOH's customers and servicers, develop and implement creative methods of financing multi-family rental housing including the risk-sharing program, pursue a general obligation rating from national rating agencies.

Kelly has prepared a report to present to the Legislative session that explains MBOH fees and why they cannot be classified as income or revenue from "fees". Revenue is received from the spread between the mortgage rate and bond rate and is influenced by many varying factors.

Maureen gave a Housing Working Group Update. Paul Bankhead attended the ad hoc subdivision meeting. Their focus was on regulatory issues. They have asked Paul to do a presentation on affordable housing. A report from the Missoula City Council subcommittee on affordable housing included a segment recommending looking closer at the zoning and subdivision regulation and practices that affect housing and changing them to fit the needs of today. Maureen presented a list of representatives to invite to the Housing Working Group. Mike McKee suggested the list should target trade associations. The Board decided to table the discussion until Paul is present.

Maureen presented a letter from Wells Fargo who purchased First Interstate. They are keeping the trust operation with the same personnel who have handled MBOH accounts. An article from Securities Industry Daily pointed out Wells Fargo corporate trust plans.

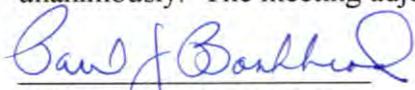
Maureen reported on the application Workshops that were put on by the HOME Program, MBOH, and the Community Development Block Grant Program. The workshops included a technical assistance provider from HUD's "how-to" workshop.

MBOH is helping sponsor a Fair Housing Caravan being done through the Board of Realty Regulations for the training of Realtors and lenders.

Maureen presented an article on the Secondary-Market Disclosure and its impact on Housing Issuers. She also presented an article from the Home Loan Bank of Boston on collateral valuation of FHA insured mortgage collateral.

The National Council of State Housing Board meeting is August 4-6 in Milwaukee. Bob Thomas will attend and possibly Bob Savage. Bill Oser reported on the Long Beach workshop. He felt it was more of a staff workshop. Maureen was a presenter on communications at the workshop.

The Board agreed the next regular Board meeting would be July 29, 1996 in Helena. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 12:00 P.M.


Paul Bankhead, Secretary

7-29-96
Date



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, Montana
June 18, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - Minutes of May 14, 1996 Board Meeting
 - Minutes of May 17, 1996 Conference Call
- II. SERVICER REVIEWS - Vickie Rauser, Legislative Audit Division
Accounting and Program Staff
- III. FASB EXPOSURE DRAFT RESPONSE, POTENTIAL IMPACT ON MBOH
FINANCIALS - Kelly Rusoff, Accounting and Finance Manager
- IV. SINGLE FAMILY PROGRAMS - Robert Morgan, Single Family Program
Manager
 - Update on 1995B
 - CAP Program
 - Disabled Program
 - Lender Response to Admin. Rule
 - Recycled Programs Update
 - Western Montana Mental Health/HRDC
 - City of Billings Recycled Funds Proposal
- V. MULTIFAMILY PROGRAMS - Bruce Brensdaal, Multifamily Program
Manager
 - Permanent Financing Request-Chester, MT
 - Second Round 1996 Housing Tax Credit Applications
 - Lodgebuilder Management/Lodgebuilder Subdivision Appeal
- VI. ADMINISTRATORS UPDATE
 - Federal Home Loan Bank Nonmember Borrower Approval
 - Infrastructure Program Input
 - Budget/Rate Analysis Information
 - Housing Working Group Update-Paul Bankhead
 - First Interstate Bank/Wells Fargo
 - Fair Housing Workshops/Program Application Workshops
- VII. OTHER BUSINESS
 - NCSHB Meeting
 - Set next meeting date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

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

RECEIVED
MBOH

JUN 25 1996

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL CONFERENCE CALL MEETING May 17, 1996, 10:00 A.M.

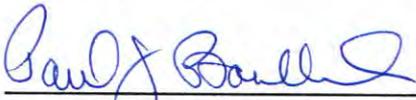
Maureen Rude called the meeting to order and a roll call of those present was taken:

Bob Thomas, MBOH (absent)	Bob Savage, MBOH (present)
Paul Bankhead, MBOH (present)	Barb Hamlin, MBOH (present)
Waneeta Farris, MBOH (present)	
Bill Oser, MBOH (present)	
Mike McKee (absent-not at meeting minutes affected)	
Maureen Rude, MBOH (present)	

Maureen explained that the telephone conference call was being held to approve the minutes after the Board had a few days to look at them. She explained that Mike Mulroney had suggested no changes to the minutes, and John Wagner had suggested a few grammatical and technical corrections to the tax section of the minutes. The Board members present on the call did not suggest any changes or corrections to the minutes. The Board discussed the minutes being more detailed than normal, and Maureen explained that due to the difficult and technical issues discussed, the minutes are longer and more detailed than normal. Bill Oser made a motion to accept the minutes as amended. Bob Savage seconded the motion. The motion passed unanimously.

Bob Savage suggested that in response to the letter from Lodgebuilder Management, Maureen ask Mike Mulroney to write a letter requesting that all correspondence regarding the Low Income Housing Tax Credit Application be directed to Mike at Luxan and Murfitt. Paul Bankhead made a motion to have Mike write a letter indicating all correspondence be directed to Mike at Luxan and Murfitt. Barb Hamlin seconded the motion. The motion passed unanimously.

Bill Oser made a motion to adjourn. Barb Hamlin seconded the motion, the conference call adjourned.


Paul Bankhead, Secretary

6-24-96
Dated



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on May 17, 1996, at 10:00 a.m., by conference call, to approve the minutes of the April 19, 1996 Board meeting.


Maureen J. Rude

Administrator

5/16/96

Dated



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, Montana
May 14, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. STATE CODE OF ETHICS - Michael Mulroney, General Counsel
- III. ADMINISTRATIVE RULE ON NET WORTH REQUIREMENTS FOR LENDERS - Robert Morgan and Michael Mulroney
- IV. INVESTMENT BANKER UPDATE - Peter Nolden, PaineWebber Inc.
-Update on 1995B - Robert Morgan
- V. GENERAL OBLIGATION RATINGS FOR HOUSING FINANCE AGENCIES - Maureen Rude
- VI. HOUSING TOPICS UPDATES
 - Lodgebuilder Mangement Appeal of Tax Credit Project
 - Housing Working Group - Maureen Rude & Paul Bankhead
 - Savings Accounts for First Time Homebuyers - Paul Bankhead
 - Disabled Housing Loan Program Discussion - Robert Morgan
 - Cost Comparisons on Loan Programs - Barb Hamlin
- VII. OTHER BUSINESS
 - Set next meeting date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/6/96



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
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836 Front Street
Conference Room
Helena, Montana
May 14, 1996

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gordon Hoven, Piper Jaffray, Inc.
Peter Nolden, PaineWebber, Inc.
Gene Huntington, Dain Bosworth

COUNSEL: John Wagner, Kutak Rock
Mike Mulrone, Luxan & Murfitt

OTHERS: Steve Redinger, Intermountain Mortgage Co.
Dick Brinck, HUD

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

A draft of the minutes was presented, since the time between the meetings was so short. Maureen proposed that the Board members review the minutes, then have a conference call on Friday, May 17 to make changes or approve the minutes. The Board agreed to the conference call.

STATE CODE OF ETHICS

Mike Mulroney presented a handout on the State Code of Ethics. Mike discussed section 2-15-1814 paragraph seven, MCA, which relates to the Board of Housing and states that a member of the Board shall not be deemed to have a conflict of interest under the provisions of 2-2-201, MCA, merely because the member is a stockholder, officer, or employee of a lending institution, who may participate in the Board's programs. The State Code of Ethics in 2-2-105, MCA, states that a public officer or employee may not perform an official act directly and substantially affecting a business or other undertaking to its economic detriment when the officer or employee has a substantial personal interest in a competing firm or undertaking. Mike clarified the two statutes by pointing out that the Board of Housing statute is a general statute, while the specific statute is the one concerning a public officer. The specific interprets the general statute, therefore, if an issue is affecting a direct competitor, (not general competitors) a Board member should bring up the matter for record and refuse to vote on the issue.

ADMINISTRATIVE RULE ON NET WORTH REQUIREMENTS FOR LENDERS

Mike Mulroney said that the Administrative Rule for the net worth of a lender states the lender must have and maintain a minimum net worth according to Generally Accepted Accounting Principles (GAAP) of \$1 million. The rule is the same as adopted by the Board of Investments and other government agencies. Any other kind of evaluation method would not rely on audited financial statements. The Board wants to encourage lenders to participate, yet wants them to have enough assets to buy back loans if necessary. Bob Morgan presented the process for adopting an Administrative Rule change. The rule change is published for public comment. No comments were received on the rule change. The change went into effect on March 8, 1996. The administrative register sends a copy to each county and university system and individuals who request it. Minutes of the previous Board meetings showed the dates that each part of the process took place starting in July of 1995. In October of 1995, the Board voted to accept the rule change and said that lenders who do not comply will not be automatically grand-fathered and the staff will work with them to correct discrepancies. After the rule change became effective, a letter was sent to lenders in noncompliance asking them to submit a plan to come into compliance. One lender sent a letter from their attorney protesting the action taken by the Board. This attorney later sent a letter deferring any action until the Board could consider their proposal for compliance. One lender has a building that would allow them to meet the requirement, but the building

has been significantly depreciated and has a low financial statement value according to GAAP, which requires buildings be recorded at historical cost and depreciated. The other lender submitted a plan to comply within five years. Mike McKee made a motion to allow these three lenders in noncompliance of the net worth Administrative Rule change five years in which to comply with the Administrative Rule requirements for \$1 million in net worth beginning in May of 1996. These companies will be monitored on a quarterly basis, and if sufficient deterioration appears in the financial statements of the company, in the Board's determination, the Board may terminate these agreements. The motion was seconded by Bill Oser.

Steve Redinger of Intermountain Mortgage said that he understood the Board's decision to go with the \$1 million net worth, however, it overlooks some the other strengths or compensating factors that a mortgage company may have. He stated that winter quarters in Montana may be a slack time and not necessarily a trend. Mortgage companies promote the Board programs. Mr. Redinger said that Intermountain Mortgage has been approved for nine years and has not had a major problem or been asked to purchase a loan. An alternative to the \$1 million net worth is warehouse lines that will fund the purchase of a mortgage. Liquidity is more essential than net worth. Mr. Redinger stated that his personal experience is that the net worth requirement is not industry standard. Mortgage conduits and Chase Manhattan require \$250,000 net worth with FHA direct endorsement approval. Intermountain Mortgage has sufficient net worth to meet FHA approval as a DE lender, VA as a VA automatic lender, Ginnie Mae approval as an issuer, Fannie Mae approval, and is working on getting Freddie Mac approval. As a mortgage company, Intermountain Mortgage issues securities in the name of and backing of the full faith and credit of the United States Government. Mr. Redinger felt that the Board failed to consider other factors; like how long the company has been around and if they have ever failed to buy back a loan. He intends to meet the five-year plan.

Maureen asked why no one gave comments during the process of changing the Administrative Rules. Steve Redinger was not aware of the rule change before the decision had been made. He received the minutes of meeting only intermittently. Mike McKee appreciated the comments Mr. Redinger made. He pointed out that a scenario of repurchasing a loan occurred on May of 1994. He stated GAAP requirements of \$1 million net worth are standard for Freddie Mac seller servicer and Fannie Mae seller servicer. Mike McKee wanted to know what securities are backed by the full faith and credit of the United States Government.

Mr. Redinger responded that in May of 1994, it was not a matter of Intermountain repurchasing the underlying first mortgages, there was a failure of the Board to purchase from Intermountain the underlying first mortgages. The Board came to a decision that it was inappropriate for the Board not to purchase those loans from Intermountain and did so, and in the process, the Board required that Intermountain repurchase the underlying CAP portion which was around \$800 each. Part of the communication with the Board was not clear.

Intermountain understood that when the Board purchased the underlying first mortgages, the Board was going to subtract the balance of the second mortgage from the proceeds and wire them to the account. When in fact, the Board wired the full amount to them, and Intermountain had to wire back to the Board the amount to purchase the three CAP loans. Intermountain Mortgage did so as soon as they understood that it would not be taken out of the proceeds of the wire to Intermountain.

Intermountain is approved as a Fannie Mae seller-servicer with the net worth that they have. Intermountain sold their first loans to Fannie Mae which were purchased on Friday of last week. Fannie Mae underwrites them as a lender, like Intermountain does with their customers. Fannie Mae would like to see \$1 million net worth, but they look at compensating factors, such as how long a company has been in the business, if they have servicing experience, and if they have a warehouse line. Intermountain recently received Fannie Mae approval. Freddie Mac's rules are slightly different, but they are not \$1 million hard and fast. They look at how many loans a company has in servicing and how many loans a company intends to sell to them. Intermountain has approval from Ginnie Mae as a servicer-seller or as a Ginnie Mae issuer. With their Ginnie Mae and Fannie Mae approval, Intermountain wants to retain some servicing which will work for the long term growth and viability of Intermountain as a company. Right now, 95% plus of Intermountain's revenue comes from mortgage originations, which is great when they are busy originating mortgage loans. When they are not busy, obviously, their revenue goes down. Intermountain wants to change that to where 50% plus of their revenue comes from mortgage servicing, which will give them greater ability to survive the storms that are a common part of their business.

Mike McKee said semantics is important when talking about the full faith and credit of the United States Government because Ginnie Mae securities or securities issued by the GSE's do not necessarily carry the full faith and credit, even though they are backed by the pool of mortgages and their implied credit accounts. Mike expressed that he takes comfort in Mr. Redinger's comments and his stand to continue to build the net worth and hope to reach the net worth requirements sooner than five years.

Mr. Redinger said that Intermountain is Montana people who intend to stay here and are coming up on their tenth year. Intermountain wants to continue to participate in the Board programs. Last year 20% of what they did as a company was Montana Board of Housing (MBOH) loans. Intermountain aggressively markets MBOH programs and has had good success doing so. They are running an ad on TV in Billings which is in interview format with a young couple buying their first home.

Paul Bankhead stated that he would vote no on the motion and wanted to explain why. The policy is inconsistent. Paul is concerned with new lenders being able to do business. He is on the Board to get people in houses in Montana. He understands that the Board needs to provide for the security, but are they going to give new lenders five years to meet the requirements if they apply? Paul feels the Board is inconsistent in that way. The \$1 million

was based on what the Board thought was valid qualifications that he is not sure of now. Paul would be happier and feels it would solve the problem if the Board changed the net worth to \$500,000.

Bob Savage asked about the fair market value of the depreciated building being computed in determining net worth. Maureen explained the historical cost principle of GAAP. It is an accounting philosophy.

The motion passed with Waneeta Farris, Michael McKee, Bill Oser, and Robert Savage approving the motion. Paul Bankhead and Barbara Hamlin opposed the motion.

INVESTMENT BANKER UPDATE

Peter Nolden of PaineWebber reported that the Single Family loans are picking up due to the time of year and conventional rates going up. The rate would be 7-7¼% if the Board were to enter the market today with a new tax-exempt issue. The long term treasury rate is 7% and the conventional rate is 8% in Helena.

Bob Morgan reported that as of May 13, 1996, the total reservations were \$12,172,432. Purchases were \$22,331,070.80 and the number of reservations was 147. There have been 346 loans purchased and the total balance to be reserved was \$27,625,335. Since the last Board meeting, \$6,700,000 has been reserved.

For the Recycled Mortgage Program the Single Family I indenture has \$5,521,359 set aside. Eleven reservations have been received since the last Board meeting. The Single Family II indenture has \$16,274,204 remaining to be reserved. Eight reservations have been received since the last Board meeting. The total of all set asides remaining is \$21,795,563. Maureen mentioned that there are funds available for a bridge program if needed. Bob Morgan presented a comparison of Mortgages quoted around the state.

Maureen said that Montana Board of Housing has a volume cap of \$147 million, including a carry over from 1993 of \$64 million which will expire at the end of the year if it is not used. There is \$40 million from 1994, \$43 million from 1995 and there will be \$40 million from 1996. The only options are to use the funds for Single Family bonds or Mortgage Credit Certificates.

GENERAL OBLIGATION RATINGS FOR HOUSING FINANCE AGENCIES

Maureen presented information from Moody's and Standard & Poor's which addressed general obligation ratings for housing finance agencies. The rating would offer financial flexibility for the future. Right now the rating that MBOH gets for a bond issue is the rating for that particular program only. It is based on the assets of the bond issue, the reserves, and the mortgages; what rate they are at and the security that they have (FHA or VA insured).

The bonds are rated AA, but the Board does not have an underlying rating for the Board as a whole. The Board has subordinate bonds that are part of Goldman deals which are not rated. The Moody's publication revealed that many of the smaller states and states within our area are getting general obligation (G.O.) ratings. The rating benefits housing agencies by providing an easier approval process and less onerous terms for HFAs risk-sharing programs, general financial flexibility, and creative financing.

John Wagner said some of the other states seldom have just general funds, it is usually cash in investments. Funds can be pledged and not be as restrictive as indenture funds. Peter Nolden said other state agencies pledge unrestricted fund balances for particular purposes. The main benefit of GO's would be flexibility in the Multi-family programs. John said that if MBOH had a GO rating, they would not have to document all the underlying security for small projects. It would save on staff and professional time. The initial cost would be about \$15,000 with a yearly maintenance fee and a disclosure statement. Bob Savage made a motion to direct the staff to take preliminary steps to obtain a general obligation rating subject to Board approval. Barbara Hamlin seconded the motion. The motion passed with Mike McKee opposing the motion.

HOUSING TOPICS UPDATES

Lodgebuilder Management sent a letter disputing the Board's analysis of their application. Mr. Scott Sherburne would like a copy of the minutes of the meeting and then would like to attend the June Board meeting. The Board directed Mike Mulroney to send a letter to Mr. Sherburne outlining the process.

The Housing Working Group concept has been getting mixed direction. Maureen asked for the Board's input on this group. The Board wanted the Housing Working Group to focus on government regulations and zoning that impedes housing. Mike McKee has a brochure from the National Association of Homebuilders with information that can be used for a starting place. Maureen said that the ad hoc subdivision review committee asked the Board to provide a participant. Dick Brinck said the issue of impediments to affordability and governmental regulations has a legitimate role and is a valid agenda for the Housing Working Group and will help communities. Barbara Hamlin said the Montana Association of Realtors (MAR) plans to have a task force in each community which will meet with bankers, Realtors, developers, and city and county government. The leaders of each community will meet each month to compare information. The MAR task force would like to send a representative to the Board meetings each month. Paul said that the group is an advisory group to gather information to bring to the Board. The staff at Montana Board of Housing can provide the administrative services to facilitate groups that are proactive in housing issues. Dick Brinck stated that the broader focus for the Board should be affordable housing. The Board would give the focus, be a resource, and a way to make public announcements. Maureen asked what groups should be represented and how they should be selected. Bob Savage suggested that it be a shared partnership which includes known groups and organizations. The group will

have informal meetings with an agenda to be discussed. Paul Bankhead will be the coordinator. Letters of invitation for a meeting will be sent out. Roger Pedersen will put the agenda together and oversee the meeting.

Mike McKee presented information on the HomeStart Savings Program which provides grants to match down payment dollars for assisting first-time home buyers in purchasing homes. Paul Bankhead stated that there will be something introduced in the legislature regarding first-time home buyers savings accounts.

Paul said that Lee Boyer with the Department of Agriculture called regarding the beginning farmer bonding program that is in the statutes. He would like to know if the Board is going to do anything or if it should be taken off the books. Maureen pointed out that the Board's authority is only for housing. The Board decided that they would let the committee decide whether to revoke it or authorize the Board to administer the program, but stressed the Board would need additional staff to take on another program.

Maureen stated that the Legislature has directed the Board to create programs for Veterans. The Board already includes Veterans for most of its programs, however, Maureen discovered the VA was not included to guarantee loans for the Disabled Accessible Affordable Homeownership Program. Now the VA has a grant program that can go up to \$38,000 with the VA to provide accessibility necessary for a home. Paul Bankhead made a motion to include the VA guarantee for loans, but the down payment and other parts of the program will remain unchanged. Barbara Hamlin seconded the motion. The motion passed unanimously.

Barbara Hamlin presented a cost comparison of loan programs. The programs compared were FHA, VA, MBOH, and conventional loans. She discussed the options and choices available and the advantages and disadvantages of the programs.

ADMINISTRATORS UPDATE

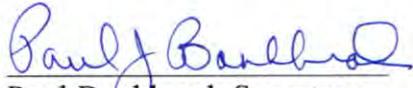
Maureen said that the GAO audit of the Low Income Housing Tax Credit Program is taking place. Bruce received a survey of 121 questions which requires documentation for every answer. A separate survey on one project has 50 questions. The amount of credit per unit was a factor in determining the projects that were audited.

Application workshops for the HOME, CDBG, MBOH, and technical assistance are taking place in Anaconda, Lewistown, and Glendive.

In September, the Breaking New Ground, Building New Partnerships workshop will take place in Billings. Maureen suggested that the Board schedule its September meeting in Billings to coordinate with the workshop.

Maureen and Kelly Rusoff have been in the process of submitting a budget. The legislature will be looking at the rates and fees that are brought in. The only fees charged are on the LIHTC program, the rest comes from within the indentures. The retained earnings figure is deceiving. The reserves and retained earnings will be explained in detail by Kelly and Maureen.

The Board agreed the next regular Board meeting will be June 18, 1996 in Helena. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 12:30 P.M.


Paul Bankhead, Secretary

6-24-96
Date



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on April 18, 1996, at 3:00 p.m., in the conference room at 836 Front Street in Helena, Montana. The meeting is being held to discuss the state Executive Budget Planning Process and the requests submitted for the Board's programs.

Maureen J. Rude
Administrator

4/10/96

Dated



MONTANA DEPARTMENT OF COMMERCE

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Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, Montana
April 19, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
 - Minutes from March 4, 1996 Board Meeting
- III. MULTIFAMILY AND REVERSE ANNUITY MORTGAGE - Bruce Brensdal, Multifamily Program Manager
 - Comparison of RAM Programs/Proposed Legislation
 - Shelby Project-Multifamily Financing
 - Low Income Housing Tax Credit Applications, Round 1, 1996
- IV. FINANCIAL REPORTING - Kelly Rusoff, Accounting and Finance Manager
 - December, 1995 Financial Statements
- V. SINGLE FAMILY PROGRAMS - Bob Morgan
 - Program Update--95B, Recycled Program, Delinquencies
 - Policy Issues-No Downpayment VA Loans, Purchase Price Limits on New Construction, Changes in Set-Asides
 - Income Limit Update
 - Update on FBS and First Interstate
 - Servicer Audits
 - Change in Net Worth Requirements-Admin. Rule
- VI. ADMINISTRATOR'S UPDATE, OTHER BUSINESS - Maureen Rude
 - NCSHA Spring Workshops, Tax Credit Conference
 - General Information
 - Budget Proposals
- VII. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made./24/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
PO Box 200528
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Phone: (406) 444-3040
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836 Front Street
Conference Room
Helena, Montana
April 19, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Absent)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multi-Family Program Manager
Kelly Rusoff, Accounting and Finance Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gene Huntington, Dain Bosworth
Gordon Hoven, Piper Jaffray, Inc.

COUNSEL: Mike Mulroney, Luxan & Murfitt
John Wagner, Kutak Rock

OTHERS: Dick Brinck, HUD

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes with Maureen's suggested changes. Bob Savage seconded the motion. The motion passed unanimously.

REVERSE ANNUITY MORTGAGE PROGRAM

Maureen commented that the proposal to the Department for the RAM program was the conceptual framework only, as that is all that is required at the start of the budget process. If the Budget Office approves moving forward with the legislation, then a bill draft will be submitted with the actual recommended changes.

Bruce presented a Reverse Annuity Mortgage Comparison which showed how MBOH's RAM program compares to FHA Reverse Mortgages and the Fannie Mae Home Keeper Program. Modifications planned for MBOH's RAM program fit some of the needs of the lowest income seniors better than the other programs.

Bruce went through a rough draft of the changes in updating the code. Bob Savage asked why the Board is amending the statute to move the Board out of the first lien position. Maureen replied that if they have \$1,000 outstanding in a tax lien, the Board wants to be able to take that out with our cash advance. One of the main reasons people have liens is due to taxes. Right now the law says the lien has to be taken out before the elder person can apply for the loan. Our program documents require that the lien be released at the time of closing. The Board wants the statute to say, that upon closing, MBOH will be in first lien position. Paul mentioned that the Board didn't want people to think they had to have the loan free and clear before they could approach the Board for a loan. Maureen stated that in the rules, the Board should add that Board of Housing has to be in the first lien position. Bob Savage said the Board wants to avoid someone writing a letter saying that the Board is changing the rules and discriminating against them.

RECD GUARANTEE PROGRAM, SHELBY PROJECT

At the last meeting, the Board approved for the attorneys to review the documents for the Shelby project and the associated risks involved with construction financing. John Wagner reported that RECD does not guarantee construction loans. RECD will guarantee the permanent take out loan which the Board could choose to finance with taxable debt. RECD will finance part of the permanent loan with a direct loan. However, even though the RECD guarantee and direct loan do not go in to place until the take out, RECD is very involved throughout the process. The Board would get an appraisal that RECD approved before construction would start on the project. RECD signs off on every advance during the construction period, even though RECD is not making the construction loan. This means that it would be very unlikely for RECD not to approve the project when it was completed. That approval would be necessary for the permanent take out financing to take place.

Mike Mulroney stated that in Montana if there is a default on a loan with a mortgage or trust indenture, the only legal remedy is to foreclose. John said that if there was a default, the only practical remedy would be to take over the project, complete it, and hopefully still get the take out financing. RECD does not have the legal right to buy the mortgage during the construction. RECD is only providing permanent financing. John stated that in all practicality, the RECD involvement throughout the whole project should help ensure little likelihood of a problem arising.

Maureen stated that Board of Investments does many projects like this. Bruce talked with David Ewer and since 1992 they have done many loans like this and David feels it is a manageable risk. John Wagner said that there are other state agencies that do make construction loans that are not insured. Maureen expressed that the Board is not going to be able to do Multifamily without risk any more, those programs are gone. The Board has to decide what is acceptable and what is not. On FHA risk sharing, MBOH is taking a risk because if one of those projects defaults, MBOH gets it. FHA no longer takes the projects back. There is not any other kind of credit enhancement that has much of a guarantee. The Board then discussed environmental issues and whether the Board would be at risk. Mike Mulroneu responded that there is a contract in place for the removal of the asbestos, and Bruce commented that bids have already been let for the removal. John Wagner stated that environment approval is required before a construction loan could be closed. Bob Morgan reported that both federal and state legislation has been enacted to protect lenders from being liable for environmental cleanup simply by virtue of providing financing. Maureen pointed out that no money would be advanced until the sign off of the environmental clean up has been completed correctly, which gives some risk coverage. The contractor will not get paid until they do the work. Mike Mulroneu stated that there is some risk, but practically speaking, the asbestos is the first thing they are going to take care of.

Bruce then discussed some other options that Board could consider in mitigating the risk. Bruce mentioned Lee Gibbs indicated the city and county are prepaying leases in the amounts of \$250,000 and \$204,000 respectively. In addition, the county is putting in \$250,000 up front. Bill Oser asked what impact this project would have on the city of Shelby. Bruce replied that the community really supports the project for assisted living and the city and county really need the new offices. Maureen pointed out that they look at it as an economic development project. Bill Oser asked Bruce to lay out the steps to proceed. Bruce replied that the Board would give preliminary approval based on the developer meeting requirements set by the Board. When RECD is tied down to a firm cost, they will issue an "I" letter which means they are planning to guarantee the permanent loan. Next would be a firm commitment and then closing of the construction loan. Once construction starts, RECD would approve payments after overseeing the project and the Board would disperse the money thru a disbursing agent in Shelby to pay the contractor and the architect. When the project is completed, permanent financing could take place.

The Board then discussed financing methods, with Bruce discussing both issuance of short term tax exempt notes, and financing from within the assets of the multifamily indenture. Bruce discussed having the city and county guarantee completion of the project and ensure the project is ready to qualify for take out financing.

Maureen pointed out that Bruce is proposing to have the money disbursed proportionately between the City and County and MBOH. Gene Huntington encouraged the Board to consider whether this would be a one time deal or something the Board would do more of. There is a need for construction financing and it will be requested more for this kind of facility. If the Board used its own money, it would be paid back and could become somewhat of a revolving fund, or the Board could start to create a program where it issues debt. The Board held a discussion of the interest rate needed to pay off the current multifamily debt, ratings, the idea of issuing short term notes, and a long term taxable debt for permanent financing. The Board then discussed assisted living and costs of medical care, and that assisted living is substantially lower in cost than nursing home care. There are a number of proposals circulating in Montana, if the Board can get some low-income units out of some of these projects, then it is achieving its purposes. The Board then discussed a possible set aside for the project, and how long the funds would be tied up. Waneeta said that she is comfortable with the potential loan if the city and county are involved and there is permanent financing at the end. Bruce proposed that the Board charge a 6% APR with a 1% origination fee to cover the existing risk of the loan. Maureen stated that the loans done with Billings Housing Authority, Great Falls Housing Authority and the group in Bozeman, that were not guaranteed or insured, were done at 6%. An origination fee was not charged because it was a pilot program. Paul said the Single Family program has 6.75% interest rate. Waneeta stated Norwest Bank would charge 9.5% for a construction loan with an origination fee. Barb asked if they have indicated an amount that would work for them. Bruce said the InterCap rate through Board of Investments is about 5%. Bill asked Bruce to clarify the proposal. Bill Oser made a motion to proceed with a preliminary commitment for the construction loan for the Shelby project in the amount of \$1,703,000 based upon a 6% return, with an origination fee of 1%, a set aside to track money, subject to RECD approval of all costs and issuance of an "I" letter. The money will be disbursed proportionately and the city and county will guarantee that if any cost overruns are incurred they will cover them, there will be permanent financing available, that the project will be completed, and such other conditions as the staff deems appropriate. Paul Bankhead seconded the motion. The motion passed unanimously.

FINANCIAL REPORTING

Kelly Rusoff presented a MBOH balance sheet and an income statement dated December 31, 1995. Cash from the State Treasurer was \$823,250 and was used for operating expenses. The total mortgage receivable was \$352,680,977. The interest received on mortgages was \$2,574,147 and the interest receivable on investments was \$2,686,571. The deferred bond issuance costs were \$5,849,355. The total assets were \$547,557,783. The bonds payable were \$457,679,014 which is the majority of MBOH's liability in addition to the bond interest payable

which was \$6,304,176. The total liability and fund balance was \$547,557,783. Paul Bankhead requested that Kelly find out how much MBOH contributes to other agencies through use of other state services.

The income statement showed that the majority of income comes from the Single Family Mortgages which was \$13,532,737. The investment income on the State Treasurer Investment was \$36,035 and the Investment Income on Trustee Investments was \$5,797,002. The reservation fees from the Tax Credit Program were \$16,504 and from the servicer fees for multifamily were \$9,542. The biggest expense is the interest on bonds which was \$15,775,867. Servicing fees were \$638,992 and the general and administrative expenses were \$367,731. The total net income was \$2,444,530 for six months.

LOW INCOME TAX CREDIT APPLICATIONS

Bruce received seven applications in the first round. He presented an overview of the applications received.

The Hardin project proposes 24 one bedroom elderly units. The amenities are laundry facilities. The utilities are gas heat and hot water paid by the owner. The tenants pay for electricity. There is an Option to Purchase on the land. The property is zoned properly. The total actual cost is \$1,235,000. The total eligible basis is \$1,116,000. The tax credit requested is \$44,640. The rent levels are below the 50% median income allowable rent. They are committing six units at this level. The loan is a conditional commitment with RECD in the amount of \$957,600. The project scored 75 points out of a total of 118 possible. Bruce presented support letters from the Mayor, the Board of Commissioners, the Chamber of Commerce, and the Council on Aging. The staff recommendation was to approve the project with a different level of credit than applied for. Bob Savage made a motion to approve the application for the Hardin Partnership based on staff recommendation in the amount of \$44,630. The motion was seconded by Waneeta. The motion passed unanimously.

The East Park Villa in Helena proposes 34 one bedroom and 4 two-bedroom elderly units. The amenities include laundry facilities, elevators, railings, and bathroom supports. The utilities are gas heat and hot water with the electricity for cooking and lighting paid by the tenants. There is an Option to Purchase and the property is zoned for multifamily use. The total actual cost is \$2,245,082. The Total Eligible Basis is \$2,032,067. The tax credit requested is \$182,886. The rent levels are 7 one bedroom units at \$360 and 1 two-bedroom unit at \$431 (50% of median) and 27 one bedroom units at \$440 and 3 two-bedroom units at \$527 (60% of median). A first mortgage is proposed with Valley Bank in the loan amount of \$1,389,187 and sponsor equity of \$50,000. The project scored 75 points out of a possible 118 points. Support letters were from the Mayor, Helena Housing Authority, Rocky Mountain Agency on

Aging, Helena Area Housing Task Force, and Lewis and Clark County. Paul Bankhead made a motion to approve the application. The motion was seconded by Bob Savage. The motion passed unanimously.

The Farmhouse Apartments in Belgrade proposes 16 two-bedroom units. The amenities include laundry facilities and storage sheds. The utilities are gas heat and hot water with electricity for cooking and lighting payed by the tenants. The property is owned and is zoned for multifamily use. The total actual cost is \$854,740. The total eligible basis is \$787,182. The tax credit requested is \$70,846. The rent levels are \$435 (60% of median). A construction loan with Western Federal Savings is proposed in the amount of \$470,000. The project scored 69 points out of a possible 118 points. Letters of support were from the City of Belgrade, the Mayor, the Human Resource Development Council housing director and executive director, and a letter of commitment from the developers. Bill Oser made a motion to accept the Farmhouse Apartments application. The motion was seconded by Barb Hamlin. The motion passed unanimously.

The Lake Elmo Apartments in Billings proposes 3 one-bedroom (handicapped accessible) units, 42 two-bedroom units, and 18 three-bedroom units (63 total units). The amenities are laundry facilities and garage stalls. The utilities are gas heat and hot water paid by the project owner with tenants paying for electricity for cooking, lighting, and air conditioning. There is an Option to Purchase and the property is zoned for multifamily use. The total actual cost is \$3,143,198. The total eligible basis is \$2,888,500. The tax credit requested is \$259,965. The rent levels are 14 two-bedroom units at \$440 (50% of median) and 3 one-bedroom units at \$400, 28 two-bedroom units at \$475 and 18 three-bedroom units at \$575 (60% of median). The financing is proposed as with Stearns County National Bank of St. Cloud Minnesota in a loan amount of \$1,700,000 and sponsor equity of \$13,390. The project scored 71 points out of a possible 118 points. Letters of support were from Billings Public Schools, the Mayor, and the Housing Authority of Billings. Bill Oser made a motion to accept the Lake Elmo Apartments application. The motion was seconded by Paul Bankhead. The motion passed unanimously.

The Burlington Square Elderly Rental project in Missoula proposes 44 one-bedroom units and seven two-bedroom elderly units. The amenities include a paved walking path, heavy landscaping, flower gardens, a common recreation area, and laundry facilities. The utilities are paid by the owner. There is an Option to Purchase contract. The property is zoned for multifamily use. The total actual cost is \$3,340,819. The total eligible basis is \$3,986,344 (Missoula is at 130% hard to develop area). The tax credit requested is \$358,344. The rent levels are 17 one-bedroom units at \$371 and 4 two-bedroom units at \$445 (50% of median) and 27 one-bedroom units at \$444 and 3 two-bedroom units at \$533 (60% of median income). The developers have a conditional commitment at Norwest in the amount of \$1,000,000 and a Developer loan of \$8,808. The project scored 87 points out of

a total of 118 points. Support letters were from the Mayor, Missoula Housing Authority, Summit Independent Living Center, Missoula County, Missoula Aging Services, and Missoula Human Resource Council. Bruce encouraged the Board to read the two letters that were sent so the developers' arguments are heard. Bruce said the unit size is smaller because they are more attractive to the elderly people because there is not as much to take care of. The staff recommendation was for a reduced level of tax credits in the amount of \$335,371 due to the high cost projections. There is a lot of community support and the housing authority is involved. Board members felt that the developer's fee of \$11.41 per square foot seemed high. Bruce responded that the proposed developer fee meets MBOH's threshold limit of 15%. The Board can cut the amount of credit and tell them they have to reduce their development fee. Then the developer has to make a decision if they still want to do it or not. Bruce stated that the Board has an Accountant certify that costs (\$11 per square foot) were actually spent. He said the developers are committed to maintaining the project as affordable housing for 46 years and want to have the project quality enough so that it is a good project for 46 years and not going down the hill after 25. They are targeting 40% of 50% median income and really tried to get it at 100% of the units below 50% median income. According to the Developer, between 25 and 35% of the cost of new construction is a due to government regulatory requirements. The credits per unit on the Helena elderly project were \$4,813. This one is requesting \$6,333 per unit. The Board then discussed offering the developer a reduced amount of tax credits and letting the developer come in with a revised cost estimate. The Board discussed costs in various areas and how much credit would be appropriate for a high cost area such as Missoula. The Board felt \$5,000 wouldn't be out of line. After significant discussion regarding costs, government regulatory requirements, and costs in Missoula, the Board expressed frustration that the local areas keep adding requirements to "affordable housing" and continue to increase the costs. Paul Bankhead made a motion to approve the project, but reduce the allocation to \$300,000. Paul requested that MBOH staff request the developer go to the City of Missoula and ask for some concessions to the requirements which add to the cost. Barb Hamlin seconded the motion. The motion passed unanimously.

The Lodgebuilder Subdivision proposes 20 three-bedroom houses and 10 four-bedroom houses. Each house will have a single attached garage. The tenants will pay all utilities including electric heat, hot water, cooking and lighting, they also pay water, sewer and trash. The Board then discussed why a project in Browning would have electric heat when gas is available. The Board discussed concerns over increased costs to tenants for electric heat. Bruce said the developers indicate the high efficiency electric heat is just as efficient as gas. Bruce stated that the developer says there is a population in that area that can afford these things, they can afford the higher rent. A lot of the units up in Browning are also

subsidized units that are paying \$50 a month or maybe nothing for a house or an apartment. The Board mentioned this is one of the few projects they have seen proposed with electric heat, and the cost of utilities definitely affects affordability for low income tenants.

Bruce then discussed proposed financing, and staff's concern the proposal for financing indicated a rate which may not be obtainable. Bruce explained the proposed financing would potentially include the 184 program if the tenant goes on to purchase the home. The rate the finance company quotes is 7%, and the finance company indicates it issues private paper, to a very social conscious person who is willing to buy this paper at a lower rate. Bruce commented that the project does not cash flow at a higher interest rate.

Bruce then discussed a lawsuit the developer is involved in, and discussed a copy of the lawsuit included in the Board's packets. The Board expressed concern that the 1992 contract was for 72 homes at \$5,500,000 and here it is four years later and 51 homes have currently been built and 21 homes remain to be constructed, and none of the houses are apparently occupied. Bruce explained there are five lawsuits, three are the tribe against Blaze construction and two are Blaze against the tribe. The houses that are built are unoccupied, there is no water serving those houses, they just got flooded, and there is no money. In theory, those homes are going to be sold and mortgaged and the proceeds from that are going to go toward completion of the other homes. The tribe has prohibited Blaze construction from participating in the future. Bruce pointed out these are alleged charges.

Bill Oser made a motion that based upon the lack of recommendation of the staff and the discussion held by the Board to deny the application. Paul Bankhead seconded the motion. Mike Mulrone confirmed that it is the Board's decision and it's a perfectly reasonable decision based on the evidence in front of the Board. The Board and staff then discussed potential problems associated with turning down projects, that a bad project or something that really has a lot of problems is one of the worst possible things that the Board could do, given the fact that Congress has been discussing sunsetting the program, and the GAO audit. Maureen indicated a bad project is the kind of thing that will kill the whole program, not just one project. The Board then discussed looking at tax credit projects with the same criteria as if it were doing the permanent financing, and would the Board want to advance its funds. Even though the tax credit is not the Board's dollars, it has a fiduciary responsibility to use the taxpayers resources in the best possible manner. Maureen and Bruce pointed out the federal regulations and it says the agency must look at sources and uses of funds, financial feasibility, proceeds generated from the sale of the tax credit, percentage of cost used for project costs and intermediary costs and reasonableness of the developmental and operational costs of the project. The Board discussed the high per unit costs of almost

\$99,000 per unit, and even though the units are large, single, family units, whether this type of project is appropriate for a multifamily rental housing project. The Board also discussed the need to look at how much of its resource they are putting into any one project. This project is requesting over \$10,000 a unit for single family homes (totaling \$102,000 over the ten year tax credit period), and that is a huge investment of a very limited resource.

Maureen pointed out the results of a lawsuit against the Indiana agency allocating the tax credit and that the Indiana agency was sued for not allocating credit to a project even though it scored the minimum threshold of points. However the Indiana allocation plan disclosed that the agency could deny a project whether or not it scored the minimum points. The court said the agency had the right to deny an application notwithstanding the point ranking system because the authority reserved the right in the allocation plan. The MBOH has in its Qualified Allocation Plan a statement that says "The Board of Housing reserves the right to disapprove any development for any tax credit allocation regardless of the ranking under the criteria outlined above." The Board then discussed a number of other issues related to the project, including the AHP grant, and whether the project is financially feasible without the grant. Bruce indicated without the grant the project does not generate sufficient cashflow to cover the required debt, even with a 7% loan. The Chairman called for the question on the previous motion to deny the application, made by Bill Oser and seconded by Paul Bankhead. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan presented an update of 1995 Series B showing \$4,000,008 as the balance in the first phase of the program. MBOH will run out of funds before the next meeting. Paul Bankhead made a motion to release the next phase of funds for the Single Family Series B. Bill Oser seconded the motion. The motion passed unanimously. Bob Morgan presented a brochure with questions and answers to be sent to Realtors. A comparison of mortgage quotes showed that conventional rates are around 8.25%. The status of the CAP VI showed \$3,222,538 remaining in the allocation and the DAAHP Program has \$5,792,383 remaining. Paul Bankhead presented information from the DAAHP which shows that MBOH will assist with rehabilitation of a home whose owner or family member became disabled after the house was purchased, and that he would be sending information out to a group of polio survivors he has been talking to. The recycled mortgage program set aside summary showed \$6,049,777 left to reserve in Single Family I set aside projects and \$16,590,425 remaining to be reserved in Single Family II set aside projects. The total of all set asides to be reserved is \$22,640,202.

Bob presented the quarterly delinquency summary showing 8,071 loans outstanding, 1.49% were 30 days delinquent, .55% were 60 days

delinquent, and .50% were 90 days delinquent with a total delinquency of 2.54% and .45% were in foreclosure. This compares with total delinquencies of 3.26% for Montana, 3.62% for the mountain region, and 4.42% for the nation.

Bob presented a memo regarding the House Joint Resolution that requires the Department of Commerce to collect information on veterans and establish programs to meet their needs. He also presented a request from a lender to allow a veteran to have a zero down payment loan at a 7% mortgage rate similar to the way MBOH purchases RECD guaranteed loans. Bob Savage made a motion to allow zero down payment on VA guaranteed loans for the 1995 Series B funds, but if the down payment is less than what is required if the loan were insured by FHA that the mortgage rate be 7.0%. The motion was seconded by Bill Oser. The motion passed unanimously.

Bob presented a memo requesting "Prior Approval Authority" for the staff to authorize minor adjustments of funding. Bob Savage made a motion that the Administrator be given authority to change set asides for projects at the sponsor's request or as determined necessary by Single Family Program Manager, up to 5% of the total project set aside, with a maximum of \$50,000. The motion was seconded by Waneeta. The motion passed unanimously. Staff will report to the Board any action taken.

Bob presented a memo on the purchase price limits. The tax law allows the Board to set different purchase price limits for "Existing Housing" and "New Construction." Bob Savage made a motion to set a different purchase price limit for new construction to allow for the cost of land, for consistency with the policy that no more than 35% of the loan can be for land, the limit would be set such that the new construction limit is 35% higher than the existing housing limit, but the loan could not exceed the FHA maximum mortgage limit of \$100,000 or the applicable mortgage limit for the county. Bill Oser seconded the motion. The motion passed unanimously.

Bob presented a memo on the review of FY 1996 Income Limits. The maximum income limits for tax-exempt Mortgage Revenue Bonds for homeownership financing is based on the greater of the area median income or the statewide median income. Bill Oser made a motion to accept HUD recommendations for income limits. Bob Savage seconded the motion. The motion passed unanimously.

Bob presented a memo on the status of FBS Mortgage and First Interstate Bank Acquisitions. FBS Mortgage has closed its loan origination doors. It will assign its servicing of 901 MBOH loans to Streeter Brothers Mortgage Company in Billings. The transfer of loans is scheduled for May 21, 1996. First Interstate Bank loan servicing center will close its door June 20, 1996. Bob sent them a list of approved servicers in Montana. The status of servicing of the First Interstate Bank portfolio is still in question.

Bob presented a memo on the status of servicer audits. The Legislative Auditors performed audits on Intermountain Mortgage Company, and Security Bank FSB in Billings and Norwest Mortgage Inc. in Des Moines. A report will be forthcoming.

The Board's administrative rule change became effective on March 8, 1996. Three institutions were in noncompliance. Bob sent letters asking what their plans were to get their net worth into compliance with the Board's rules. Kelly discussed the rules of Financial Accounting Standards allowing institutions to put a value on the loan servicing they are doing. A discussion by Board members followed. The million-dollar net worth rule is based on Freddie Mac and the Board of Investments figures and is consistent with the other states. The Board advised Bob to write a letter of response to the institutions.

ADMINISTRATORS UPDATE

Maureen presented a NCSHA calendar of events. Bob Savage made a motion to allow Maureen and Bill to attend the Spring Workshops in Long Beach California, Bruce attend the Tax Credit Conference in Seattle Washington, Maureen to attend the Executive Director's Workshop in Seattle Washington, and Bob Savage and another member attend the NCSHB Workshop in Milwaukee Wisconsin. Paul Bankhead seconded the motion. The motion passed unanimously.

Maureen presented general information from PaineWebber, a letter regarding the rule on municipal bonds, a bond buyer article, a HUD newsletter article on state partnerships, and a news release from the Idaho Housing Agency.

The next meeting will be May 14, 1996. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 2:00 P.M.


Paul Bankhead, Secretary

5-20-96
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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MONTANA BOARD OF HOUSING
Room 312-2, State Capitol Building
Helena, Montana
March 4, 1996

- I. CALL MEETING TO ORDER - 9:00 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from February 5, 1996 Board Meeting
- III. REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal
- Proposed ARM and MCA Changes
- IV. RURAL ECONOMIC AND COMMUNITY DEVELOPMENT GUARANTEE PROGRAM,
SHELBY PROJECT - Mary Lou Falconer, Housing Director
- Bruce Brensdal
- V. SINGLE FAMILY PROGRAMS - Bob Morgan
- Montana People's Action
- Update on 95B Activity
- Change in Administrative Rules Affecting New Lender
Applications
- FBS Mortgage
- Standard & Poor's Meeting
- VI. ADMINISTRATOR'S UPDATE, OTHER BUSINESS - Maureen Rude
- VII. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 2/24/95



MONTANA DEPARTMENT OF COMMERCE

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Capitol Building
Room 312-2
Helena, Montana
March 4, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF:

Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multi-Family Program Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gene Huntington, Dain Bosworth
Gordon Hoven, Piper Jaffray, Inc.

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Jerry Boone, HUD/FHA
Mary Lou Falconer, RECD

CALL MEETING TO ORDER

The meeting was called to order at 9:00 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes for the February Board meeting. Barbara Hamlin seconded the motion. The motion passed unanimously.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce presented proposed Reverse Annuity Mortgage Program changes to the Montana Code Annotated and Administrative Rules of Montana. The Legislative changes were that the age limits are determined by the Board; changing the section of current law which states the home must be unencumbered by any prior mortgage, lien, or pledge; and accepting condominiums.

Maureen stated that Bruce and Connie have been asked to participate in some training that the Governor's Office on Aging is doing involving the RAM program. Mike McKee said changes need to be made to make the program more flexible now that it has been in place for a number of years.

Mike McKee made a motion to approve the proposed Reverse Annuity Mortgage loan changes for the purpose of submitting to the Department of Commerce the suggested Legislative changes. Bill Oser seconded the motion. The motion passed unanimously.

Bruce presented proposed Administrative Rules of Montana (ARM) changes for the Reverse Annuity Loans. Suggestions were made in wording to conform with the Legislative changes. The Board advised adding "that upon closing the Montana Board of Housing will be in the first lien position."

Maureen recommended having a draft policy ready for the next Board meeting. Mike McKee urged making changes based on input from the Senior citizens' network. Mike McKee reported that a group of physicians is interested in the RAM program as a source of income to help with medical payments and home care bills. The group will meet in Great Falls on March 13, 1996 at 5:30 p.m. at the Columbus Hospital.

Bruce presented changes in the section on Cash Advances. Mike McKee made a motion that the proposed changes for Administrative rules should be considered for implementation, subject to the Legislative changes being accepted. Paul Bankhead seconded the motion. The motion passed unanimously.

RECD GUARANTEE PROGRAM, SHELBY PROJECT

Bruce introduced Mary Lou Falconer of RECD. Mary Lou discussed the risks involved with construction financing for the Shelby project. The project falls under the Community Facility Loan Program. The project will be competitively bid with all the plans reviewed by staff architects. RECD would provide a letter of commitment before the Board would be involved in interim financing for construction. Mary Lou assured Mike Mulroney that the Board would get an interim mortgage and a promissory note if they provided the interim construction financing. Bruce stated that David Ewer from Board of Investments felt that this project had very little risk involved for construction financing. Lee Gibbs from the State Bank of Shelby told Bruce that cost overruns are an option that could be considered by the county for a guarantee. Bill Oser expressed that he felt the project is good, but wants to know up front that the loan repayment is guaranteed. Mary Lou stated that RECD has many conditions that must be met before the project could proceed. Bill Oser made a motion to proceed with legal investigation of the loan documents to see if the Board wants to pursue the project as far as reviewing the legal status of the guarantees, with the understanding there is no commitment for

approval of the project itself at this time. Paul Bankhead seconded the motion. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan presented a letter from the Montana People's Action stating that they will not be using MBOH set aside funds, but will be using local banks.

Bob showed a chart for the 1995 Series B reservations received each week. The number of reservations received each week started out around 55. The lowest week was the week of Jan. 29, 1996, which is typical for this season. Reservations started increasing from that point. A recap of Series B showed \$115,486.27 received in reservation fees. Loans purchased were \$15,459,001.69. The balance in the first phase of the program is \$10,305,321.85. There have been 117 loans reserved with three loans in process and 235 loans purchased. Bob also presented a memo of a survey of Lenders on the Bond Program. He proposes to print up a brochure that answers questions to Realtors and Lenders. Barb suggested that some misconceptions start with Realtors, therefore, the brochure would be helpful. Maureen suggested that the housing programs work with the Board of Realtors to offer classes that could apply toward certification credits.

An article from the Independent Record in Helena showed that the 30-year rate is 7.625%.

Bob presented a memo of the timetable for the Administrative Rule Change to include a Minimum Net Worth for Lenders and Servicers. The changes started through the steps of ARM's process in October 1995 and the rule change became effective on March 8, 1996.

Bob Morgan presented a memo regarding the sale of FBS Mortgage to Knutson Mortgage with Bank of America servicing their existing loan portfolios. Knutson Mortgage will operate FBS's mortgage office in Billings. FBS is servicing 905 loans totaling \$29,858,601. FBS originated 24 loans in 1994 totaling \$1,453,097 and 37 loans in 1995 totaling \$2,077,440. There is a possibility of transferring FBS servicing to other Servicers within the state. Mike McKee made a motion that the Board direct staff to write a letter to FBS and advise them of the rules and regulations regarding the requirements of in state Servicers and provide them with a list of the Montana institutions that are interested in additional servicing and ask them to respond within an appropriate time as to what their plans of divesting their servicing would be. Paul Bankhead seconded the motion. The motion passed unanimously.

Bob discussed that Wells Fargo purchased First Interstate Bank. Their bank in Denver is the trustee for most of MBOH bonds and their bank in Casper is a servicer for MBOH loans. First Interstate in Casper is servicing 705 loans totaling \$29,695,387. First Interstate Bank originated 50 loans in 1994 which totaled \$3,113,588 and 65 loans in 1995 which totaled \$4,138,491. Maureen has been in close contact with Rick Sullivan about the Corporate Trust operation.

Bob Morgan reported on the Standard and Poors Conference that he attended. The discussions at the conference were flat tax and its effect on the municipal bond and housing market, derivatives and disclosure, and the future of HUD and affordable housing bonds.

Bob presented a financial statement from a lender in noncompliance. Maureen suggested that working with lenders in noncompliance be put on the agenda for next month. Bob Savage proposed that a letter be sent to those lenders in noncompliance informing them of the rule change that is effective on March 8, 1996.

ADMINISTRATORS UPDATE

Maureen Rude presented an article on the Moody's rating of securities firms and a Kutak Rock memo on "Congress adopts securities litigation reform bill."

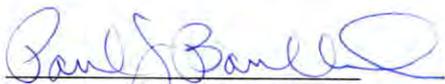
Maureen clarified travel and per diem for Board members. Board members receive \$50 per day while they are in travel status because it is part of their duty as a Board member and insures workers' compensation.

Maureen reported that the move has been completed. She would like a meeting on the budget process in April to discuss some of the specifics of the cost of the move.

The Annual Report is at the printers and will be sent out to the Legislators and those requesting a copy. There were 400 copies of the Annual Report ordered.

Maureen presented a request from Nancy Stephenson for an additional \$25,000 for the NHS Affordable Housing III Set Aside. Mike McKee made a motion to approve the \$25,000 request for the last house on this project. Bill Oser seconded the motion. The motion passed unanimously. Maureen asked the Board to establish a policy on what should be brought to them regarding increases on set asides. The Board would like the staff to have discretion with set guidelines and bring reports to the Board, and directed the staff to propose a policy at the next Board meeting.

The Board agreed the next regular Board meeting would be April 25 & 26, 1996 in Helena. There will be a business meeting in afternoon on the 25th. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 12:15 P.M. (Subsequent to the meeting, the date for April changed to the 18th and 19th.)


Paul Bankhead, Secretary

4-30-96
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
Room 107, 111 Sanders Street (SRS Building)
Helena, Montana
February 5, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from January 9, 1995 Board Meeting
- III. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
- Recycled Mortgage Program Updates
- 1995 Series A
- 1995 Series B
- IV. REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal
- Update on Program
- Rule/Policy Changes, Survey
- V. ADMINISTRATOR'S UPDATE - Maureen Rude, Administrator
- Cashflows for Single Family I and II
- General Counsel Contract
- Tax Credit Task Force
- VI. CHAIRMAN'S UPDATE - Bob Thomas, Chairman
- Western States Meeting
- VII. MULTIFAMILY PLANNING, SHELBY PROPOSAL - Bruce Brensdal,
Multifamily Program Manager; Ron Christensen, Christensen Building
Corporation; Gene Huntington, Dain Bosworth.
- VIII. OTHER BUSINESS
- Set Next Meeting Date
- IX. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

11/24/95



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

Capitol Building
Room 312-2
Helena, Montana
February 5, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Absent)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Diana Hall, Administrative Assistant

UNDERWRITERS: Gene Huntington, Dain Bosworth
Gordon Hoven, Piper Jaffray, Inc.

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Bob Bartholomew, Office on Aging/DPHHS
Ron Christiansen

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee stated that the Jan 9th minutes should be corrected on page 4 to state that "The Board discussed focusing on regulatory issues and the increased cost impact on affordable housing as a starting point. The Board would then direct the focus on other issues." He also pointed out that the same paragraph should state "participants interested in" the working group rather than "participants of" the working group. The budget report was corrected to "equipment" will increase during MBOH's move because the panels do not belong to MBOH. A motion was made by Bill

Oser to approve the minutes as corrected. Mike McKee seconded the motion which passed unanimously.

Maureen stated that an ad hoc committee has been formed to look at subdivision rules and regulatory issues that relate to infrastructure and affordable housing. The Realtors and developers and the environmentalists were at odds about bills relating to subdivision law at the last legislative session. They decided to set down with a very broad diverse group of people who are interested in how development happens and try to reach a consensus before the legislature. The groups represented are some of the same groups that the Board was considering for the housing working group. Maureen will get more information from Newell Anderson so we don't duplicate representation. She said the committee would be willing to have a Board member serve on it.

Mike McKee shared a notice from a Realtors newsletter from Missoula. The notice stated that the Housing Task Force appointed to identify ways to provide affordable housing in Montana will meet with the MBOH and HUD at its initial meeting sometime in March. The Task Force will be exploring new ways to cut housing costs which may include legislation for the upcoming session.

Maureen mentioned that she had a letter from Tom Llewellyn of the Realtors Task Force.

SINGLE FAMILY HOUSING PROGRAMS

Bob presented a map that showed the location of approved lending offices within the state of Montana for MBOH programs. The Board has lenders in 48 out of 56 counties. The number under the name of the town indicates how many lenders are participating. Waneeta pointed out that First Security Bank has a branch in Hysham.

Bob Morgan gave an overview of the Recycled Mortgage Programs. The Single Family I indenture has six set asides for a total of \$6,405,000. The Single Family II indenture has eleven set asides totaling \$17,273,000 in setasides. There are seventeen set asides totaling \$24,679,00. Bob presented a letter sent to the Montana Peoples Action stating their set aside expires May 1, 1996.

The status of the Homebuyers Cash Assistance Program showed that the average CAP loan funded was \$735.50. The average loan purchased was \$40,456 and the average household income was \$18,850. In the Disabled Accessible Affordable Homeownership Program, the average CAP loan funded was \$1,806. The average loan purchased was \$58,172 and the average household income was \$16,862.

Bob Morgan gave an overview of the status of the 1995 Series A issue. Nineteen loans have been reserved and 426 have been purchased. There is \$35,859 remaining in the lendable pool. The first phase of the 1995 B series has \$11,078,000 left. The first phase of the program originally had \$33,000,000 and there was \$110,795 in reservation fees collected. There are 123 reservations for \$8,082,000 and 213 purchases for \$13,949,691. The RECD setaside has 13 loans purchased with 16 loans reserved, which has used up the setaside. The 203K setaside started with \$1,000,000. Five loans have been purchased and four loans are reserved leaving \$465,684. Paul Bankhead pointed out that there were about 770 loans made for 1995. Bob gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each lender. Then he

gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and average income for the most active areas around the state. He also presented a financial statement from one of the lenders. A discussion took place concerning the timetable for dealing with lenders that are not in compliance with the new administrative rules. Maureen suggested that the Board put the compliance issue on the agenda for the next meeting.

RAM PROGRAM

Maureen introduced Bob Bartholemew from the Office on Aging. Bruce Brensda presented the survey results for the RAM program along with the program statistics. The survey revealed a need for more education on the program. Mike McKee expressed concern that the senior citizens groups are not taking responsibility to promote and educate people like they did when the program was first started. Bob Bartholemew said that he is optimistic about the program, but the Aging Network needs to train more counselors. Maureen mentioned that the MBOH staff for the program is new and hasn't had time to do much education and training. Mike McKee stated that the RAM program serves a critical need and that the Board should be attentive to recommendations of Senior groups as an ongoing process to meet their needs. Bruce pointed out that the proposed changes in the Administrative Rules makes the policy more flexible so that necessary changes can be addressed as they come up. The issues of condominiums being acceptable and age limits for the program were discussed.

ADMINISTRATORS UPDATE

Maureen stated that the cashflows for Single Family I and II are normally run after each bond call and presented to the trustee. Maureen had PaineWebber complete the cashflows since Kelly Rusoff is on maternity leave. Maureen said she got an update on the market from Peter Nolden and John Feenly of PaineWebber and that the CAB's are hurting the program's residual value. A residual values analysis was done which reveals the interest rate lowering that the Federal Reserve did was already built into the market and did not have a big impact on the market. The municipal market is doing well. Economists project that long term rates will stay close to where they are, but short term rates will drop. If the Board did an issue right now the best rate would be 6 3/8%, and the negative arbitrage would be significantly higher than it was on 1995 B.

Bruce and Maureen attended the NCSHA Tax Credit Task Force in Washington DC. In the morning the Task Force met with the IRS to discuss communication between the states and the IRS. States give monitoring information on non compliance to the IRS, but the IRS is not able to communicate what they do because of disclosure rules. In the afternoon, the Task Force met with the General Accounting Office. Recommendations were drafted to present to the General Accounting Office. Maureen and Bruce visited the offices of the Congressmen to discuss housing issues.

Maureen reported that the Board of Investments is not interested in pursuing any joint in-house servicing.

Maureen presented a memo from the Legal Services Review Committee regarding the Board's general counsel contract. She has a draft letter and a memo from John Wagner stating the reasons why the Board needs outside legal counsel. Discussion ensued about the Board being an autonomous

quasi judicial entity. Mike Mulroney researched the law to determine the authority that the Board has to contract legal counsel. The legal counsel is for the Board and not for the department. The Board appreciates the trust and knowledge and immediate availability they have in Mike Mulroney. The Board has statutory responsibilities and liabilities. The Board requested Maureen pursue a meeting with the responsible parties.

CHAIRMAN'S UPDATE

Bob Thomas proposed working with neighboring states to discuss similar problems and how they have resolved these problems. Representatives of the Housing Agencies and their Boards would be invited. Bill Oser made a motion to inquire of neighboring states (North and South Dakota, Wyoming and Idaho) about the feasibility of meeting in Billings, Montana during the month of July for a constructive meeting for the benefit of all. Mike McKee seconded the motion. The motion passed unanimously.

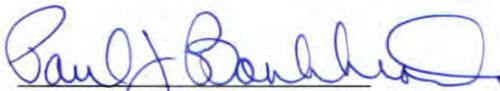
MULTIFAMILY PLANNING, SHELBY PROPOSAL

Bruce Brensdaal introduced Ron Christensen of Christensen Construction and Gene Huntington of Dain Bosworth to present a proposal to renovate the Toole County Hospital. Ron Christensen gave an overview of the project including the background and development. He would like the Board to provide the construction financing for the project and consider buying the guaranteed portion of the loan that is being processed with RECD. Gene Huntington explained the financial options of the project. The Board expressed the proposal needs to show where the risk lies and where the risk mitigation or elimination comes in.

OTHER BUSINESS

Maureen shared a letter from Tom Llewellyn of the Task Force that the Realtors put together requesting to meet with the Board in March.

The Board agreed the next regular Board meeting would be March 4, 1996 in Helena. There will be a business meeting in the morning with a box lunch with the Realtors at noon, subject to change based on the Realtors Association schedule. Bill Oser made a motion to adjourn the meeting. The motion was seconded by Bob Savage. The motion passed unanimously. The meeting was adjourned at 1:15 p.m.


Paul Bankhead, Secretary

3-4-96
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
Capitol Building, Room 312-2
Helena, Montana
January 9, 1996

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
- II. APPROVAL OF MINUTES - Chairman Bob Thomas
- Minutes from December 5, 1995 Board Meeting
- III. APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS - Robert Morgan,
Single Family Program Manager
- IV. SINGLE FAMILY HOUSING PROGRAMS - Robert Morgan
- Recycled Mortgage Program Updates
- 1995 Series A
- 1995 Series B
- Delinquency Statistics
- V. QUALIFIED ALLOCATION PLAN, UPDATE ON TAX CREDIT AND MULTIFAMILY
PROJECTS - Bruce Brensdaal, Multifamily Program Manager
- VI. BUDGET REPORT - Maureen Rude, Administrator
- VII. INVESTMENT REPORT - Kurt Lewis, Accountant
INVESTMENT POLICY - Maureen Rude, Administrator
- VIII. HOUSING WORKING GROUP DISCUSSION - Paul Bankhead
- IX. ADMINISTRATOR'S UPDATE - Maureen Rude
- X. OTHER BUSINESS
- Standard & Poor's Meeting
- Set Next Meeting Date
- XI. Oser's Motion - ADJOURN

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.

11/24/95



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Capitol Building
Room 312-2
Helena, Montana
January 9, 1996

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Paul Bankhead, Secretary (Present)
Mike McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Administrator
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multi-Family Program Manager
Kurt Lewis, MBOH Accountant
Diana Hall, Administrative Assistant

UNDERWRITERS: Gene Huntington, Dain Bosworth.

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Chris Christiaens, State Senator
Roger Pedersen, Section 8 Housing
Susanne K. Gantz, RECD
Jim Taylor, Taylor & Associates
Kevin Hager, GFHA
Ronda Carpenter, Montana Housing Providers
Glenn Johnson, Habitat for Humanity

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Mike McKee stated that the Dec. 5th minutes should be corrected on page 3 to state that Mike McKee opposed the second part of the motion regarding expansion. The financial statement from a servicer/lender should state that they showed a profit in October. John Wagner gave some editorial corrections to be made on the Proposed Changes to Single Family Indenture section. Mike McKee made a motion to approve the minutes as corrected. Bill Oser seconded the motion which passed unanimously.

APPLICATIONS FOR SINGLE FAMILY RECYCLED FUNDS

Bob Morgan presented a request for recycled funds from RECD. They propose to put \$659,200 in the program themselves as a second mortgage for 50% of the loan. The second mortgage would have a 1% interest rate for borrowers whose income does not exceed 50% of the area median, a 2% interest rate for borrowers whose income does not exceed 55% of area median income, and a 3% interest rate for borrowers whose income does not exceed 60% of area median income. RECD would like the Board to match their funds of \$659,200 with recycled funds at a 6% interest rate and FHA insurance for a 30-year term. The maximum income of borrowers would not exceed 60% of the area median income and the property would be in rural areas. Combining the two would give 3.5%, 4%, and 4.5% average mortgage rate for low and very low income people in rural areas. The sum of the first and second mortgages would not exceed the appraised value. Bill Oser made a motion to accept the request, based on the fact that it would reach rural Montana, the loans would be insured, and low income housing would be reached. Barb Hamlin seconded the motion. The motion passed with Mike McKee and Bob Savage opposing the motion. A motion was made by Mike McKee to put an expiration date of July 1, 1996 on the RECD setaside. The motion was seconded by Paul Bankhead. The motion passed unanimously.

SINGLE FAMILY HOUSING PROGRAMS

Bob Morgan gave an overview of the Recycled Mortgage Programs. The Neighborhood Housing Services has two setasides; the Affordable Housing Program #3 has five loans purchased with seven loans reserved leaving a setaside of \$714,555, while the Owners in Partnership III setaside has six homes under construction with twelve planned. The rest of the funding for this program is coming from the HOME program. The Owners in Partnership setaside expires this month. Nancy Stephenson of Neighborhood Housing Services sent a letter requesting an extension. Paul Bankhead made a motion to grant the extension. The motion was seconded by Bob Savage. The motion passed unanimously.

The City of Billings setaside has 44 loans purchased and four loans reserved. The setaside has \$792,786 left in it. The City of Kalispell setaside is proceeding with \$2,686,000 remaining in the setaside. The Western Montana Mental Health Setaside and the District XI Human Resource Council Setaside have construction taking place. The total setaside for Single Family I is \$7,503,341.

Section 184 Indian Housing Program has \$1,000,000 setaside. One reservation is in, but it needs some further documentation. The Disabled Accessible Affordable Homeownership Program has 54

loans purchased and \$5,792,384 remaining in the program. The Montana Peoples Action Program has \$150,000 remaining in the setaside. This program expires on May 96 and the Board recommended that a letter be sent notifying them that the funds are about ready to run out. The Western Montana Mental Health Center Program has construction taking place. The Glacier Affordable Housing is just getting started after receiving HOME funds. The Cash Assistance Program has six loans reserved and two loans purchased leaving \$3,661,788 left in the setaside. The Independence House for the Western Montana Mental Health Center should be purchased by the next meeting. The District IX Human Resource Council Land Trust, the Ronan Housing Authority, and the Butte-Silverbow are getting HOME funds and the terms and conditions have not been established yet. The total setasides for Single Family II is \$16,726,702. The total of all setasides is \$24,230,043.

The status of the Homebuyers Cash Assistance Program showed that the average CAP loan funded was \$764.50. The average loan purchased was \$45,610 and the average household income was \$19,208. In the Disabled Accessible Affordable Homeownership Program the average CAP loan funded was \$1,806. The average loan purchased was \$58,172 and the average household income was \$16,862. Bill Oser made a motion that the Homebuyers Cash Assistance Program VI increase the mortgage amounts from \$60,000 to \$65,000 and increase the income level from \$23,000 to \$26,000, but keep the same assets reserves. The Board discussed the program and issue extensively. The motion was seconded by Barb Hamlin. The motion passed unanimously.

Bob Morgan gave an overview of the status of the 1995 Series A issue. He said that the first phase of the program originally had \$30,086,633 and there was \$154,965 in reservation fees collected for a total lendable pool of \$30,240,682. There are 45 reservations outstanding for \$3,114,384 and 399 purchases for \$27,990,081. The average purchase amount has been \$67,555 and the average income has been \$31,111. The total balance to be reserved is \$22,196. Bob gave a summary of the most active lending institutions including the total amount purchased by MBOH and committed by each lender. Then he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and average income for the most active areas around the state.

Bob Morgan presented an update on the status of the 1995 Series B issue. He said that the program originally had \$33 million and there have been \$104,780 in reservation fees collected. There have been 166 reservations with a total of \$12,266,981. The Board has purchased 152 loans for \$9,826,322. The average purchase amount has been \$63,807 and the average income has been \$30,041. From the RECD pool of \$2,000,000, the Board has reserved 21 loans for \$1,462,480 and purchased six of them for \$386,189 leaving \$151,331 to be reserved. The 203K started with \$1,000,000. Five loans have been reserved for \$300,449 and three have been purchased for \$208,397, which leaves \$491,154 to be reserved. The total balance to be reserved is less than \$12,000,000.

Bob presented a summary of the most active lenders. The summary included the total amount purchased by MBOH and committed by each lender. Next, he gave an overview of the statewide housing profile, giving the number of loans, the average loan amount and the average income for the most active areas around the state. The Quarterly Delinquency Report showed 8,068 loans outstanding for the period ending September 20, 1995; 1.83% were 30 days delinquent, .41% were 60 days delinquent, and .48% were 90 days delinquent. The total delinquencies were 2.72% while .47% were in foreclosure. A comparison of Montana with the nation and the mountain region

showed MBOH's percentage of delinquencies was less. Mortgage rates around the state were presented. The financial statement from a servicer/lender for the month of November was presented.

QUALIFIED ALLOCATION PLAN

Bruce Brensdal said that two people showed up for the public hearing and gave some comments and input that was helpful. Changes in the Qualified Allocation Plan for the Low Income Tax Credit were presented. A motion was made by Paul Bankhead and seconded by Bob Savage to approve the Allocation Plan as changed and send it to the Governor. The motion passed unanimously.

SERVICER REVIEW

The Legislative Auditor has been informed that three servicers have been selected for reviews for 1996 and also three for 1997 because the fiscal year starts in July.

INVESTMENT REPORT

Kurt Lewis presented a spreadsheet showing the investment recap for MBOH for November of 1995.

HOUSING WORKING GROUP DISCUSSION AND HOUSING COORDINATING TEAM

Discussion has been ongoing about having a Housing Working Group to look at some of the issues surrounding development of affordable housing and related issues. Issues include sewer hookups in Whitefish and regulatory issues in Lewis & Clark County which have impacted housing projects that were proposed. Paul Bankhead pointed out that the Housing Working Group has already been approved. He stated that it is important to bring as many entities together as possible to explain their purpose and what they want to see accomplished. Participants interested in the Working Group explained why they think a housing work group is important and what type of issues need to be addressed. Speakers addressing the Board included: Kevin Hager of the Great Falls Housing Authority and past chairman of the Statewide Housing Task Force, State Senator Chris Christiaens, Ronda Carpenter of Montana Housing Providers, Glenn Johnson of Habitat for Humanity, and Jim Taylor-consulting engineer for Taylor and Associates. Maureen Rude will solicit for names from the group of the entities which were suggested for involvement in the Housing Working Group and then the list will be presented to the Board. The Board discussed focusing on regulatory issues and the increased cost impact on affordable housing as a starting point. The Board would then direct the focus on other issues.

BUDGET REPORT

Maureen presented a budget report that Kelly Rusoff had prepared. The budget was based on estimates of expenses that occurred four years ago. Travel has increased for educational experiences for the staff and Board, as well as travel to meetings outside of Helena and Board work sessions. Equipment has also increased to get MBOH updated in today's technology. Salaries and benefits were low because of vacancies in staff, but more has been spent in temporary services than normal due to maternity leaves. Equipment will increase during MBOH's move because the office panels do not belong to MBOH.

INVESTMENT POLICY

Maureen stated that the Supplemental Indenture has been reviewed by the trustees, the rating agencies, and herself. Moody's conveyed that the changes made the Indenture and the Board position stronger and did not weaken the bond holders. Standard & Poor's had the same comment and recommended that the rating be affirmed. The changes will not adversely affect the bonds.

The Investment Policy changes were presented by Maureen. The Board discussed the proposed policy and recommended some revisions. Mike McKee made a motion to adopt the Investment Policy as revised. The motion was seconded by Bill Oser. The motion passed unanimously.

ADMINISTRATORS UPDATE

Maureen presented a letter to Vickie Rauser, the Legislative Auditor, indicating the servicers selected for review.

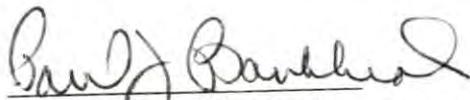
Maureen recommended that Bob Morgan attend the Standard & Poor's Conference February 11-13, 1996 in California. Bob Savage made a motion to approve sending Bob Morgan to the Conference. The motion was seconded by Bill Oser. The motion passed unanimously.

The NCSHA Legislative Conference is on March 18-20, 1996 in Washington DC. Bill Oser made a motion for Bob Thomas, Paul Bankhead, and Bob Savage to attend the Conference. The motion was seconded by Paul Bankhead. The motion passed unanimously.

Maureen presented a letter from Bob Thomas to MBOH members and staff as well as a letter from Bob Savage to the Congressmen about the 2% rule. Wall Street Journal year in review articles were included in the Board packets for informational purposes.

Mike Mulrone asked the Board how to respond to the letter from the law offices of Palmer Hoovestall. The Board recommended sending a letter expressing that the Board discussed the matter thoroughly and declined to take any action, however, they intend to refer the subject of regulations to the study committee.

The Board agreed the next regular Board meeting would be February 5, 1996 in Helena. Bill Oser made a motion to adjourn the meeting. The motion was seconded by Barb Hamlin. The motion passed unanimously. The meeting was adjourned at 1:20 P.M.


Paul Bankhead, Secretary

2-15-96
Date



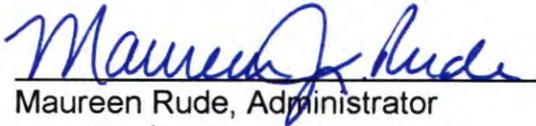
**MONTANA
DEPARTMENT OF COMMERCE**

Montana Board of Housing
2001 Eleventh Avenue, PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on January 8, 1996, at 2:00 p.m., in Room 312-2 of the Capitol building in Helena, Montana. The meeting is being held to plan for future direction of the Board's single family, multifamily, and accounting programs.


Maureen Rude, Administrator


Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT 59601
June 10, 1997

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ◆ Minutes of April 21, 1997 Board Meeting
 - ◆ Minutes of May 23, 1997 Board Meeting

- II. LOW INCOME HOUSING TAX CREDIT APPLICATIONS FIRST ROUND - Bruce Brensdaal, Multifamily Program Manager
 - ◆ Update on Browning Project
 - ◆ Second Round Applications

- III. 9:30 a.m., Board Members and Staff Attend Montana Homeownership Partnership Ceremony, Capitol Rotunda (Ceremony at 9:45 a.m.)

- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1996 A Status Reports
 - ◆ Cash Assistance Program, Proposed Changes
 - ◆ Recycled Programs, Extensions, Changes
 - ◆ Requests for Recycled Funds
 - ◆ Income Limits (Admin. Rule Requirement)

- V. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ◆ NCSHB Meeting

- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

- VII. PUBLIC INVITATION MEETING - Begins at 2:00 p.m.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
Conference Room
Helena, Montana
June 10, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: William Dabney, Farmhouse Partners Ltd. Partnership
Mary Lou Falconer, USDA, Rural Development
Cindy Donnell, USDA, Rural Development

CALL MEETING TO ORDER

The meeting was called to order at 8:50 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bob Savage made a motion to approve the April 21, 1997 minutes with the transcript attached. The motion was seconded by Bill Oser. The motion passed unanimously.

Bob Savage made a motion to approve the minutes for the May 23, 1997 and the Public Meeting minutes. The motion was seconded by Waneeta Farris. The motion passed unanimously.

second

LOW INCOME HOUSING TAX CREDIT APPLICATIONS ~~FIRST~~ ROUND

Bruce Brensda reported that the second round of Tax Credits received only one application. The Big Sky project is similar to the project received during the first round except that the project has been scaled back from 32 units to 24 units. The project scored 65 points with the minimum threshold of 60. Innovative financing included a contract on the land which is a deferred loan for 15-20 years. A grant has been awarded from the Resort Tax fund for \$45,000. A low interest rate loan has been provided from the water and sewer district. Barb asked how many people were currently being bused to Big Sky. Mr. William Dabney responded that approximately 100 people were being bused. The units are all one-bedroom, so the people that would be housed would probably not have families. Barb asked if the people being bused would rather live at Big Sky. Mr. Dabney said the people now use Mobil homes for employees which are shared with another person. Many employees car pool from nearby towns, but the road is hazardous in the winter. Bruce asked about the market value of land and found that there is nothing comparable. The price in the land contract was below market and coupled with the land contract makes for a significant cash flow concession. Mr. Dabney explained the similarities of the Big Sky project to a project that was approved in West Yellowstone last year. Ronda asked about the article in the Chronicle which referred to new construction taking place at Big Sky. Mr. Dabney said that old dorms are going to be torn down and rebuilt and a project of two bedroom units will be built also. There is a demand for housing at Big Sky because 600 people are employed for the winter and 275 in the summer.

The Big Sky project is sponsored by William Dabney of the Farmhouse Partners LP. The developer proposes 24 one-bedroom units. The amenities are standard. The tenant will pay the utilities which are gas heat and hot water and electric cooking. There is a contract to buy the land which is zoned for multifamily. The total actual cost is \$1,420,178. The total eligible basis is \$1,182,558. The tax credit requested is \$106,430. The rent levels are \$364 for the 24 one-bedroom units (60% of median income). The financing is through American Bank, a land contract, a water and sewer district loan, a resort tax deferred loan, a deferred developer fee, and tax credit syndication. The project scored 65 points out of a possible 118 points. The cost per unit is \$59,174 with the tax credit cost being \$4,435 per unit. The staff recommendation was to approve the project at the amount requested. Bill Oser made a motion to approve the project per staff recommendation. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Mike Mulrone said that Montana Board of Housing has received two letters from Browning since the last Board meeting. In view of the fact that the letters came in after the last meeting, he proposed that comments be deferred until the next Board meeting. Bruce said he sent a letter to Mr. Wellman addressing specific issues.

The Board meeting was recessed to attend the ceremony for National Home Ownership Week at the Capitol.

The Board meeting resumed at 11:05 A.M. Bruce reported that he and Mike Mulrone will work together to get the information necessary for the Board to make a decision to determine if the

Browning project can go forward at the next meeting. He said that the applications for the third round are due August 1, 1997.

Bruce gave an update on the Reverse Annuity Program. Counselor training has been completed and the changes in the laws were presented to these counselors.

SINGLE FAMILY PROGRAM UPDATE

Maureen presented a letter from John Wagner of Kutak Rock suggesting some of the options for the 1997 A bonds. Decisions will be made at the July meeting.

Bob Morgan gave an update on the 1996 A Program. The total funds available for the 1996A bond issue were \$58,024,488. There have been 209 loans reserved for \$15,069,064 and 577 loans have been purchased for \$36,697,273. The average purchase amount is \$63,600. The average reservation amount is \$72,100. The total balance remaining to be reserved is \$6,258,150 as of June 5, 1997. The Statewide Housing Profile report was presented which showed the number of loans and average amount of the loans and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$183,988. The total Single Family II set aside is \$12,775,411. The total of all set asides is \$12,959,399. Bob stated the lenders at the workshops offered suggestions for improving the Cash Assistance Program.

Bob Morgan presented the terms and conditions for the Cash Assistance Program (CAP). Changes recommended include Family Liquid Assets be changed from not exceeding \$3,500 to not exceeding \$5,000 and the CAP loan not to exceed 50% of mortgagor's minimum required cash investment up to a maximum of \$1,000 be increased to \$2,500. Bill Oser made a motion to change the terms and conditions of the Homebuyers Cash Assistance Program VI to Family Liquid Assets not to exceed \$5,000 and increase the required cash investment up to a maximum of \$2,500 as recommended and to utilize a maximum of \$100,000 from the special reserve fund under Single Family I for the CAP program. Tom Welch seconded the motion. The motion passed unanimously.

Bob Morgan reported that the Glacier Affordable Housing program would like to request an extension until the end of the year. Tom Welch would like written documentation rather than a verbal request for the extensions. Bill Oser made a motion to extend the Glacier Affordable Program to March 31, 1998. The motion was seconded by Waneeta Farris. The motion passed unanimously.

The HUD Section 184 program has four loans that have been purchased since the program was authorized in July of 1995 and the program expires July 1, 1997. Bob Savage made a motion to extend the HUD Section 184 program for six months to the end of the year. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

The Rural Housing Loan Leveraging Program has been reserved. Mary Lou Falconer of Rural Development reported she received more appropriations from the National office and requested an additional set aside for \$1,000,000 til December 1997. Bob Savage made a motion to set aside \$1,000,000 to expire at the end of the year. The motion was seconded by Tom Welch. The motion passed unanimously.

Bob Savage made a motion for staff to put in for an award on the Rural Housing Loan Leveraging Program. The motion was seconded by Tom Welch. The motion passed unanimously. Mary Lou Falconer thanked Montana Board of Housing for the Partnership Agreement and the ceremony.

Maureen expressed her appreciation to Debbie Morrison for organizing the Partnership Ceremony. Bob Savage suggested that the Board sign a letter thanking her. Barbara Hamlin suggested that Montana Board of Housing frame the Partnership Agreement to hang in the conference room.

Bob Morgan presented a request from Nancy Stephenson to expand the Neighborhood Housing Services set aside geographical area to include the counties of Cascade, Pondera, Teton, Toole, Glacier, Liberty, Hill, Choteau, Blaine, and Phillips. Nancy Stephenson explained the proposal and said she received a grant for a pilot down payment assistance program for North Central Montana. Ronda Carpenter made a motion to allow the expansion of the Neighborhood Housing Services Program to the counties as requested. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Bob Morgan presented a memo from the Stockman Bank (formerly First Security Bank & Trust of Miles City) requesting Montana Board of Housing to review it's policy on insurance companies for Error and Omissions and Fidelity Bond coverage. Alan Holom responded to questions from the Board. Mike Mulrone said the policy is part of the program documents. Tom Welch suggested that staff research the policy and find out what other states are doing and survey the lenders then report to the next Board meeting. Alan Holom thanked Montana Board of Housing for the award presented to Stockman Bank for being the lender that originated the most loans in a rural area.

Bob Morgan presented a request for proposal from the Richland County Housing Authority in Sidney for a set aside of \$152,230 at 6% with a .25% reservation fee for three single family homes that would target home buyers whose income is 51% to 65%of median income. The project scored 85 with a minimum threshold of 50. There is approximately a \$30,000 subsidy for each unit. The staff recommendation was to approve the request. Bob Savage made a motion to approve the set aside for Richland County Housing Authority as recommended by staff. The motion was seconded by Tom Welch. The motion passed unanimously.

Bob Morgan presented the income limits for FY 1997 for the Board to review as required by Administrative Rules. Bill Oser made a motion to leave the income limits as they are. Barbara Hamlin seconded the motion. The motion passed unanimously.

ADMINISTRATORS UPDATE

Conrad Burns will be a speaker for the NCSHB conference in Whitefish. Maureen reported that Bruce and Bob can be guests for the NCSHB conference. Montana Board of Housing cannot cover the guest's fee for spouses. A new law goes into effect July 1, 1997 to follow the federal rate schedule for lodging. Documentation must be given showing what is available within walking distance around the hotel, whether anything is available at the federal rate, that there is no reasonable alternative, and the budget will allow for the actual cost before reimbursement to pay the actual cost is granted.

Maureen presented an article from Moody's for the Board's information.

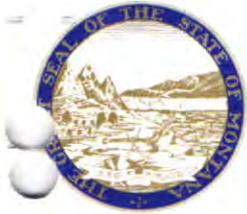
The Board agreed the next regular Board meeting would be July 29, 1997 in Sidney after a public meeting at 8:30 A.M. There will be a public meeting in Forsyth on July 28, 1997 at 2:00 P.M. Bill Oser made a motion to adjourn the meeting. All Board members seconded the motion. The motion passed unanimously. The meeting adjourned at 12:45 P.M.

Bill Oser

Bill Oser, Secretary

7-29-97

Date



MONTANA DEPARTMENT OF COMMERCE

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FOR IMMEDIATE RELEASE - June 5, 1997
CONTACT: Bob Morgan, Montana Board of Housing, (406)444-9568

MONTANA AFFORDABLE HOUSING AWARDS TO BE PRESENTED

In recognition of National Home Ownership Week, the Montana Board of Housing, in partnership with the U.S. Department of Housing and Urban Development, will honor lenders, realtors and builders that have contributed the most toward affordable housing in Montana in 1996. The ceremony will take place on June 10, 1997 in the Rotunda of the State Capitol at 9:45 a.m. Governor Racicot will be on hand to present the following businesses and individuals with the Montana Affordable Housing Award:

Western Federal (Missoula) - Metropolitan lender
Stockman's Bank (Miles City) - Rural lender
Rose Gehl (Great Falls) - Metropolitan Realtor
Jennifer Hutter (Libby) - Rural Realtor
Jeff Engle (Billings) - Builder

Following the award presentation will be the official signing of a partnership agreement between various housing providers reaffirming their commitment to the expansion of home ownership opportunities within the State of Montana.

Since 1975, over 20,000 families have purchased homes because of the partnerships created through the Montana Board of Housing programs. This ceremony will offer the Montana housing partners an opportunity to celebrate their past successes and to make a commitment to greater achievement in the future.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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Hamilton County Courthouse Public Information Session May 23, 1997

The May 23, 1997 public information meeting in Hamilton was called to order at 12:15 P. M. Guests were Kim Donnelly, Corky Pigman, and Sherri Songer.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing.

Bill Oser explained the Reverse Annuity Program (RAM). The RAM Program is for seniors 68 years and older. The loan is at a 5% interest rate and gives seniors \$285 to \$310 per month for 10 years.

Bill Oser also explained the purpose and progress of the Regulatory Working Group.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program. He pointed out that one out of six homes in Montana are financed by Montana Board of Housing.

Bruce Brensdal explained the Multifamily Program. Tax Credits are used as a gap filler for financing projects and the Risk-sharing Program provides permanent financing for multifamily projects.

The meeting adjourned at 1 P.M.

A handwritten signature in cursive script, appearing to read "Bill Oser".



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
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MONTANA BOARD OF HOUSING
Election Room, County Courthouse
300 Block of Second Street
Hamilton, MT

May 23, 1997

Corrected Date

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ◆ Minutes of April 21, 1997 Board Meeting
 - ◆ Minutes of May 5, 1997 Conference Call
 - ◆ Minutes of May 8, 1997 Conference Call
- II. LOW INCOME HOUSING TAX CREDIT APPLICATIONS FIRST ROUND - Bruce Brensdaal, Multifamily Program Manager
 - ◆ Update on Browning Project
- III. STATUS OF 1997 A SINGLE FAMILY MORTGAGE BOND ISSUE - Maureen Rude, Executive Director
 - ◆ Status of Bond Sale, closing scheduled for June 3 & 4
 - ◆ Investment of Bond Proceeds (Maureen & Mike Mulrone))
 - ◆ Status of Mortgages Associated with Capital Appreciation Bonds
- IV. UPDATE ON REGULATORY WORKING GROUP - Bill Oser
- V. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1996 A Status Reports
 - ◆ Recycled Programs
 - ◆ Requests for Recycled Funds
 - ◆ Request for Approval as New Lender
- VI. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ◆ NCSHB Meeting
- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion
- VIII. PUBLIC INVITATION MEETING - Begins at 12:00 p.m.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



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300 Block of Second Street
Election Room, County Courthouse
Hamilton, Montana
May 23, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Paul Bankhead
Mike McKee
Don Contnaman, City of Hamilton
Brad Davis, City of Hamilton-University of Montana

CALL MEETING TO ORDER

The meeting was called to order at 8:50 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to hold in abeyance the April 21, 1997 minutes in light of information Bruce received, until a complete transcription of the College Homes subdivision is made to refresh the Board on exactly what Mr. Wellman said. The minutes will be presented to the Board at the June meeting for further action. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Bill Oser made a motion to approve the minutes for the May 5, 1997 and the May 8, 1997 conference calls. The motion was seconded by Waneeta Farris. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDIT APPLICATIONS FIRST ROUND

Bruce Brensdal reported on the Browning project. He reported that on May 7th he was contacted by the attorneys for the Tribal Council. The attorneys indicated some concerns they had which they felt were misrepresentations to their Board, which had instigated several support letters for the Browning project that were presented to Montana Board of Housing's Board. The letters of support were one of the main reasons the Board approved the project. Bruce wrote a letter to the Tribal Council, the Blackfeet Indian Housing Authority, The Town of Browning and the Glacier County Attorney asking questions about several major concerns and issues. The main issues and concerns discussed by the Board were: 1.) There is an existing project that the Tribe has in the same area they are not able to gain clear title to the original HOME project. It is land that was sold to the Tribe by Bill Aubrey who is the same person who is going to be selling the lots to Terrance Wellman's company. The issue is that there is not subdivision approval. Bruce understands that there has not been a proposal for the approval to the County. Bill Aubrey has gone to the Tribal Council and tried to get them to approve the subdivision, but the Tribal Council does not have the means or the ability to do a study to determine if the project is ready to go or not for subdivision approval. 2.) The second issue is whether or not the utilities are available at the site. A letter from the City of Browning indicated they were willing to hook up the houses to utilities, water, and sewer. Bruce said that statement is true providing the water and sewer is there, but he understands the water and sewer is not there which is one of the major reasons why the subdivision approval won't go through. It seems like they are going to try and build the houses and then go to the Tribe to get approval for the houses that are already there which is backwards. Water and sewer should be there first, then houses should be built, which would not put the Tribe in a position of having to approve the subdivision when their resources and ability may not be there. 3.) Another question that came up was the availability of actual streets, curbs, and gutters. The tribe is actually having problems getting access to the old HOME site itself because Bill Aubrey owns the land between the public land and this new subdivision and he was not letting them through. There are indications that there are rough streets in the area where the old HOME project is, but there is no infrastructure and streets into this new area. 4.) The other question that the Tribe was most concerned about was the role that Blaze Construction and Lodgebuilder and any of Bill Aubrey's associated companies would play with this project. They were originally told there was no role, then, the story is that they are going to play a major role and in fact they will probably be the company that is going to do the construction on the project. They did not know for sure. Chairman Old Person sent a letter saying that the Tribal council is pulling their support for the project until they can figure out what is going on. 5.) The other concern was whether or not \$390 and \$424 a month rents are useful in Browning. The housing authority comments indicated that the need list, which was provided in the application, is actually quite old and a lot of the people on there are not willing to move back to Browning and have done other things with their lives. There is a serious question about how well this project would serve the community at that level of rent. Bruce asked if the community had the population that could support that type of rent. The answer was not a definite no, however, the average rents in Browning are around \$3 or \$4 and there is no guarantee that they would get certificate or voucher people because the government is shutting off that type of program on Indian reservations. There is a definite question on whether this type of project would serve the needs of the community. One of the things that has been stressed is the need for housing in Browning, but

MBOH wants to make sure Browning gets the type of project that will fit their need and not just a project to build. 6.) Another question asked was if the Tribe would support the project. Bruce received a call from Terrance Wellman and Don Kitson who is the Tribal attorney in Browning after a Tribal council meeting stating that now the Tribe was willing to support the project based on the recommendation that Mr. Wellman had made to them. Bruce requested something in writing. Later that day Don Kitson called with the Tribal council in his office and they indicated they were not willing to support the project one way or the other until the Board of Housing looks at the project to see if it is ready to proceed. Based on that information, they could decide whether or not to support the project. Bruce responded that the Board typically does not do this type of review and does not have the expertise to study if everything is in place. MBOH's responsibility is to look at the application to make sure these issues are addressed and then do a study on financial feasibility and make a decision from there. When Bruce indicated the concerns to Terrance Wellman, Mr. Wellman indicated that none of the issues are real issues and that everything is as he said at the original meeting and that the project is fully and capably ready to go forward. Maureen said that the Board could require that a professional market study be done by an independent party approved by the Board. Tom Welch noted that the study would be useful for other projects in Browning, so it would be a benefit to them over the next two to three years. The housing authority has not been able to make Tax Credits work because they cannot bring their rents down to meet the needs of the people without a lot of grants. The Board will wait for the transcription and a report from a Board member regarding the proposed site before proceeding. Bruce will write a letter to the Tribal Council explaining the concerns discussed and suggest that they do an independent study with Board approval. The Board feels that subdivision approval is necessary for the project.

STATUS OF 1997 A SINGLE FAMILY MORTGAGE BOND ISSUE

Maureen reported that the bond issue went well and the pre-closing is scheduled for June 3, 1997 with the closing June 4, 1997. Arrangements have been made for the purchase of the treasuries for the refunding bonds. She presented a historical report of costs of issuance for the 1991 Series A through the new bond issue. The cost of issuance is significantly less for larger bond issues. Maureen said there are three different investment agreements because there is one for the program fund, the debt service reserve fund, and the float funds (which are mortgage prepayments). MBOH got bids for the three agreements. The debt service reserve fund is a 30-year contract which MBOH does not anticipate adding to, but can draw it down as the bonds pay off. The trustee will transfer funds into the float account four times a month and it will be cleaned out at every bond payment date. Some money will be put in for recycling. All three agreements are over the bond yield, so MBOH will have to rebate the excess yield to the federal government, but there is no interest rate risk. There is a high comfort level with these agreements because the collateral is at 102% and Norwest is holding the collateral and has worked with the banks providing the agreements before.

Maureen presented the credit report from Standard & Poors and a comparative report on recent financings from several housing finance agencies.

Maureen said that MBOH looked at the possibility of doing a refinance program again to pay out the Capital Appreciation Bonds (CAB). The number of people that could refinance were limited. The lenders stated that most were taken care of in 1996.

UPDATE ON REGULATORY WORKING GROUP

Bill Oser explained the purpose of the regulatory working group which is to lower costs of housing. He reported that the working group awarded the contract to do a study to James Kembel. There will be a June meeting of the group the day after the Board meeting.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1996 A Program. The total funds available for the 1996A bond issue were \$57,983,830. There have been 156 loans reserved for \$11,265,074 and 533 loans have been purchased for \$33,610,860. The average purchase amount is \$63,059. The average reservation amount is \$72,212. The total balance remaining to be reserved is \$13,107,895 as of May 26, 1997. The Statewide Housing Profile report was presented which showed the number of loans and average amount of the loans and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$219,775. The total Single Family II set aside is \$13,626,429. The total of all set asides is \$13,846,204. Bob stated that the lenders at the workshops offered suggestions for improving the Cash Assistance Program.

Bob Morgan presented a request for proposal from the City of Laurel for a set aside of \$750,000 at 6% average for 30 homes. Eight of the homes will have approximately a \$22,300 subsidy for each unit and would target home buyers whose income is below 50% below median income. Twelve homes will have approximately a \$13,583 subsidy for each unit and would target home buyers whose income is between 51% and 65% median income. Ten homes will have approximately a \$5,834 subsidy for each unit and would target home buyers whose income is between 66% and 80% median income. The request is for \$250,000 in the Loan Leveraging Program and an additional \$750,000 to be set aside with a .25% reservation fee. The project scored 83 with a minimum threshold of 50. Bill Oser made a motion to approve the set aside as recommended by staff pending a successful closing of the bond issue. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bob presented a request for proposal from the Lake County Community Housing Development Corp. for a set aside of \$400,000 at 6% for five homes for a rent to own program. Brenda Dennis was present to explain the project and answer questions for the Board. The five units will have approximately a \$20,000 subsidy for each unit and would target homeowners below 80% median income. The project scored 81 with a minimum threshold of 50. Tom Welch made a motion to approve the Lake County Community Housing Development Corp. in the amount of \$300,000 for five units with a .25% reservation fee. A roll call vote was taken with Tom Welch, Barb Hamlin, and Bob Thomas voting to approve the motion and Bill Oser, Waneeta Farris, and Ronda Carpenter voting against the motion. The motion failed.

Bob presented a letter from Qualified Mortgage Services which applied to participate in MBOH programs, but have not been able to obtain an errors and omissions policy underwritten by an approved Montana insurance carrier. Mike Mulroney, MBOH's legal council, pointed out that our program documents do not allow MBOH to waive the requirement for error and omissions insurance from a carrier outside of Montana. Tom Welch made a motion to not accept the request to modify the rules or policy for errors and omissions insurance. The motion was seconded by Bill Oser. The motion passed unanimously.

Maureen Rude reported on the Montana Homeownership Partnership agreement. The signing ceremony will take place June 10, 1997 at 9:45 A.M. at the Capitol. A lender and a Realtor from the metropolitan areas, a lender and a Realtor from rural areas, and a builder will be recognized for their contribution to homeownership.

ADMINISTRATORS UPDATE

Maureen presented a calendar of events for NCSHA for the rest of the year. She also presented a copy of an appropriation bill which requests state agencies to cut their out of state travel by 10%. Maureen presented a letter she wrote to the legal services requesting that legal services be extended for two years. She also presented several articles for the Board's information.

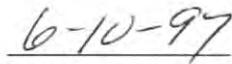
Maureen said that with the new travel policy and reimbursement rates, MBOH must get the directors specific exception to anything over and above what the high cost area reimbursement is. Barb Hamlin made a motion to have Bob Thomas and Bob Savage stay at Grouse Mountain Lodge for full compensation. The motion was seconded by Tom Welch. The motion passed unanimously.

Waneeta Farris was appointed as audit chairman and was confirmed by the Board.

The Board agreed the next regular Board meeting would be June 10, 1997 in Helena. Bill Oser made a motion to adjourn the meeting. All Board members seconded the motion. The motion passed unanimously. The meeting adjourned at 11:45 A.M.



Bill Oser, Secretary



Date



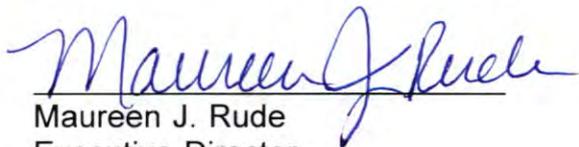
MONTANA DEPARTMENT OF COMMERCE

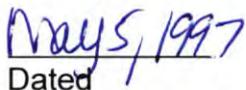
Montana Board of Housing
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NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on May 8, 1997 at 10:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds for its 1997 Series A Single Family Mortgage Bonds, in the amount of \$91,360,000. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.


Maureen J. Rude
Executive Director


Dated



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MINUTES OF SPECIAL MEETING 1997 SERIES A SINGLE FAMILY MORTGAGE BONDS MAY 8 1997, 10:00 A.M.

Notice having been given, the Montana board of Housing held a special meeting on the sale and awarding of bonds for its 1997 Series A Single Family Program Bonds. The meeting took place via teleconference to discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Tom Welch, and Ronda Carpenter.

MBOH Staff: Maureen Rude, Kelly Rusoff, Dolly Snyder, Bob Morgan, Bruce Brensdal, Meredith Miller, Mary Bair, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulrone

PaineWebber: Peter Nolden, Steve Spitz

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said PaineWebber priced the bonds Tuesday with rates lower than Monday, which is a better deal for MBOH (Montana Board of Housing). The average coupon on all of the bonds was a 5.87%. Peter summarized market conditions for the last several days. There was a big volume of new municipal bonds on the market this week, but all were well received. MBOH bonds were sold primarily to Montana retail investors, and insurance companies. The longest bonds were sold to open end bond funds. On the reinvestment side, bids were taken Tuesday morning and were better than expected. The acquisition fund rate is 5.96%. The investment agreement is a collateralized repurchase agreement and is provided by Societe Generale, a U.S. subsidiary of a French bank. The bank is rated Aa2 by Moody's and AA- by Standard & Poor's. The agreement is a collateralized obligation. The debt service reserve fund and monthly reinvestment or "float" is for 30 years. Investment of the debt service reserve fund and the float is with Bayerische Landesbank, a U.S. subsidiary of a German bank. The interest rate is 6.28% on the float fund and 6.68% on the debt service reserve fund. Bayerische Landesbank is Aaa rated by Moody's and AAA by Standard & Poor's and the agreement is collateralized. The sale of the bonds and the reinvestment of the proceeds turned out better than expected. The trustee has received a good faith deposit in the amount of \$913,600 from PaineWebber Incorporated.

John Wagner reported Board that members should have already received the form of

bond resolution, and the drafts of the Amended and Restated Indenture and the Series Supplemental Indenture. He summarized the Resolution. The Resolution: has some required statutory Board findings about the need for funds, approves the form which restates and amends the Indenture and approves the form of the Series Supplemental Indenture, authorizes the issuance and sale of the bonds, approves the Preliminary Official Statement form and authorizes the staff to complete it, approves the form for the purchase contract and the sale of the bonds to the underwriters and authorizes the signature thereof, approves the form on the continuing disclosure agreement, authorizes the staff to use the same form of program documents, ratifies action taken to date by the staff and the Board, contains a general authorization to execute documents, authorizes the tax and no arbitrage certificate, authorizes the chair and staff to complete the financing including the redemption of the old bonds and the execution and delivery of the repurchase agreements.

Bill Oser made a motion to accept Resolution #970508-S1. Bob Savage seconded the motion. The motion passed unanimously with a roll call vote.

Maureen asked the Board to determine the drop in the interest rate needed to cover the arbitrage on the old issue and an initial rate for the new bond issue. Bill Oser made a motion to drop the rate to $6\frac{7}{8}\%$ for the remainder of the current program and have $6\frac{7}{8}$ as the initial rate for the new program because of the combination of the refunding, etc., recognizing that the rate on the general program can be reduced in the future if the Board desires. The rate change would be effective May 12, 1997. The motion was seconded by Bob Savage. The motion passed unanimously with a roll call vote.

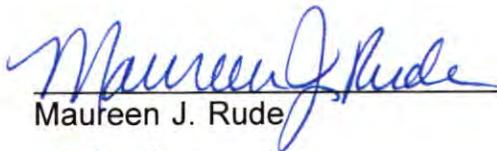
Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 11:30 a.m.



Bob Thomas, Chairman

5-30-97

Date



Maureen J. Rude

5/25/97

Date

RESOLUTION NO. 97-0508-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY MORTGAGE BONDS AND APPROVING A NEW ISSUE OF SINGLE FAMILY MORTGAGE BONDS; AUTHORIZING THE ISSUANCE OF \$91,360,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE BONDS, 1997 SERIES A TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE AMENDED AND RESTATED TRUST INDENTURE, SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; 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 has previously issued its Single Family Mortgage Bonds (FHA Insured or VA Guaranteed Mortgage Loans), 1977 Series A, 1977 Series B, 1978 Series A, 1987 Series A and 1987 Series B (collectively, the "Prior Issues") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Mortgage Bonds, 1997 Series A in the aggregate principal amount of \$91,360,000 (the "1997 Series A Bonds"), consisting of \$27,010,000 aggregate principal amount of its Single Family Mortgage Bonds, 1997 Series A-1 (the "1997 Series A-1 Bonds") which will be used to refund the remainder of the bonds of the Prior Issues and \$64,350,000 aggregate principal amount of its Single Family Mortgage Bonds, 1997 Series A-2 (the "1997 Series A-2 Bonds"), a portion of which will also be used to refund

a portion of the bonds of the Prior Issues and the remaining portion of which, together with the transferred proceeds from the refunding of the Prior Issues, will be used to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide previously approved by the Board and the forms of the Invitation to Participate and Notice of Acceptance presented to the Board, and to fund certain reserve funds; and

WHEREAS, the Trust Indenture dated March 10, 1977, as amended and restated as of May 1, 1997 (the "Trust Indenture"), and a 1997 Series A Supplemental Trust Indenture dated as of May 1, 1997 (the "Supplemental Indenture") (together with the Trust Indenture, the "Indenture"), between the Board and Norwest Bank Minnesota, N. A., as successor trustee, have been presented to the Board, whereby the Board would be authorized to issue the 1997 Series A Bonds subject to the terms, conditions and limitations established in the Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated April 30, 1997, has been presented to the Board, containing certain information relating to the Board, the Indenture and the 1997 Series A Bonds, and which has been distributed to the purchasers of the 1997 Series A Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), to be delivered concurrently with the delivery of the 1997 Series A Bonds and in the form described in the Preliminary Official Statement, has been presented to the Board, 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"), dated the date of adoption hereof, between the Board and the Underwriters, has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1997 Series A-1 Bonds and 1997 Series A-2 Bonds at the price 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 financed through the issuance of the Prior Issues and to be financed through the issuance of 1997 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans as contemplated by the 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 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 1997 Series A 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 Prior Issues and the 1997 Series A Bonds do not involve direct loans.

Section 2. ***Approval of Trust Indenture and Supplemental Indenture.*** The Trust Indenture and the Supplemental Indenture are hereby approved in the forms submitted at this meeting and the Chairman or the Vice Chairman of the Board is hereby authorized and directed to execute and deliver the Trust Indenture and the Supplemental Indenture with such changes, insertions or omissions therein as may be approved by such Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Trust Indenture and the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. ***Authorization of Bonds.*** The issuance, sale and delivery of the Board's 1997 Series A Bonds is hereby authorized and approved. The 1997 Series A Bonds shall

mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1997 Series A Bonds shall be executed and delivered substantially in the form set forth in the Indenture, with such additions, omissions and changes as are required or permitted by the Indenture. The 1997 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 Indenture) for purposes of executing and attesting the 1997 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1997 Series A 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.*** The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, 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.*** The Purchase Contract is hereby approved in the form submitted at this meeting (which is the same basic form used by the Board in its most recent single family financing) and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. ***Approval of Continuing Disclosure Agreement.*** The Continuing Disclosure Agreement is hereby approved in the form submitted at this meeting (which is the same basic form used by the Board in its most recent single family financing), and the Chairman or Vice Chairman 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 7. ***Approval of Invitation to Participate and Notice of Acceptance.*** The Invitation to Participate and Notice of Acceptance are hereby approved in the forms submitted at this meeting (which is the same basic form used by the Board in its most recent single family financing), and the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, in conjunction with the previously approved Mortgage Purchase and Servicing Guide, with such changes, insertions or omissions therein as may be approved by such person, to implement the Single Family Program.

Section 8. *Ratification of Prior Actions.* All action previously taken by the officers, members or staff of the Board with respect to the Indenture, the Preliminary Official Statement, the Purchase Contract and the 1997 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. *Execution of Documents.* In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. *Execution of No-Arbitrage Certificate.* The Chairman, the Vice Chairman 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 1997 Series A Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 Indenture and the Purchase Contract, including the redemption of the Prior Issues as contemplated thereby and the execution and delivery of repurchase agreements constituting Authorized Investments, 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 Officers for such purposes.

Section 12. *Effective Date.* This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 8th day of May, 1997.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice J. Rude
Treasurer/Executive Director



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on May 5, 1997 at 11:00 a.m. by teleconference. The meeting is for the Board to discuss the pricing and market for its 1997 Series A Single Family Mortgage Bonds, in the amount of \$91,360,000. The meeting will take place at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

A handwritten date in blue ink that reads "May 1, 1997".

Dated



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MINUTES OF SPECIAL MEETING 1997 SINGLE FAMILY MORTGAGE BONDS MAY 5, 1997, 11:00 A.M.

Notice having been given, the Montana board of Housing held a special meeting on the issuance of its Single Family Program Bonds Series 1997 A. The meeting took place via teleconference to discuss pre-pricing of the bonds. Present were:

Board members: Bob Savage, Barb Hamlin, Bill Oser, Waneeta Farris, Tom Welch, and Ronda Carpenter.

MBOH Staff: Maureen Rude, Kelly Rusoff, Dolly Snyder, Bob Morgan, Bruce Brensdal, Meredith Miller, Mary Bair, Lore Perrina, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

PaineWebber: Peter Nolden, Roan Blacker, Mina Choo, John Feery

Bob Savage convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said he is expecting a AA rating from Standard & Poor's and a AA2 rating from Moody's. He is expecting to release the price Tuesday morning on the municipal market with the Board's approval and will be taking bids to reinvest the bond proceeds at 10:30 Tuesday, New York time.

John Feery gave a perspective of the municipal market. A week ago the 30 year treasury was yielding 7.14 with many economic indicators out. As the week progressed, the numbers that came out overall were favorable and showed an economy that was slowing down. The end result was that the 30 year treasury which started at 7.14 ended up at a 6.87 yield, so the government market improved by 2.5 points. This week the focus is on the treasury action. Indiana Housing will be pricing on Wednesday and a small Nevada transaction may price Tuesday afternoon. The big housing deal of the week is the California housing, single family transaction which totals 168 million bonds, is insured, and is rated AAA by both services. Given the lack of supply in the state over the past 50 days of bonds for individuals, PaineWebber has an extremely aggressive scale, and thinks retail is going to have its biggest impact on the transaction. John then covered the proposed pricing scale throughout the maturities, as well as some pricing options PaineWebber would consider based on the "tone" of the market Thursday. The underwriters are taking the more aggressive approach given the fact that there is an eroding government market and uncertainty in the municipal market as to the depth and breadth of buyers in the market currently.

Peter said with these numbers the average mortgage rate would need to be at or below $6\frac{7}{8}$ % on the 30 year fixed rate loans. The market has improved dramatically since the Board meeting. Maureen asked the Board if they felt it was good. They said it sounds good. Board members agreed they are willing to go with the bond sale and will talk about the final rate during the conference call on Thursday. Maureen said that the investment policy needs to be reiterated. The bidders anticipated to be bidding on the guaranteed investment contract include several U.S. subsidiaries of foreign banks. PaineWebber expects that these U.S. subsidiaries will bid favorable rates on the long term funds. Maureen indicated she needed to know if there would be a problem for the Board if the successful bidders were U.S. subsidiaries since we had not used these banks before. Peter named the seven banks that would be potential bidders, including their ratings. Maureen pointed out that whatever bank was selected, the investment still had to be a collateralized investment contract and a third party has to hold the collateral. John mentioned that the collateral is basically a federal government type collateral and it is at a level of 102% of the principle and interest due on the agreement, so it is over collateralized. The Board felt comfortable with the policy. Peter said they will continue to pre-market the bond this afternoon, communicate with the retail managers, and plan on releasing a price sometime tomorrow morning. He will communicate any changes with Maureen. A conference call is scheduled for Thursday at 10 A.M. Montana time.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 11:30 a.m.

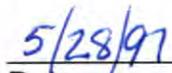


Bob Thomas, Chairman

Date



Maureen J. Rude



Date



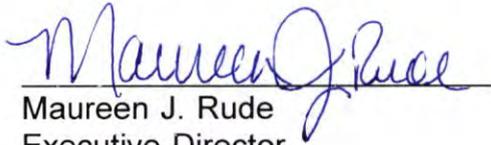
MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on April 21, 1997 at 3:00 p.m. The meeting is a work session for the Board to receive information on Board member responsibilities, ethics, and information regarding the approval of a bond issue. The meeting will take place at the conference room at the Board's offices at 836 Front Street.


Maureen J. Rude
Executive Director

4/14/97
Dated

Bd Mtg - 4-21-97

Transcript

The College Homes project in Browning is a new construction project being developed by Terry Wellman of Indian Resource International. The developer proposes 28 homes. The amenities include attached garages. The tenants pay the utilities which are electric heat, electric hot water, electric cooking, water, sewer, and trash. The developer has an option to buy and the property is zoned for multifamily. The total actual cost is \$2,606,164. The total eligible basis is \$3,107,181. The tax credit requested is \$267,500. The rent levels are \$390 for the 20 three-bedrooms homes (60% of median) and \$424 for the 8 four-bedrooms homes (60% of median). The financing is through Evergreen International. The project scored 62 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$93,077 with tax credit cost being \$9,554 per unit. Terry Wellman stated that Lodgebuilder Construction does not have anything to do with the project. The developer has the option to buy the land from Lodgebuilder. When questioned by the Board Mr. Wellman reiterated that Lodgebuilder is not involved with Indian Resource International. Staff made no recommendation for approval because it scored the lowest and there were not enough tax credits available. However, Bruce said that because the Big Sky project was not approved there are only \$230,999 of tax credits available. Therefore, the College Homes project would have to do fewer units. Bruce said that he has received comments from the Blackfeet Tribe supporting the project, but he did not receive the independent letter from them that was promised. Bill Oser made a motion to approve the project for \$230,999. Barb Hamlin seconded the motion. The motion passed unanimously

College Homes:

Waneeta - What about the hookups to water & sewer?

Bruce - There are letters from the City of Browning saying they are available for hook up. What is the situation, even though they may meet the qualifications, can the system actually handle those hookups? There were some serious problems about that.

Terry - They put in another 25 pumps last winter and right now they are in the process, I believe, of also Lodgepole is 8 miles from downtown and has a lot of water where they are putting some pumps in to some land from there also.

Bruce - I know that was a concern and I wasn't sure if that was cleared up.

Terry - They corrected a lot of it.

Bruce That is what the letters from the city indicated, that the hookups were available.

Waneeta - What about the roads, there is a comment in the letter from the Blackfeet Indian Housing Authority that the Bureau of Indian Affairs Roads division has not been contacted for review or for providing access.

Terry - Those roads are paved and there is asphalt into where these homes are located.

Savage - The letter from the Blackfeet Indian Housing Authority say they prefer the agency would prefer to utilize natural gas, however, all these housing units appear to be electric, can you tell me why you've chosen to use electrical heat as opposed to natural gas up there?

Terry - The reason they are not using natural gas is that there is no natural gas pipeline near where these homes are located. There is the option of sometime using propane.

Bill - There is no gas in Browning or that area?

Terry - No, they have a gas line, but not where these end. I don't know if Montana Power will run one over there or not. There isn't one in this area. There are parts of Browning that have natural gas and parts that do not and we're not included at this end. It's only like 200 or 300 yards...

Bruce - In the original application that came in, (and you've responded to this in your letters, but I would like to hear a response to it again) there was some language in the land contract to an agreement with Lodgebuilder for some construction agreement. What is the situation with that? I know you've answered, but would you address that.

Terry - You mean Lodgebuilder building the homes?

Bruce - In reference to the construction agreement being contingent on the land (and that's been terminated), but explain what that situation is a little bit.

Terry - There is no situation. Lodgebuilder won't have anything to do with building it.

Bruce - That agreement was terminated officially and your've sent the documentation to that. I know you are the general contractor, but I assume this is going to go out to bid.

Savage - I have a couple of questions to follow up on Waneta's about the roads. In the letter from the Housing Authority, they say that the project may or may not be allowed to connect to the water system. Has that been resolved?

Maureen - Yes, there is a letter from the City.

Savage - And also the Indian Health Service would not comment on water and sewer for projects located on the reservation because they have not been contacted and have not been able to evaluate the project. Do we have anything from Indian Health Services? Has that been brought up with the Indian Health Service about the water and sewage system?

Terry - I don't understand what you mean? Getting their blessing or their ok?

Savage - No, there is this letter from the Blackfeet Indian Housing Authority dated March 13, and on the second page it says "The Indian Health Service generally would provide comment on water and sewer for projects located on the Blackfeet Reservation, however they have not been contacted and have not been able to evaluate the projects, and their impact on the systems in place." I just wondered if on this particular project, the water and sewage portion of it has been looked at by Indian Health Service and if you need their approval?

Terry - No, we don't need their approval.

Maureen - I wondered the same thing when I looked at that letter. I didn't know what Indian Health Service had to do with the water and sewer.

Savage - And I don't know either.

Terry - They don't have anything to do with it.

Bruce - I did not contact them myself.

Savage - What type of land is this on? Is this Indian trust land or fee land?

Bruce - It is owned by Lodgebuilder right now, there is an option to buy between Indian International and Lodgebuilder.

Tom - Am I correct? None of the people who were involved in Lodgebuilder are involved with Indian Resources International at all?

Terry - You are correct.

Bruce - Just as a note, my first recommendation with the scoring criteria of the College Homes, which scored the lowest, was to not fund it based on the lowest score, however, since we have not approved the Big Sky project, there are tax credits available. However, there is not enough tax credit available to fund the entire amount that was requested in the application. There is only \$230,999 left to allocate.

Barb - Would that be enough to make the project viable?

Terry - Yes it would.

Bruce - If we did something like this, it would be contingent on them documenting and proving

that point.

Maureen - The small development pool becomes available if MBOH does not receive applications in the next round.

Bruce - \$139,076 remains in that pool.

Maureen - Right now it can not be allocated to anything but small development. The non-Profit pool can only be used for non-profits and if MBOH does not get non-profit applications, it can not be used.

Ronda - Would the project be further ahead for MBOH to wait and see if we had more money to offer? Is time of the essence with less tax credit a better option?

Terry - I would rather do it with less tax credit if the money is available than go to what I originally asked for.

Bruce - How would you do that? Are you going to reduce the number of units?

Terry - yes

Bruce - You would go from 28 units to whatever level is feasible.

Savage - What is the staff recommendation on this?

Bruce - The original recommendation was not fund it because of the low level of sources, but we need to consider that we have only deferred the Big Sky project for additional information. They have outscored this project. We have not denied the Big Sky project. If we had said they were out, then we could offer him the \$230,000 based on that.

Maureen - I ran a quick calculation based on the amount of credit per unit and they could do maybe 25 homes with that amount of credit.

Terry - Why did the project score so low?

Bruce - We can go thru it. Basically the number one issue is the 15 year commitment. I know that there is an option that you can sell at year 15 to low income tenants, however, that is an option to any other projects so it only qualifies for 0 points on that. You are targeting 60% or below so there is 4 points. Number 3, the project location.....Bruce went through the scoring sheet.

Bob Thomas - The cost per unit is terrible on this.

Bruce - It is single family homes. We did a project last year with the same concept in Pablo on the Salish Kootenai Housing Authority and their cost per house averaged a little over 80,000. They were real similar. The cost per square foot was 67,000 and it was 81,000 per unit in Pablo.

Tom - I curious about the concept of garages for low to moderate income housing. What is the thought process there?

Terry - Mostly, the weather is so bad that they need someplace to put their cars for the winter.

Maureen - We see lots of apartment complexes where they put garages in the middle, but the garages have to be rented separately. That concept wouldn't work with this project because they are single family homes.

Savage - In the letter from the Mayor it say the town of Browning will provide water and sewage service to the 28 homes in accordance with its adopted policies for new service connections.

What is that policy?

Terry - It is that once the homes are available, they will hook you up.

Savage - Is there a fee for that per home?

Terry - They are glad to have the homes hooked up. It helps them on their water and sewer bill.

Bruce - There is really no zoning issue in Browning. I have verified that also with the city. I knew

that, I needed some written documentation.

Savage - Bruce, is the access question here resolved?

Terry - Yes

Bruce - According to Terrance it has, I have not specifically documented that question. As a note, that was not an issue last year. This project is the same location and its the same project and I just had to change a few of the numbers. A lot of the same issues were there and that was not an issue last year.

Savage - Are the roads already in there? Right up to the project?

Terry - Right and they are paved.

Savage - It doesn't sound like there is an access problem.

Oser - How do we have as far as tax credits are concerned if we were to do the Big Sky? How much do we have left?

Bruce - 63,706. If we were to chose to do the Browning project, they would need to reconfigure it because we don't have enough to fund the total amount.

Oser - OK. That one by itself we don't have enough money.

Maureen - We have enough to do maybe 25 of the 28 houses.

Bruce - That is an option that we have done before.

Maureen - We have done that before when we didn't have enough credits available we've had projects We have had three years where we haven't had enough available for all the projects that scored high enough. What we did in one case, was we had two that tied, and so we offered each of them less than what they applied for. Both of them reconfigured, sent in all the new numbers, we reanalyzed it and then we did approve those credits. They are now built and running and are glad that they did less units because the areas that had quite a few tax credits units going in at the same time. That is the Board's option to offer just like we did last year where we got one where the cost were too high and we offered them less credits. They figured out how to make it work. They made it work at the same unit level too.

Oser - Let's say you do this and have somebody living in these units and he's paying \$390 a month and then Indian Housing opens up for \$3 a month, aren't you going to get a lot of people moving all the time?

Terry - No. There is so many people need homes that they won't move.

Tom -Where are those people living now?

Terry - They are living with others and family members.

Oser - I have to give my feeling on this and this is just an open conversation, I hope. We need to do something in the Browning area and we need to get something going up here. We've talked about it and rehashed it and we've turned down a few things for other reasons, but we really do need to get some stuff going up there. And this is so much better than the last one we looked at that it is not even funny.

Bruce - We don't have the existing legal issues as with the last project. And we have comment from the Tribe in support of the project.

Oser - And that's what I was looking at, the Tribe is basically supporting this one this time and last time they did not support the project.

Bruce - When I talked to Chairman Old Person, the reason I said that it bothered me just a little bit that they didn't respond independently. But he made a big point that he wanted to take the application to his Board and they wanted to comment on it specifically. And that was after the letters we received in the application. I wish that they would have done that. Have you talked to

them about that Terrance? Because I called them about 5 times.

Terry - I got the fax Friday from them, I was in the Tribal council meeting and Earl signed that and if I had known that you wanted a different type of letter I wasn't aware of it.

Bruce - This is the independent letter. We contact them all independently, and that's the one that I was in contact with them personally for. That's why I wanted it.

Maureen - This one you mean, but it didn't directly address the questions that you wanted.

Bruce - Because I outlined specific questions like the Housing Authority addressed in theirs.

Terry - See, and I wasn't aware of this or I would have

Bruce - He called me about it too. I wish he would have followed up on that.

Terry - No, I understand, but I did speak with him on Friday which is when that letter was signed.

Bruce - This was signed on the tenth wasn't it?

Terry - No, it was dated on the tenth, but he didn't sign it until Friday. Cause they did have a meeting and he held it and signed it at the end of the meeting.

Oser - \$230,999?

Bruce - That would be the assumption that we will not fund Big Sky.

Mo - Unless the credits come out of the small development pool. Is there even enough there for Big Sky?

Bruce - Then we could offer them a whole \$139.

Mo - Cause that's all that's going to be available next time is what's left in that small development pool. If we don't get any apps for the small development pool.

Oser - You mean, if we were to fund this for \$230,999, then we'd still have 130 from this other

Mo - From the small dev. pool, but its not available for larger developments until after the next round. Only if we don't get applications under 50,000, would that remain the balance available for larger projects. If we get small developments, they get priority for that money.

Oser - I would make a motion that we accept the college homes application for credits to the tune of \$230,999. Barb seconded the motion.

Savage - I want to ask Mr. Wellman a question. With this \$230,999, would you be able to somehow build the 28 units that you originally proposed? Is there any way you can do that?

Terry - I couldn't give you an answer on that at the moment. I would have to go and it would take quite awhile.

Bruce - realistically, it would be pretty hard.

Oser - Your looking at say 25 units, though.

Terry - I think we could do 25 by quick figures

Bruce - It is going to have to be conditional on resubmitting and being feasible at that point.

Terry - No, I know that it can't go with

Bruce - As far as the Board records, I didn't know what we wanted to include as far as that goes.

Thomas - Do you want to restate your motion to state that it would need to be feasible at that level?

Mo - That's always a condition, though.

Oser - It goes without saying, do you want me to rephrase it to the point of say 25 houses.

Mo - Any of these projects, before Bruce actually does the reservation, he has to go through and make sure that with update information it is still feasible.

Oser - What were doing is just authorizing him to start it and come back with what is the final deal.

Thomas - All those in favor?

All ayes.

Those opposed? Motion carried



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
April 21, 1997

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ◆ Minutes of March 25, 1997 Board Meeting
- II. LOW INCOME HOUSING TAX CREDIT APPLICATIONS FIRST ROUND - Bruce Brensdaal, Multifamily Program Manager
- III. STATUS OF SINGLE FAMILY PROGRAM FUNDS/FUTURE FINANCINGS - Finance Team (MBOH, PaineWebber, Kutak)
 - ◆ 1996A Status Reports, Comparisons to 95B
 - ◆ 1996A Rate and Arbitrage
 - ◆ Status of Planning for 1997 Series A Financing
 - ◆ Bond Documents, Indenture, Rating Agencies
- V. GENERAL OBLIGATION RATING - Maureen Rude, Executive Director
 - ◆ Awarded A2 General Obligation Rating by Moody's
- VI. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ Recycled Programs
 - ◆ Quarterly Delinquency Report
 - ◆ Rural Housing Loan Leveraging
 - ◆ Update of FHA Maximum Mortgage Limits
 - ◆ Workshop Schedule
- VII. MBOH REGULATORY WORKING GROUP PROPOSAL RESPONSE - Bill Oser, Chairman
- VIII. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ◆ Legislation
 - ◆ NCSHB Meeting
- IX. OTHER BUSINESS
 - ◆ Meeting Schedule for Summer/Locations
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



MONTANA DEPARTMENT OF COMMERCE

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Phone: (406) 444-3040
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836 Front Street
Conference Room
Helena, Montana
April 21, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Kurt Lewis, Accountant
Dolly Snyder, Assistant Accounting & Finance Manager
Connie Boyer, Multifamily Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Peter Nolden, PaineWebber
Mike Mulroney, Luxan & Murfitt

OTHERS: Gene Huntington, Dain Bosworth
Kreg Jones, D.A. Davidson
Gordon Hoven, Piper Jaffray, Inc.
Mary Lou Falconer, USDA/Rural Development
Terry Wellman, Indian Resources Int.

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes. The motion was seconded by Waneeta Farris. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDIT APPLICATIONS FIRST ROUND

Bruce Brensdaal received ten tax credit applications for the first round. One project was withdrawn because the financing did not come through. Bruce presented the development selection criteria used for scoring for the benefit of new Board members. The total tax credits available this year is \$1,098,750. Bruce presented a summary of the applications received and pointed out similarities in projects. He pointed out that the Rural Development projects will have fewer credits recommended by staff than they requested because the projects will qualify for more credits than they actually need. Maureen Rude said that Rural Development will finance 95-97% of the cost excluding development fees, therefore, Montana Board of Housing (MBOH) historically does not allocate all that the projects qualify for under the tax code. The calculations for the "gap" show the projects do not need as much in tax credits to fill the gap. The Board requested that the Hamilton projects be presented together. They include the Parkside Apartments, the Cornerstone Apartments, Valley Villas II, and the Willow Court Apartments with a total of 93 units. Bruce pointed out that the different projects are providing for a variety of housing needs and the community expressed that they were needed.

The Parkside Apartments in Hamilton is a preservation project that has expiring HUD contracts. The HRC (Human Resource Council) in Missoula is acquiring and rehabilitating the project. They propose 24 units for the elderly. The amenities are standard. The utilities are paid by the owner. The developer has the option to buy and the property is zoned for multifamily use. The total actual cost is \$797,106. The total eligible basis is \$557,899. The tax credit requested is \$22,316. The rent levels are \$330 for the six one-bedroom units (50% of median) and \$460 for the 18 two-bedroom units (60% median income). Permanent financing is in place with MBOH financing, and an AHP Deferred loan. The project scored 94 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$33,213 with tax credit cost being \$930 per unit. The staff recommendation was to approve the project at the amount requested.

The Valley Villas II project in Hamilton is a Rural Development new construction project being developed by Kermit Mueller of Valley Villas LP. Mary Lou Falconer of Rural Development said she has approved the project which is an addition to an existing project. The developer proposes ten two-bedroom units. The amenities are standard. The tenants pay the utilities, which are electric heat and hot water, electric cooking. The property is owned by the developer and is zoned for multifamily. The total actual cost is \$586,242. The total eligible basis is \$531,987. The tax credit requested is \$31,280. The rent levels are \$230 for the two-bedroom units (60% of median). Proposed financing is with Rural Development and owners equity. The project scored 85 points out of a possible 118 points. The cost per unit is \$58,624 with tax credit cost being \$2,128 per unit. The staff recommendation was to approve the project at \$17,500, although the developer requested \$21,280.

The Cornerstone Apartments in Hamilton is a new construction project being developed by Marlin Foss of Marlin Foss Real Estate. The developer propose 11 three-bedroom units. The amenities are standard. The tenants pay all utilities, which are gas heat, gas hot water, gas cooking and electric lighting. The developer has the option to buy and the property is zoned for

multifamily use. The total actual cost is \$618,882. The total eligible basis is \$553,782. The tax credit requested is \$48,040. The rent levels are \$398 for the three bedroom units (50% of median) and \$492 for the 8 three-bedroom units (50% of median). The permanent financing is with Western Federal Savings and a deferred developer fee. The project scored 80 points out of a possible 118 points. The cost per unit is \$56,262 with tax credit cost being \$4,367 per unit. The staff recommendation was to approve the project at the amount requested.

The Willow Court Apartments project in Hamilton is for the elderly being developed by Tim German of Sparrow Housing. The developer proposes 42 one-bedroom units and 6 two-bedroom units. The amenities are standard. An agreement with the local office on aging gives them an office and they will provide meals and services to the tenants. The owner pays all the utilities. There is an option to buy the land and the property is zoned for multifamily. The total actual cost is \$3,027,228. The total eligible basis is \$2,778,673. The tax credit requested is \$250,080. The rent levels are \$487 for the six one-bedroom units, \$406 for the 42 one-bedroom units (60% of median). The permanent financing is with Pacific Harbor Capital, Inc. and deferred developer fees. The project scored 81 points out of a possible 118 points. The cost per unit is \$63,070 with tax credit cost being \$5,210 per unit. The staff recommendation was to approve the project at the amount requested.

Bill Oser made a motion to approve the four projects from Hamilton per staff recommendation. Bob Savage seconded the motion. The motion passed unanimously.

The Homestead Lodge Apartments in Absarokee is a Rural Development rehabilitation project being developed by Alan Axelrod of Absarokee Investors. The developer proposes 32 units for the elderly. The amenities are standard. The owner pays the utilities. The property is owned by the developer and the property is zoned for multifamily. The total actual cost is \$755,869. The total eligible basis is \$703,924. The tax credit requested \$30,234. The rent levels are \$369 for three one-bedroom units (50% of median) and \$399 for 25 one-bedroom units (60% of median) and \$433 for four two-bedroom units (50% of median). The financing is through Rural Development and owners equity. The project scored 102 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$23,621 with tax credit cost being \$945 per unit. Bruce mentioned that a management issue has come up. Mary Lou Falconer assured the Board that the issue will not continue. Staff recommendation was for approval of \$15,134 of tax credits although the developer requested \$30,234. Bill Oser made a motion to approve the project as recommended. Waneeta Farris seconded the motion. The motion passed unanimously.

The Pine Ridge Apartments in Butte is a new construction project being developed by Randy Farris Contracting. The developer proposes 36 multifamily units. The amenities are standard. The tenants pay the utilities, which are gas heat, gas hot water, and electric cooking. There is a contract for deed and the property is zoned for multifamily. The total actual cost is \$1,911,885. The total eligible basis is \$1,718,500. The tax credit requested is \$154,665. The rent levels are \$425 for the 18 two-bedrooms units (60% of median) and \$465 for the 18 three-bedrooms units (60% of median). The financing is through Security Bank and a deferred development fee. The project scored 80 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$53,108 with tax credit cost being \$4,296 per unit. Staff recommendation was for

approval. Bob Savage made a motion to approve the project as recommended. Barbara Hamlin seconded the motion. The motion passed unanimously.

The Wildflower Apartments in Big Sky is a new construction project being developed by William Dabney of Farmhouse Partners LP. The developer proposes 32 units. The amenities are standard. The tenants pay the utilities, which are gas heat, gas hot water, and electric cooking. There is a contract to buy and the property is zoned for multifamily. The total actual cost is \$2,110,655. The total eligible basis is \$1,859,655. The tax credit requested is \$167,293. The rent levels are \$329 for the 17 one-bedrooms units (60% of median) and \$435 for the 15 two-bedrooms units (60% of median). The financing is through American Bank, a deferred land contract, a water and sewer district loan and a deferred development fee. The project scored 71 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$65,946 with tax credit cost being \$5,228 per unit. Staff recommendation was for approval. Bruce pointed out that there is a contract on the land and there will be no payment for 15 years. The Board asked how many people were actually being transported from other areas and how many actually want to live at Big Sky, where would the children go to school and can the school district handle them, what is the population type, what is the land value and where is zoning documentation? Bill Oser made a motion to move this project to the next round and have all the documentation in place. Ronda Carpenter seconded the motion. The motion passed unanimously.

The Beartooth Apartments in Red Lodge is a new construction project being developed by Rotherham-Cooper, Inc. The developer proposes 32 units. The amenities are standard. The tenants pay the utilities, which are gas heat, gas hot water, and electric cooking. There is a contract to buy with the city and the property is zoned for multifamily. The total actual cost is \$1,731,869. The total eligible basis is \$1,482,017. The tax credit requested is \$133,381. The rent levels are \$365 for the 17 one-bedrooms units (60% of median) and \$435 for the 15 two-bedrooms units (60% of median). The financing is through First Interstate Bank and a deferred land Note. The project scored 69 points out of a possible 118 points. The minimum threshold is 60 points. The cost per unit is \$65,946 with tax credit cost being \$5,228 per unit. Staff recommendation was for approval. Bob Savage made a motion to approve the project as recommended by staff. Bill Oser seconded the motion. The motion passed unanimously.

The College Homes project in Browning is a new construction project being developed by Terry Wellman of Indian Resource International. The developer proposes 28 homes. The amenities include attached garages. The tenants pay the utilities which are electric heat, electric hot water, electric cooking, water, sewer, and trash. Mr. Wellman said the reason he is not using natural gas is because there is no natural gas pipeline near where these homes are located. He said there are parts of Browning that have natural gas and parts that do not. His project does not, however, it is only 200 to 300 yards away. He said the town of Browning will hook up the water and sewage once the homes are available because they are glad to have the homes hooked up to help with the sewer and water bills. The developer has an option to buy and the property is zoned for multifamily. The total actual cost is \$2,606,164. The total eligible basis is \$3,107,181. The tax credit requested is \$267,500. The rent levels are \$390 for the 20 three-bedrooms homes (60% of median) and \$424 for the 8 four-bedrooms homes (60% of median). The financing is through Evergreen International. The project scored 62 points out of a possible 118 points. The minimum

threshold is 60 points. The cost per unit is \$93,077 with tax credit cost being \$9,554 per unit. Terry Wellman stated that Lodgebuilder Construction does not have anything to do with the project. The developer has the option to buy the land from Lodgebuilder. When questioned by the Board Mr. Wellman reiterated that Lodgebuilder is not involved with Indian Resource International at all. He stated that Lodgebuilder won't have anything to do with building the project. Board members asked about the comment in the letter from the Blackfeet Indian Housing Authority stating the Bureau of Indian Affairs Roads division had not been contacted for review or for providing access. Mr. Wellman responded that the access question has been resolved and the roads are paved and there is asphalt into where these homes are located. Staff made no recommendation for approval because it scored the lowest and there were not enough tax credits available. However, Bruce said that because the Big Sky project was not approved there are \$230,999 of tax credits available. The College Homes project would have to do fewer units. Bruce said that he has received comments from the Blackfeet Tribe supporting the project, but he did not receive the independent letter from them that was promised. He mentioned that this project does not have the legal issues as the last Browning project did and that there are letters of support from the tribe. Board members mentioned that tribal support was important to them. Bill Oser made a motion to approve the project for \$230,999. Barb Hamlin seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the 1996 A Program. The total funds available for the 1996A bond issue were \$57,948,445. There have been 156 loans reserved for \$10,961,802 and 465 loans have been purchased for \$28,950,679. The average purchase amount is \$62,259. The average reservation amount is \$70,267. The total balance remaining to be reserved is \$18,035,973 as of April 17, 1997. The Statewide Housing Profile report was presented which showed the number of loans and average amount of the loans and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented charts comparing the number of reservations received and loans purchased per week for the 1995B and the 1996A bond series. The 1996A bond series is going out faster than the 1995B bond series. Bob pointed out that at the rate loans are being reserved, MBOH could be out of funds in June or possibly in 30 days. Maureen mentioned that there are only four million dollars available for a bridge program.

Peter Nolden gave the outlook for the possibility of a new bond issue. He presented a chart of the recent interest rate indices of the Revenue Bond Index vs. 30-Year Treasury Bonds. The financing plan proposes to amend and restate the Single Family I Indenture by refunding 5 issues remaining in "Single Family I" totaling \$31.36 million, refunding three "pre-1980" issues, and adding a regular new money lendable proceeds amount determined by the Board. Peter showed a chart with bond issue sizing for various "New Money" amounts. A preliminary schedule was presented. The current investment policy for MBOH is to permit the Board to sell the bonds and then invest the bond proceeds in a collateralized repurchase agreement with a US domestic bank or a US branch of a foreign bank rated AA or better and who is willing to collateralize its obligation at 102%. Peter said that in the current market MBOH could obtain the interest rate on the investment equal to the bond rate. There would be no negative arbitrage. In the past, the

trustee invested the funds they received from mortgage loans and payments, or "float," from MBOH in US treasuries and agencies at as good an interest rate as they could find. Peter suggested that MBOH invest float funds pursuant to a collateralized investment contract using the same parameters as the MBOH's investment policy. The interest rate would be well in excess of the bond rate. Interest earned in excess would be repaid to the Federal Government. If such an agreement was not in place, when the cashflows were modeled to obtain the rating on the bonds, the rating agencies will make MBOH assume these funds were invested at 2.5%. Then there would be a slight negative arbitrage drag which would cause MBOH to have to capitalize some interest in the bond issue on the front end. MBOH does have an option on the float, (which is usually locked in for 30 years), to invest only 10 years. Kelly said that it would be easier administratively and would provide more flexibility to put the float funds in an investment agreement.

John Wagner said that the Single Family I Indenture would be amended and replaced with a new modern indenture. The original indenture was strict because it was written when MBOH had no assets and no management history. The amended indenture would provide flexibility, consistency with the Single Family II indenture, and would permit financing other than FHA, VA, and Rural Development if the Board chose to do other types of loans in the future. The indenture would add a special reserve fund which could be used for any housing purpose of the Board. Maureen said the amended indenture would provide opportunities for the future and MBOH would have assets that would pass a rating quality test. Peter said that this proposal would make \$6.75 million available immediately that could be used to fund special set asides. There would be no principal bond amortization for 10 years on the pre-Ullman refunding bonds, which means that all mortgage principal regular monthly payments and prepayments that come in during the 10-year period can also be recycled.

Bill Oser asked about the possibility of refinancing some old cabs. John Wagner responded that it is possible. John explained about the refinancing that took place last fall. Bill Oser and Maureen Rude explained the history of bond issue sizing.

Bill Oser made a motion to proceed with a new bond issue with \$60 million of "New Money" and a total bond issue of \$91,360,000 from the amending of the Single Family I Indenture. The motion was seconded by Bob Savage and Barb Hamlin. The motion passed unanimously.

Bill Oser suggested sending a letter to the lenders to find out if they would like another refinancing opportunity. Bob Morgan suggested searching MBOH's database first to see if refinancing is feasible.

Maureen asked the underwriters if the new issue would be better with both Moody's and Standard & Poor's rating. The consensus was that both ratings would be better. Peter went over the schedule and timing of the bond issue. The Board agreed to seek ratings from both Moody's and Standard & Poors.

GENERAL OBLIGATION RATING

Maureen presented the official letter from Moody's stating that they have assigned a General Obligation rating of A2 to the Montana Board of Housing.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave a report on the recycled programs. A letter was received from Susan Moyer of the City of Kalispell requesting to reduce the rate of the First-time Homebuyer set aside to an average interest rate of 6 $\frac{1}{8}$ % to target a lower income population and use Rural Development as the insurer. The staff recommended reducing the rate for 16 loans at 5 $\frac{7}{8}$ % (50-59% of median income), 16 loans at 6 $\frac{1}{8}$ % (60-69% of median income), and 12 loans at 6 $\frac{3}{8}$ % (70-80% of median income). Bob Savage made a motion to approve the request as recommended by staff. The motion was seconded by Bill Oser. The motion passed unanimously.

Bob reported that the Rural Housing Loan Leveraging Program set aside has been reserved. The Single Family II recycled program has \$47,000 available now. The Board will have an additional \$6 million of recycled funds available after the bond issue. Mary Lou Falconer of Rural Development requested an additional \$500,000 to be set aside at 6% for the Loan Leveraging Program subject to the availability of funds. Bill Oser made a motion to set aside \$500,000 at 6% subject to available funds for the Rural Housing Loan Leveraging Program. Barbara Hamlin seconded the motion. The motion passed unanimously.

Mary Lou Falconer approached the Board about a project in Hardin being leveraged for four homes. The Board recommended that she present a proposal at the next meeting.

Bob Morgan presented the quarterly delinquency report for the end of December. The percentage of total delinquencies for MBOH is 2.84% compared to 3.66% statewide, 3.76% for the mountain region and 4.61% nationally.

Bob Morgan presented a FAX from FHA showing the increases in the mortgage limits for Missoula County. Bob also presented a schedule of the Single Family Program workshops for the lenders and Realtors around the state.

MBOH REGULATORY WORKING GROUP PROPOSAL RESPONSE

Bill Oser reported that two responses were received for the Request for Proposal for the Regulatory Working Group. They will be reviewed, rated, and then awarded to the one with the highest rating. Bob Savage asked if a presentation on regulatory issues could be included on the agenda for the NCSHB meeting at Grouse Mountain in August.

ADMINISTRATORS UPDATE

Maureen presented a copy of a legislative resolution that confirmed the appointment of Waneeta Farris. She also presented additional bills that might be of interest to Board members. Maureen

presented various articles for the Board's information and a schedule of meeting dates for Board meetings for the summer.

The Board agreed the next regular Board meeting would be May 23, 1997 in Hamilton with a public meeting at 1:00 P.M. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 1:00 P.M.

Bill Oser

Bill Oser, Secretary

6-10-97

Date



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
March 25, 1997

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of February 18, 1997 Board Meeting
 - ▶ Minutes of March 3, 1997 Conference Call
- II. STATUS OF TRUSTEE TRANSFER - Kelly Rusoff, Accounting & Finance Manager
- III. STATUS OF SINGLE FAMILY PROGRAM FUNDS - Bob Morgan, Single Family Program Manager; Peter Nolden, PaineWebber
 - ▶ 1996A Status Reports, Comparisons to 95B
 - ▶ Future Financings
- V. GENERAL OBLIGATION RATING - Maureen Rude, Executive Director
- VI. UPDATE ON RAM LEGISLATION & RAM PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ▶ Proposed Program Changes
- VII. MULTIFAMILY LOAN APPLICATIONS - Bruce Brensdal, Multifamily Program Manager
- VIII. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ Recycled Mortgage Programs
 - ▶ Delinquency Analysis
 - ▶ Request for Proposal Applications
- IX. MBOH REGULATORY WORKING GROUP UPDATE & PROPOSAL - Bill Oser, Chairman; Roger Pedersen, Coordinator
- X. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ▶ Board Appointments
 - ▶ Legislation
- XI. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



MONTANA DEPARTMENT OF COMMERCE

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836 Front Street
Conference Room
Helena, Montana
March 25, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Bill Oser (Present)
Thomas Welch (Present)
Ronda Carpenter (Absent)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Kelly Rusoff, Accounting & Finance Manager
Bruce Brensdaal, Multi-Family Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt
Peter Nolden, PaineWebber

OTHERS: Michael McKee
Gene Huntington, Dain Bosworth
Dick Brinck, HUD
Jerry Boone, HUD/FHA
Aaron Rudio, D.A. Davidson & Co.
Kreg Jones, D.A. Davidson & Co.
Joe Burst, City of Billings
Gordon Hoven, Piper Jaffrey, Inc.
Leon Stalcup, HRC District XI, Missoula
Jim Morton, HRC District XI, Missoula
Patty Kent, Western Montana Mental Health Center
Rand Kennedy, HRC District XI
Don Chance, Montana Building Industry Assoc.
Robin Welch, Business Services, Inc.-Billings

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas. He welcomed new Board member Thomas Welch. The other new Board member, Ronda Carpenter, was at a legislative hearing and could not attend.

APPROVAL OF MINUTES

Amendments to the February 18, 1997 meeting minutes were offered. Bill Oser made a motion to accept the February 18, 1997 minutes as amended and the March 3, 1997 conference call minutes. The motion was seconded by Barb Hamlin. The motion passed unanimously.

STATUS OF TRUSTEE TRANSFER

Kelly Rusoff reported that First Trust became the Trustee on March 14th and started accepting payments from Montana Board of Housing's (MBOH) servicers. The first purchase of loans took place March 24 and went well. The assets had to be converted manually. Staff is checking to be sure that all are on the system. The previous trustee is sending cut-off statements for staff to balance to. Bondholder information is being reconciled. All legal documents have been completed. The Bond Buyer will have notification on Friday that First Trust is the Successor Trustee. Debbie Kuykendal of First Trust is working on notification to the National Repositories. The ticker files that give the critical dates for bond calls has been received. New account numbers have been assigned and reviewed. The staff will start receiving training on First Access on Thursday, which will put MBOH on-line with First Trust.

STATUS OF SINGLE FAMILY PROGRAM FUNDS

Bob Morgan gave an update on the 1996 A Program. The total funds available for the 1996A bond issue was \$57,921,445. There have been 126 loans reserved for \$8,688,057 and 415 loans have been purchased for \$25,549,523. The average purchase amount was \$68,952. The average reservation amount was \$61,656. The total balance remaining to be reserved is \$23,683,864 as of March 21, 1997. The Statewide Housing Profile report was presented which showed the number of loans and average amount of the loans and the average income for the various counties. A report was presented that listed the most active lenders in the program. Bob Morgan presented charts comparing the number of reservations received and loans purchased per week for the 1995B and the 1996A bond series. The 1996A bond series is going out faster than the 1995B bond series. Bob pointed out that at the rate loans are being reserved, MBOH could be out of funds a month earlier than last year. Maureen said that MBOH only has about \$3 million that could be recycled for a bridge program.

Peter Nolden presented a chart showing rates of the Revenue Bond Index vs. 30-Year Treasury Bonds from March 7, 1996 to March 17, 1997. Another chart showed historically that interest rates are low for a fifteen year cycle. The tax exempt market today is slightly less than when bonds were sold last year. Peter listed the five economic refunding candidates. The question is whether to include the refunding of the five candidates of the Single Family I indenture in the

Single Family II indenture or create a new indenture. A possible reason for creating a new indenture would be to accommodate loans that are insured by private mortgage insurance (PMI) companies. The mortgage loans that can be financed in the Single Family II indenture are the Rural Development loans, FHA insured loans, and VA guaranteed loans, but there is no provision in it or the Single Family I indenture for financing PMI insured loans. Peter suggested that it might be wise to build the provision into a new indenture (if a new one was created) to use some time in the future. Maureen commented that she and Kelly are concerned about putting everything into Single Family II because some flexibility would be lost. Peter stated that if MBOH were to refund the five candidates listed, MBOH would have excess assets in the indenture. In order to pay for legal fees and underwriters and capitalize interest, MBOH will have negative arbitrage on the front end. The strength of the Single Family II indenture was that MBOH would not have to appropriate money to pay into the indenture itself to cover the risk. Peter was not sure how much liquidity would exist in a new indenture, but the assets would be moved over to become assets in the new indenture. It may require the Board to appropriate funds from the general fund or the Single Family II indenture to get the new indenture up and running. Peter pointed out that legal fees would probably not be any more to create a new indenture.

Peter discussed the option of securing bonds with Fannie Mae's, Ginnie Mae's, and Freddie Mac's as opposed to whole mortgage loans. The advantage would be two-fold: the indenture would receive a AAA rating and, administratively, it would be simpler with book entries as opposed to maintaining files on whole loans. The down side would be the lending community would continue to originate mortgage loans, but economics would dictate they would sell their loans to a master servicer. The lending community would be paid a servicing release fee in addition to their origination fee. Maureen said with our current servicing system, some of the lenders around the state would be interested in MBOH doing PMI because then the loans would stay in the state with the servicing in state. Peter said servicing costs with a master servicer would go from $\frac{3}{8}\%$ to $\frac{1}{2}\%$. Maureen stated that some lenders have geared up their servicing portfolio to do MBOH loans, therefore, she is hesitant to change to a master servicer because our current system is working well. Peter said that if MBOH were to include the PMI loans with the FHA, VA, Rural Development loans, and wanted to keep an AA rating on the bonds, MBOH would have to provide some additional security to get the PMI loans up to the AA credit quality. The Board would probably be required to have a defined term in the indenture that talks about additional security that could be fulfilled with cash or insurance policies or over collateralization. Peter said that the PMI option offers flexibility for the future. Kelly Rusoff commented that the Single Family I indenture is cumbersome and does not offer much flexibility. Bill Oser made a motion to authorize PaineWebber to explore a new bond issue with the possibility of refunding and report the rates and findings. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Maureen reported on the volume cap. MBOH gets \$43 million a year under the state code and there is carry over from 1994 of \$40 million which has to be used this year or it expires. There is carry over from 1995 of \$43 million and carry over from 1996 of \$42 million. The current year allocation is \$43 million. Any multi-family would have to come out of the current year. Now there is approximately \$160 million of volume cap, but in future years as the Board uses its carry forward the balance will drop.

GENERAL OBLIGATION RATING

Maureen reported that a preliminary assessment has been done by Standard & Poor's and Moody's. The cost for the rating agencies is different. The first use for a General Obligation (GO) rating would be for the multifamily projects. Currently HUD requires a set aside of one half million dollars for MBOH to participate in the HUD risk-sharing program. It is required to be kept liquid in cash or cash equivalents, basically investments of 90 days or less. The money earned on that is now \$4200-\$6700 a year less than could be earned on that same money at 6½%. The rating fee would be paid for in 2-3 years on the interest earned if MBOH invested the \$565,000 in a loan. Maureen indicated the cost benefit is visible. HUD would allow MBOH to release the \$500,000 due to the A or better GO rating. Other benefits are: (1) The market is looking for external evaluation of the overall fund balances of state housing agencies. Each rating MBOH has received has been on each particular indenture and not the agency as a whole. The general obligation rating would look at all MBOH assets as a whole and would give credibility in the market place in the future. (2) The GO rating can be used to leverage fund balances for new and unusual programs that might not qualify on their own for financing. (3) It provides additional liquidity to the agency, as well as flexibility for issuing bonds for low loan to value multi-family loans. (4) Potentially the GO rating could allow the Board to use less money for reserves and (5) allow mortgage backed debt that would not meet structuring criteria on its own. The GO rating would help if MBOH ever did the senior bonds with the subordinate bonds, where the seniors are secured by the mortgages and the subordinate bonds are not. In the old structure, the \$24 million senior bond was AA rated and the subordinate bond was unrated and the cost on the subordinate piece was quite a bit higher. Bill Oser made a motion to request Moody's general obligation rating at the stated price. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

UPDATE ON RAM LEGISLATION & RAM PROGRAM

Bruce Brensdaal reported that the changes proposed for the Reverse Annuity Mortgage Program in the Legislature have become law. The changes were that the age is 68 years, except on a case-by-case basis in accordance with program guidelines established by the Board of Housing, the homeowner will be able to pay off small existing liens with the \$2500 lump sum payment, and condominiums may be included.

Bruce presented a list of possible exceptions for the 68 year rule that have been requested in the past. Barb would like MBOH to have specific guidelines for flexibility. Tom Welch would like to have exceptions brought to the Board for awhile to determine what should be put in the guidelines. Bob Thomas suggested that Bruce track the numbers of requests for each exception for one month. Policy guidelines should be established because of history. Bruce reported that the status of the RAM program is 25 active loans, 4 are in process, and \$450,000 is available. MBOH has committed \$800,000 and 7 loans have been prepaid.

MULTIFAMILY LOAN APPLICATIONS

Bruce reported that he has received three applications for permanent financing.

The Western Montana Mental Health Center (WMMHC) is requesting a five-year loan for \$250,000 for the River House project. The project is for the mentally disabled in Missoula and would be totally debt-free in five years. It is a new construction project with 20 units. The rents would target below 30% of median income. The total cost of the project is \$1,211,000. The cost per unit is \$60,550 and the cost per square foot is \$96.88. The loan to cost ratio is 21%. Western Montana Mental Health Center has requested MBOH to buy down the interest rate from 6% to 0%. (The rate will be bought down from 6% with money within the 92A series that can only be used for this purpose.) The WMMHC has an option to buy and the property is zoned for multifamily. The amenities are standard with support services provided. There will be one handicapped unit in the project. The project has been awarded a Shelter Plus Care subsidy and will receive \$4,437 a month and WMMHC has provided a written guarantee that all debt service will be paid. The owner pays all utilities. The HOME, CDBG, and AHP funding has already been approved. The staff recommends approval at 0% with a reduction in the loan fee from \$2,500 to \$2,000. Patty Kent gave comments on the project. Bill Oser made a motion to accept the River House application. The motion was seconded by Waneeta Farris. The motion passed unanimously.

The Human Resouce Council XI (HRDC) of Missoula is requesting a 30-year loan for \$612,000 for the Parkside Apartments in Hamilton. The project is an acquisition rehab of an existing 24 unit elderly project. The rents would be 50% of median income. The total cost of the project is \$797,106. The cost per unit is \$33,213 and the cost per square foot is \$32.50. The loan to cost ratio is 77%. The HRDC has requested a rate of 5.5%. (The rate will be bought down from 6% with money within the 92A series that can only be used for this purpose.) The HRDC has the option to buy and the property is zoned for multifamily. The amenities are standard. Rand Kennedy gave comments on the project. Bill Oser made a motion to approve a preliminary phase commitment if they qualify under the risk-sharing program. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

The Pond Row project in Bozeman is sponsored by Bozeman Interfaith Housing II. The request is for a 30 year loan for \$267,596. The project is for 10 units. The rents would be 30-50% of median income. The total cost of the project is \$909,596. The cost per unit is \$90,960 and the cost per square foot is \$90.91. The loan to cost ratio is 29%. This is phase one of a two phase project and the infrastructure costs are included in this phase. When the costs are spread out over the entire project the actual cost per unit will be \$74,173. Risk-share financing is proposed for this project. Bozeman Interfaith has the option to buy and is in the process of annexing the property to the City of Bozeman as multifamily. The amenities are standard. The project has 50% of the units serving below the Area Median Income. The project has two fully accessible handicapped units. The tenants pay their own utilities. Financing has been approved by AHP, HOME, and a City Loan and contributions are \$100,000. Robin Welch gave comments on the project. Barbara Hamlin made a motion to give preliminary approval to the project. Waneeta Farris seconded the motion. The motion passed unanimously.

Maureen said the loans can be done now and the Board can bond for them in a pool later. MBOH can not bond ahead with multifamily and then have money sitting out there and then make the loans like in single family. The projects must all be in line. The Board as part of the commitment process needs to state that they intend to reimburse themselves. The Board does not have to, but that gives them the provision under the tax code to fit within the reimbursement regulations. The record states that the Board may choose to reimburse itself at a later date.

SINGLE FAMILY PROGRAM TOPICS

Patty Kent gave a summary of the Eaton Street and Homestead projects. She expressed her gratitude to the Board and said the projects would not have been possible without their help.

MBOH REGULATORY WORKING GROUP UPDATE & PROPOSAL

Bill Oser reported that the working group have been reviewing the building code issue. Roger Pedersen and Don Chance presented a Request For Proposal to provide a building codes study review for the purpose of identifying potential code modifications to assist housing affordability in Montana. Phase I of the study consists of compiling and analyzing a potential list of code modifications which could reduce the cost of construction practices. Phase II would be preparing the code modifications submittal for the rule adoption process by the Department of Commerce, Building Codes Bureau. The study shall commence May 1, 1997 and be completed no later than September 15, 1997. Barb Hamlin made a motion to allocate up to \$25,000 for continuance of the request for proposal. The motion was seconded by Tom Welch. The motion passed unanimously.

Bill Oser stated that future goals for the regulatory working group are: Legislative process, the zoning and comprehensive planning, subdivision standards, discentives to building within city limits vs outside city limits, and financing for infrastructure costs.

Don Chance said that the building industry has not had a policy making focal point in state government. He sees the Board of Housing and the Housing Division as reliable leadership and a place where housing affordability issues can be brought.

SINGLE FAMILY PROGRAM TOPIC CONTINUED

Bob Morgan presented a summary of the recycled mortgage program set asides. The total Single Family I set asides is \$2,905,775. The total Single Family II set asides is \$12,514,895. The total of all set asides is \$15,420,670. Bob pointed out that the Disabled Accessible Affordable Homeownership Program (DAAHP) has excess funds (for the amount of demand for the program) that need to be used by June of this year. The Homebuyer Cash Assistance (CAP) has enough funds available for one more loan. Bill Oser made a motion to move \$2 million from the DAAHP program to the CAP program. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter from Joe Burst from the City of Billings to increase the amount of the City of Billings set aside by \$81,716.51 to finance two loans that have been approved for grant funds by the City of Billings. Bill Oser made a motion to increase the set aside by \$81,716.51. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bob Morgan presented a loan delinquency analysis that compares the highest number of delinquencies by servicer, county, set asides, and loan type.

Maureen reported that the uncommitted recycled funds are running low with \$1.3 million remaining. She said that MBOH will need to track and plan for the future.

Bob Morgan presented a request for proposal from Joe Burst of the City of Billings. The City of Billings would use \$200,000 of grants from the HOME program for down payment, closing costs, and minor rehab of 40 houses. The proposal ranked 85 points with a 50 point minimum threshold. Joe Burst explained the program to the Board. The staff recommended that the Board approve the request of \$2,000,000 at 6% with ¼% reservation fee subject to funds being available. Bill Oser made a motion to approve the request as recommended by the staff. Barb Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter from Nancy Rhoads of Western Federal Savings Bank stating that the merger for Western Federal Savings and Security Bank closed in February. The Security Bank system will continue servicing its loans until the computer conversion is completed. Security Bank will operate as a division of Western Federal Savings Bank until September.

Bob Morgan presented several newspaper articles that appeared in the Billings Gazette.

EXECUTIVE DIRECTORS UPDATE

Maureen presented a letter from Governor Racicot informing the Board of the appointment of Thomas Welch to succeed Michael McKee and Ronda Carpenter to succeed Paul Bankhead. Governor Racicot reappointed Robert Savage and William Oser.

Maureen presented a fiscal note and the bill for HB599 and reported on HB581 and HB583 which were tabled. Senate Bill 88 on the Treasure Endowment passed the Senate and passed out of committee in the House and is waiting floor action on the House. She also reported on HB 2 which is the general appropriations act.

Maureen reported that a group of people came to her last fall and said they wanted to do some projects that were approved by HUD under the Low Income Housing Preservation Act program which provides capital grants and interest rate subsidies for projects that meet certain criteria. The nine projects were approved by HUD, but HUD does not have any funding for them. The Montana Housing Preservation Proposal lines out three options for the nine projects which have 532 units with over 300 units occupied by elderly people. The first option is doing nothing which would make the units market rate and force many of the occupants to find other housing. The second option would be for the Board of Housing to do a regular bond financing like is done for

multifamily, but it would leave a gap of \$2.8 million between what the project can afford in debt and the funds available even with low income housing tax credits. The third option was for the Board of Investments to issue variable rate bonds. A fixed rate of 5% would be provided to the projects and the variable rate bonds would float and the bond holder could come in on any seven day period and request the bonds be bought back. Even with the 5% loan, the projects still had a gap of over \$1 million. The legislature appropriated \$800,000 to the Board of Investments and amended some language in HB 248 allowing the Board of Investments to participate in this project. MBOH staff would do the Tax Credits for the project, as well as assist Board of Investments with underwriting and the low income use requirements.

OTHER BUSINESS

Maureen presented information on the National Governor's Association policy on affordable housing and information on the Federal Home Loan Bank changing their rule on how state housing agencies can borrow from the Federal Home Loan Bank.

Bob Thomas appointed Bill Oser as the new secretary for the Board. He also reported on the NCSHA conference in Washington, D.C.

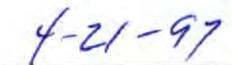
The National Council of State Housing Boards will meet at Grouse Mountain Lodge August 24-26 in Whitefish, Montana. They are anticipating an attendance of 120.

The Board agreed the next regular Board meeting will be April 21, 1997 in Helena at Board of Housing's conference room. There will be an ethics workshop in the afternoon.

Bill Oser made a motion to adjourn the meeting. The meeting adjourned at 12:35 p.m.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

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

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting by telephone conference call on March 3, 1997 at 11:00 a.m., to discuss changing the name of the new SF Trustee on Resolution 97-0218-T2. The call can be heard in the conference room at 836 Front Street in Helena, Montana.

Robert D. Morgan

Robert D. Morgan
Single Family Program Manager

2/24/97

Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MINUTES OF SPECIAL MEETING RESOLUTION 97-0218-T2 CHANGES MARCH 3, 1997, 11:00 A.M.

Notice having been given, the Montana board of Housing held a special meeting on Resolution 97-0218-T2 changes. The meeting took place via teleconference to discuss the proposed change to the trustee name on the resolution. Present were:

Board members: Bob Thomas, Barb Hamlin, Bill Oser, and Bob Savage, and Michael McKee.

MBOH Staff: Maureen Rude, Bob Morgan, Bruce Brensdal, and Diana Hall.

Bond Counsel: John Wagner

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Maureen reported that First Trust Company of Montana was named successor trustee in Resolution 97-0218-T2. John Wagner explained that First Trust Company of Montana is an affiliate of First Bank System. The \$2 + billion capital of First Bank System is not attributed to First Trust Company of Montana for legal purposes. First Trust Company of Montana's capital and surplus does not meet the requirements of the indentures. The legal entity needs to be changed in the Resolution to First Bank, National Association, to meet the indenture capital requirements.

Debbie has provided Maureen with a servicing agreement between First Trust Company of Montana and First Bank, National Association. Therefore, the Board's intent to have First Trust Company of Montana service the account through First Bank, National Association, is not a problem. Debbie Kuykendall of First Trust Company of Montana says she has parallel titles and is an officer of both organizations. Maureen reported that Debbie can sign for the bank. First Bank of Montana has forty-nine million dollars in capital and the Goldman deals require fifty million dollars in capital. First Bank Systems was willing to put one million dollars into First Bank of Montana to capitalize it, however, that would require the Board to constantly monitor to ensure First Bank of Montana maintains the capital. Maureen suggested we have the First Bank System as the technical trustee, instead of continually monitoring the capital of First Bank of Montana. Maureen said it is important to stress that First Trust Company of Montana got the contract for the bank and will service Montana Board of Housing accounts.

Bob Savage made a motion to change the name of the appointee from First Trust

Company of Montana in Resolution 97-0218-T2 to First Bank, National Association. The motion was seconded by Barbara Hamlin. The motion passed unanimously with a roll call vote.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 11:10 a.m.



Bill Oser, Secretary

3-28-97

Date



Maureen J. Rude

3/28/97

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
February 18, 1997

- I. CALL MEETING TO ORDER - 8:25 a.m. - Chairman Bob Thomas
 - ▶ Minutes of January 21, 1997 Board Meeting
- II. INTERVIEWS FOR SUCCESSOR TRUSTEE-SINGLE FAMILY II - X
 - ▶ 8:30 a.m.--First Trust of Montana, N.A.
 - ▶ 10:00 a.m.--Norwest Corporation
- III. UPDATE ON RAM LEGISLATION/OTHER LEGISLATION - Bruce Brensdal, Multifamily Program Officer, Maureen Rude, Executive Director
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1996 Series A Status Report
 - ▶ Quarterly Delinquency Report
 - ▶ New Lender Application
- V. VOTE ON SUCCESSOR TRUSTEE, RESOLUTION TO REMOVE WELLS FARGO BANK/ THE BANK OF NEW YORK AS TRUSTEE
 - ▶ 12:30 p.m. - Mike McKee and John Wagner by Teleconference
- VI. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ▶ Board Appointments
- VII. OTHER BUSINESS
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 1/12/96



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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836 Front Street
Conference Room
Helena, Montana
February 18, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Absent)
Barbara Hamlin (VIA teleconference)
Paul Bankhead, Secretary-Ex Officio (Present)
Michael McKee (VIA teleconference)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Kelly Rusoff, Accounting & Finance Manager
Bruce Brensdal, Multi-Family Program Manager
Dolly Snyder, Assistant Accounting & Finance Manager
Kurt Lewis, Accountant
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt
John Wagner, Kutak Rock (VIA teleconference)

OTHERS: Dick Brinck, HUD
Jerry Boone, HUD/FHA
Peter Blouke, Director, Department of Commerce
Interview attendees (a list is included with the minutes)

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

Roll call was taken with Board members Bob Thomas, Bob Savage, Bill Oser, Paul Bankhead, and Mike McKee (via teleconference) present to establish a quorum. Waneeta Farris did not attend the meeting because she works for Norwest who was being considered for a major contract.

INTERVIEWS FOR SUCCESSOR TRUSTEE-SINGLE FAMILY II-X

First Trust Company (8:30 am)

Diane Reeder and Deborah Kuykendall of First Trust gave a slide presentation. Diane Reeder apologized for Julie Robbins who was out of state and unable to attend the meeting. Their presentation included: What's going on in the Corporate Trust industry today, what First Bank brings to the transaction, and why hire First Trust as Successor Trustee. The Board provided the applicants with a list of predetermined questions on staffing, operations, conversion, and general questions. (A copy of the interview questions is attached to these minutes.)

First Trust responses to various questions follows: Question #1-First Trust affirmed that they would have a primary team of three people in Billings and a secondary team of four people in Denver. Question #2- First Trust stated that they were committed to hiring the Board's current account administrator, Sandy Shupe, and are flexible in their offer of hiring her. Question #3-First Trust is extremely committed to staying in corporate trust business and have invested in the product line. Question #6-First Trust has a checklist process, daily calendar, and requires two electronic signatures for a transaction to be completed. Question #7- First Trust has a second person reconcile DDA accounts daily. Question #8-First Trust can see wire transfers on-line and can call the wire room directly. They can provide confirmation if requested. Question #9-First Trust indicated that they would not have a problem with the procedure. They considered the complexity in their fee schedule. Question #13-First Trust said that the bondholder relations area has average wait time of 58 seconds for telephone calls. Their focus is on customer service. Question #14-The weakness of First Trust is their operations people tend to get promoted and then end up leaving a blank space.

Norwest Corporation (10:00 am)

Roll call was taken with Board members Bob Thomas, Bob Savage, Bill Oser, and Barbara Hamlin (via teleconference), and Paul Bankhead present to again establish a quorum.

Brad Lancaster gave an introduction stressing that Norwest is a local entity. Charlotte Smith discussed the history and complexities of experience of Norwest experience in the housing market. Dan Guerttman discussed staffing and transition plans of Norwest as an applicant for Successor Trustee. Norwest responses to questions were as follows: Question #1-Norwest will hire a new corporate trust administrator in Helena. Sandy Shupe (current account administrator) of Denver would be offered a position with Norwest. Question #3-Norwest is one of the few that is expanding its corporate trust offices. Question #4-Dan Guerttman stated that the staff could call him or other officers and they would be here. Question #6-The timeframe of Thursday AM is ok for Norwest. Question #7-Norwest does lots of ACH transactions and it would not be a problem for them. Question #8- Norwest stated that "of course" lenders could contact them directly about wire transfers. Question #9-Norwest did consider the workload in their fee schedule and they understand how our operation works. Question #11-Norwest could handle the schedule presented. Question #12-Norwest would continue the on-line access program that is currently in place. Question #13-Norwest returns every call by sunset, they try to respond to

currently in place. Question #13-Norwest returns every call by sunset, they try to respond to bondholders within two minutes. Question #14- Norwest stated their weakness is their organizational structure.

Legal Counsel, Mike Mulrone previously has given his opinion to the Board that a Request for Proposal by the Department of Administration was not required because of the exigency of the Trustee situation.

The Board discussed the interviews and the RFP applications. Sandy Shupe has indicated to staff that she will go with the Successor Trustee that is selected. Discussion brought out the following major strengths and key items: There are rumors that Norwest may close their Denver office. Montana Board of Housing (MBOH) wants continuity with their account administrator. The problem Norwest had with one other state shows what can happen if there is not adequate management support. First Trust has responded quickly to concerns. First Trust found out what MBOH wanted and found out how to get it. Relationships with Debbie and Sherrie of First Trust have been good in the past. Maureen said that the Corporate Trust Manager for the Western United States reiterated that First Trust was willing to hire Sandy. Mike Mulrone stated that when he called Deborah about a problem with another client, it took her only twenty minutes to resolve the issue. First Trust showed professionalism at a level that was higher than Norwest. First Trust answered all the points of all the questions in detail. First Trust has expressed a strong interest in being Successor Trustee from the beginning with the President from the western region of First Trust calling and also the President from Montana. First Trust's presentation was definitive and they had a plan in place, while Norwest seemed to say if you give us the business, we'll organize as we evolve together. Norwest did not know what the organization will be in Helena, they will hire one person, but beyond that they did not know what they would do. Norwest did not answer the questions in detail, but gave basically yes or no answers. First Trust had several people outlined for backup. Norwest's bid is lower by one basis point, however, they did not put it as a flat rate that included everything. They bid 3½ basis point plus out of pocket expenses. Maureen expressed concern about being nickel and dimed for the business. Norwest would charge \$4500 for a new deal, while First Trust \$2500. Therefore, the bids are probably even, even though, the basis points are different. First Trust was the only one who responded with a flat fee as requested. Currently 5½ basis points is being paid on the outstanding bond amount. First Trust did not specify any future negotiations, while Norwest said they would negotiate every three years. First Trust showed a definite commitment of staffing, while Norwest had a hesitancy to commit to more staff to the office in Helena. Norwest has not been as responsive to telephone calls. First Trust's online system has been better for being on-line and downloading files. Accounting staff had to go to North Dakota to find out how to download from Norwest. Staff still cannot pull up statements that have balances after a year of being with Norwest. First Trust had a few problems at first, but Debbie in Billings helped figure out the problem. First Trust has a sincere, genuine commitment to Montana for the long term basis. Norwest seemed more innovative about a presence in Montana and then seeing how it goes. The management of all levels of First Trust expressed a commitment. The Board determined that First Trust was the most qualified to be the new Successor Trustee.

APPROVAL OF MINUTES

Amendments to the January 21, 1997 meeting minutes were offered. Bill Oser made a motion to accept the minutes as amended. The motion was seconded by Bob Savage. The motion passed unanimously.

UPDATE ON RAM LEGISLATION/OTHER LEGISLATION

Bruce Brensdaal reported that the Reverse Annuity Mortgage Program bill in the Legislature has gone to hearing in the Senate and has passed on to the Senate floor. They have not taken any action and have not scheduled it for the second reading. No changes have been made.

Maureen reported on the first Housing Trust Fund bill that has been introduced to the Legislature. House bill 581 would establish a Housing Trust Fund Advisory Council of seven members and would be under the authority of Montana Board of Housing.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan presented a chart comparing the number of reservations received and loans purchased per week for the 1995B and the 1996A bond series. The 1996A bond series is doing better than the 1995B bond series.

Bob Morgan gave an update on the 1996 A Program. The total funds available for the 1996A bond issue was \$57,884,039. There have been 121 loans reserved for \$8,323,561 and 322 loans have been purchased for \$19,151,786. The average purchase amount was \$59,477. The average reservation amount was \$68,789. The total balance remaining to be reserved is \$30,408,691 as of February 13, 1997. A report was presented that listed the most active lenders in the program. Five lenders have originated over one million dollars of loans for MBOH. First Interstate Bank of Commerce has originated 8% of the MBOH total business, Norwest Mortgage has originated 18%, Security Bank of Billings has originated 8%, Western Federal in Missoula has originated 9%, and Intermountain Mortgage of Billings has originated 7%. These five constitute 50% of all MBOH's business for the 1996A bond series. The Statewide Housing Profile report was presented which showed the number of loans and average amount of the loans and the average income for the various counties.

Bob Morgan presented the quarterly delinquency report which compared MBOH delinquency rate with the State rate of delinquency. Bill Oser recommended having a profile of geographic areas and setasides delinquencies.

An application for a new lender was postponed because the lender wanted to be present to address issues.

EXECUTIVE DIRECTORS UPDATE

Maureen said that the appointments for new Board members have not been completed. She presented various articles for Board member information.

OTHER BUSINESS

A Tax Credit Conference will be in June in San Francisco and Maureen recommended that Bruce attend it. Maureen would like to attend the Executive Director's conference in San Diego in July. Bill Oser made a motion to approve travel to the two conferences. Bob Savage seconded the motion. The motion passed unanimously.

Maureen reported that the meeting with the budget committee took 1½ hours and they approved the fees and allowed the extra ½FTE clerical staff.

The Board agreed the next regular Board meeting will be March 25, 1997 in Helena at Board of Housing's conference room.

VOTE ON SUCCESSOR TRUSTEE, RESOLUTION TO REMOVE WELLS FARGO BANK/ THE BANK OF NEW YORK AS TRUSTEE

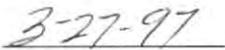
Roll call was taken: Bob Thomas, Bob Savage, Bill Oser, Barbara Hamlin (via teleconference), Mike McKee (via teleconference). John Wagner of Kutak Rock was also present (via teleconference). John Wagner reviewed Resolution 97-0218-T1 which is attached and made part of these minutes. Bill Oser made a motion to adopt Resolution 97-0218-T1. Bob Savage seconded the motion. The motion passed unanimously.

John Wagner reviewed Resolution 97-0218-T2 which is attached and made part of these minutes. Bob Savage made a motion to adopt Resolution 97-0218-T2 with the appointment of First Trust Company of Montana, National Association as Successor Trustee. The motion was seconded by Bill Oser. The motion passed unanimously.

Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 1:00 p.m.



Bill Oser, Secretary



Date

INTERVIEW ATTENDEES

FIRST TRUST MONTANA, N.A.

Diane Reeder, Senior Vice President, Regional Manager
(Denver Office)

Deborah Kuykendall, Vice President, Site Manager
(Billings Office)

Teri Wirt, Vice President, Corporate Trust Administrator
(Denver Office, Single Family bond account administrator)

Sherrie Pantle, Vice President, Corporate Trust Administrator
(Billings Office)

Becky Powell, Vice President, Division Manager (Trust)
(Helena Office)

Julie Robbins, Vice President, Branch Manager (Bank)
(Helena Office)

NORWEST CORPORATION

Doreen Rowe, Corporate Trust Officer
(Minneapolis Office)

Dan Guerttman, Senior Vice President
(Casper Office)

Charlotte Smith, Assistant Corporate Trust Officer
(Casper Office)

Brad Lancaster, Vice President, Business Banking Manager
(Norwest Bank Helena Office)

TRUSTEE INTERVIEW QUESTIONS

Staffing

1. Who would be working on the MBOH accounts? Please discuss names and titles as well as where they would be located. Would they be working on other agencies' accounts as well?

2. We would be interested in having our account administrator transfer to our new trustee. She currently works in Denver and would like to stay there, but would be interested in working for whichever trustee we go with. Would you commit to hiring Sandy and having her work out of your Denver office?

3. Is the bank committed to staying in the trust business and are you aware of any future downsizing that would result in a closure of offices?

4. How would the bank ensure that the staff assigned to the Board's accounts are responsive, adequately trained and receive the support that they need from the bank?

Operations

5. To your knowledge, have there been any major problems regarding bond calls? What were they and how were they resolved?

6. We purchase approximately 75 loans twice a month from 60 different lenders from 10-15 different accounts. Please discuss your experience in handling transactions of this nature and what procedures you have in place to assure timely and accurate completion of such transfers. We currently fax a Trustee Summary Report on Thursday A.M. for a purchase on Monday. What time

FIRST TRUST COMPANY2

frame would work for you?

7. Currently lenders pay loan reservation fees by check. We plan to begin to ACH lenders for reservation fees. Please discuss your experience in handling ACH transactions and what procedures you have in place to assure timely and accurate completion of such transactions.

8. If there are problems with a wire transfer to a lender, can the lender contact you directly?

9. The Board's Trustee currently receives ACH/Wire remittances daily from 52 servicers for Board mortgage payments and payoffs, as well as periodic ACH remittances on foreclosures from HUD. The servicers fax a breakdown of the total remittance by series to the Trustee at the time the ACH/Wire is generated. The Trustee then needs to provide the Board with daily information on the servicer name and location, series the funds were deposited in, the amount of the deposit, and the date the funds were received by the Trustee. This information needs to be faxed to the Board on a daily basis, or available to download through a modem. We understand this is different from many other housing agencies.

Please discuss your ability to handle this type of process on a daily basis. Did you consider this daily workload in your fee schedule?

Conversion

10. Have you handled conversions for other state housing agencies? If so, how long did it take you to complete the conversion, were there any major problems you encountered, and how were they resolved?

FIRST TRUST COMPANY3

11. We have a purchase scheduled March 24, 1997, if we transfer our accounts to you on the March 20, 1997, can you handle the purchase transactions? In regards to the purchasing schedule discussed in question #6, March 20, 1997 is a Thursday. Is this a problem?

General

12. What training would the MBOH staff receive on your on-line access program?
13. What priority does your bank set on returning calls from customers? How does this fit in to your overall customer service strategy?
14. What do you consider to be the strengths and weaknesses of your trust operations?

M:\kelly\misc\rfpquest

TRUSTEE INTERVIEW QUESTIONS

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NORWEST CORPORATION2

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14. What do you consider to be the strengths and weaknesses of your trust operations?

M:\kelly\misc\rfpquest

RESOLUTION NO. 97-0218-T1

A RESOLUTION MAKING CERTAIN FINDINGS WITH RESPECT TO THE TRUSTEE FOR CERTAIN SINGLE FAMILY BOND INDENTURES OF THE BOARD, AND AUTHORIZING AND DIRECTING THE REMOVAL OF SAID TRUSTEE UPON THE SELECTION AND APPOINTMENT OF A SUCCESSOR TRUSTEE

WHEREAS, to properly service and administer the Montana Board of Housing's outstanding bond issues and the Board's various bond financed programs, and in particular to assure compliance with the covenants and provisions of the applicable bond trust indentures and federal programmatic and arbitrage tax law requirements, all of which are designed to protect the rights of both the Board and the Board's bondholders, (i) it is essential that the Board and its staff have a high level of confidence in each bond trustee and its commitment to the Board's programs, and that each trustee have demonstrated and continue to demonstrate a willingness to commit the requisite amount of trustee staff and time to the administration of the Board's bond indentures and programs, (ii) continuity of the trustee and the trustee's staff is necessary to avoid administrative problems with the Board's complex programs and to avoid Board staff spending time, energy and money to train new trustee staff, and (iii) the Board and staff have found increasingly important geographic proximity to the trustee's offices and its trust operations, and the presence in the State of a trust office of the trustee; and

WHEREAS, the Board, after careful review and attempts to ameliorate shortcomings in such requirements, and in particular noting that the trust administration of the hereafter described trust indentures is about to again be transferred to another corporate trustee (after a previous transfer within the last year) and the trustee staff responsible for the trust administration is going to be significantly changing, has determined that it is appropriate to remove the present trustee, Wells Fargo Bank (Colorado), N.A. (the "Present Trustee"), as trustee under the following trust indentures: Single Family Program Bonds Trust Indenture dated August 16, 1979; Single Family Mortgage Bonds Trust Indenture dated October 1, 1988; Single Family Mortgage Bonds Trust Indenture dated March 1, 1989; Single Family Mortgage Bonds Trust Indenture dated February 1, 1990; Single Family Mortgage Bonds Trust Indenture dated June 1, 1990; Single Family Mortgage Bonds Trust Indenture dated August 15, 1990; Single Family Mortgage Bonds Trust Indenture dated March 1, 1991; Single Family Mortgage Bonds Trust Indenture dated July 1, 1991; and Single Family Mortgage Bonds Trust Indenture dated April 1, 1992 (collectively, the "Prior Indentures"); and

WHEREAS, the Board desires to provide for a transition from the Present Trustee to a successor trustee as expeditiously as possible upon the appointment of a successor trustee, but with a minimum of time, effort and expense for all involved;

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

Section 1. In the discretion of the Board and with good cause demonstrated, and noting that the Board is not in default under any of the Prior Indentures as of the date hereof nor is there any event with which notice or lapse of time or both would become an event of default, the Board hereby finds and determines that the Present Trustee be removed as trustee under the Prior Indentures forthwith upon the appointment by the Board of a successor trustee or trustees.

Section 2. The Executive Director and Treasurer is hereby authorized and directed (with the advice of counsel) to take any and all actions necessary and appropriate to remove the Present Trustee upon the appointment by the Board of a successor trustee or trustees, to cause and facilitate the transfer and conveyance of the respective trust estates under the various Prior Indentures to the successor trustee(s), as well as all records, books of accounts, obligations, investments, rights and properties of any and all kind and type, all in accordance with the provisions of the respective Prior Indentures, to assure that the Present Trustee continues to carry out its contractual and fiduciary duties under the Prior Indentures until the successor trustee legally succeeds to the responsibilities of the Present Trustee, and to take such other action as may be required or appropriate for the performance of the findings and directions hereby imposed or to carry out the purposes hereof, and the Executive Director and Treasurer (or in her absence, the Chairman of the Board or the Accounting and Finance Manager) is hereby designated as an Authorized Officer for such purposes.

Section 3. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 18th day of February, 1997.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice J. Rude
Treasurer/Executive Director

RESOLUTION NO. 97-0218-T2

A RESOLUTION APPOINTING ~~First Trust Company of Montana, N.A.~~ *First Bank, National Association**
AS SUCCESSOR TRUSTEE UNDER VARIOUS SINGLE
FAMILY TRUST INDENTURES AND AUTHORIZING AND
DIRECTING THE IMPLEMENTATION OF THE SAME

WHEREAS, the Montana Board of Housing has determined that it is appropriate to remove Wells Fargo Bank (Colorado), N.A. (the "Present Trustee"), as trustee under the following trust indentures of the Board: Single Family Program Bonds Trust Indenture dated August 16, 1979; Single Family Mortgage Bonds Trust Indenture dated October 1, 1988; Single Family Mortgage Bonds Trust Indenture dated March 1, 1989; Single Family Mortgage Bonds Trust Indenture dated February 1, 1990; Single Family Mortgage Bonds Trust Indenture dated June 1, 1990; Single Family Mortgage Bonds Trust Indenture dated August 15, 1990; Single Family Mortgage Bonds Trust Indenture dated March 1, 1991; Single Family Mortgage Bonds Trust Indenture dated July 1, 1991; and Single Family Mortgage Bonds Trust Indenture dated April 1, 1992 (collectively, the "Prior Indentures"); and

WHEREAS, the Board has solicited proposals to act as successor trustee under the Prior Indentures from various commercial banks and trust companies exhibiting the general capabilities to administer the complex trustee requirements of the Prior Indentures and has interviewed the two final candidates;

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

Section 1. ~~First Trust Company of Montana, N.A.~~ *First Bank, National Association.**
is hereby selected and appointed as successor trustee (the "Successor Trustee") under the Prior Indentures.

Section 2. The Executive Director and Treasurer (or in her absence the Chairman of the Board or the Accounting and Finance Manager) is hereby designated as an Authorized Officer and authorized and directed to take any and all actions (with the advice of counsel) necessary and appropriate to confirm said appointment as Successor Trustee, and to cause, facilitate and properly document the transfer and conveyance from the Present Trustee to the Successor Trustee of the respective trust estates under the Prior Indentures, including all records, books of account, obligations, investments, rights and properties of any and all kind and type, all in accordance with the provisions of the respective Prior Indentures, and to take such other action as may be required or appropriate for the performance of the directions, selection and appointment made hereby or to carry out the purposes hereof.

Section 3. This Resolution shall become effective immediately.

** See minutes of 3/3/97 conference call.*

ADOPTED by the Montana Board of Housing this 18th day of February, 1997.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

ATTEST:

By Maurice Glude
Treasurer/Executive Director

NOTICE OF APPOINTMENT AS SUCCESSOR TRUSTEE

First Bank, National Association
Suite 500
303 North Broadway
Billings, MT 59101

Pursuant to resolutions duly adopted by the Montana Board of Housing on February 18, 1997, the undersigned Authorized Officer of the Board hereby notifies you, that you have been selected as successor to Wells Fargo Bank (Colorado), N.A., as trustee under the following trust indentures with the Board:

Single Family Program Bonds Trust Indenture dated August 16, 1979
Single Family Mortgage Bonds Trust Indenture dated October 1, 1988
Single Family Mortgage Bonds Trust Indenture dated March 1, 1989
Single Family Mortgage Bonds Trust Indenture dated February 1, 1990
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Single Family Mortgage Bonds Trust Indenture dated August 15, 1990
Single Family Mortgage Bonds Trust Indenture dated March 1, 1991
Single Family Mortgage Bonds Trust Indenture dated July 1, 1991
Single Family Mortgage Bonds Trust Indenture dated April 1, 1992.

The effective date of your succession to Wells Fargo Bank (Colorado), N.A., as trustee, will be determined by the Board after discussions with you and Wells Fargo to effectuate an economical and efficient transfer of the respective trust estates to you as the successor trustee, including all records, books of account, obligations, investments, rights and properties of any and all kind and type, all in accordance with the provisions of the respective indentures, provided that in any case the effective date is to occur prior to the transfer/conversion of the Wells Fargo Bank (Colorado), N.A., trust division to the Bank of New York. Pending transfer to you as successor trustee, Wells Fargo Bank (Colorado) shall continue to serve as the trustee under the above trust indentures and adhere to the duties and responsibilities therein set forth.

Date: February 20, 1997

MONTANA BOARD OF HOUSING

By Maurice J. Rude
Authorized Officer

Received and acknowledged as of the date above written.

FIRST BANK, NATIONAL ASSOCIATION

By [Signature] VICE PRESIDENT
Authorized Officer

FEB 24 '97

NOTICE OF TERMINATION AS TRUSTEE

MBOH

Wells Fargo Bank (Colorado), N.A.
633 Seventeenth Street
Denver, CO 80279

Pursuant to resolutions duly adopted by the Montana Board of Housing on February 18, 1997, the undersigned Authorized Officer of the Board hereby notifies you, Wells Fargo Bank (Colorado), N.A., as trustee under the following trust indentures with the Board:

Single Family Program Bonds Trust Indenture dated August 16, 1979
Single Family Mortgage Bonds Trust Indenture dated October 1, 1988
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Single Family Mortgage Bonds Trust Indenture dated July 1, 1991
Single Family Mortgage Bonds Trust Indenture dated April 1, 1992,

that the Board is not in default under any of such trust indentures as of the date hereof nor is there any event with which notice or lapse of time or both would become a default or event of default under any of such trust indentures, and that in the discretion of the Board and with good cause shown as described in detail in such Board resolutions Wells Fargo Bank (Colorado), N.A., is terminated as trustee under the above listed indentures pursuant to the provisions thereof (in particular Section 8.08 of the first trust indenture and Section 8.07 of the other trust indentures), and that the Board has selected First Trust Company of Montana, National Association, as successor trustee under the above trust indentures.

The effective date of termination, and of the acceptance of the successor trustee, will be determined by the Board after discussions with you and the successor trustee to effectuate an economical and efficient transfer of the respective trust estates to the successor trustee, including all records, books of account, obligations, investments, rights and properties of any and all kind and type, all in accordance with the provisions of the respective indentures, provided that in any case the effective date shall occur prior to the transfer/conversion of the Wells Fargo Bank (Colorado), N.A., trust division to the Bank of New York. Pending transfer to the successor trustee, Wells Fargo Bank (Colorado) shall continue to serve as the trustee under the above trust indentures and adhere to the duties and responsibilities therein set forth.

Date: February 20, 1997

MONTANA BOARD OF HOUSING

By Maurice J. Rude
Authorized Officer

Received and acknowledged as of the date above written.

WELLS FARGO BANK (COLORADO), N.A.

By [Signature]
Authorized Officer

NOTICE OF APPOINTMENT AS SUCCESSOR TRUSTEE

FEB 24 '97

MBOH

First Trust Company of Montana,
National Association
Suite 500
303 North Broadway
Billings, MT 59101

Pursuant to resolutions duly adopted by the Montana Board of Housing on February 18, 1997, the undersigned Authorized Officer of the Board hereby notifies you, that you have been selected as successor to Wells Fargo Bank (Colorado), N.A., as trustee under the following trust indentures with the Board:

Single Family Program Bonds Trust Indenture dated August 16, 1979
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The effective date of your succession to Wells Fargo Bank (Colorado), N.A., as trustee, will be determined by the Board after discussions with you and Wells Fargo to effectuate an economical and efficient transfer of the respective trust estates to you as the successor trustee, including all records, books of account, obligations, investments, rights and properties of any and all kind and type, all in accordance with the provisions of the respective indentures, provided that in any case the effective date is to occur prior to the transfer/conversion of the Wells Fargo Bank (Colorado), N.A., trust division to the Bank of New York. Pending transfer to you as successor trustee, Wells Fargo Bank (Colorado) shall continue to serve as the trustee under the above trust indentures and adhere to the duties and responsibilities therein set forth.

Date: February 20, 1997

MONTANA BOARD OF HOUSING

By Maurice J. Hude
Authorized Officer

Received and acknowledged as of the date above written.

FIRST TRUST COMPANY OF MONTANA,
NATIONAL ASSOCIATION

By [Signature]
Authorized Officer



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street, Conference Room
Helena, MT
January 21, 1997

- I. CALL MEETING TO ORDER - 8:30 a.m. - Chairman Bob Thomas
 - ▶ Minutes of December 3, 1996 Board Meeting
 - ▶ Minutes of December 20, 1996 Conference Call
- II. ACCOUNTING AND REPORTING UPDATE - Kelly Rusoff
 - ▶ September Quarterly Financial Statement
 - ▶ Housing Trust Fund Status Report
 - ▶ Investments/Investment Policy
 - ▶ RFP for Trustee Services/Status of Wells Fargo
- III. REVERSE ANNUITY MORTGAGE PROGRAM PLANNING - Bruce Brensdal, Multifamily Program Manager & Kelly Rusoff, Accounting & Finance Manager
- IV. SINGLE FAMILY PROGRAM TOPICS - Robert Morgan, Single Family Program Manager
 - ▶ 1996 Series A Status Report
 - ▶ 1996 A Arbitrage Analysis--PaineWebber/Kutak/Kelly
 - ▶ Recycled Mortgage Program Update, Application
 - ▶ Income Limits
 - ▶ Maximum Mortgage Limits Update
 - ▶ Servicer Review Responses
- V. GENERAL OBLIGATION RATING DISCUSSION/STANDARD & POOR TELECONFERENCE
- VI. MULTIFAMILY UPDATE - Bruce Brensdal, Multifamily Program Manager
- VII. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ▶ Board Appointments
- VIII. OTHER BUSINESS
 - ▶ Legislative Conference, Spring Workshops
 - ▶ Set next meeting date
 - ▶ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 1/12/96



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
Conference Room
Helena, Montana
January 21, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Waneeta Farris (Present)
Barbara Hamlin (Absent)
Paul Bankhead, Secretary (Present)
Michael McKee (Present)
Bill Oser (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Kelly Rusoff, Accounting & Finance Manager
Bruce Brendsal, Multi-Family Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
John Walsh, City of Billings
Bob Bartholomew, Aging Services Bureau

CALL MEETING TO ORDER

The meeting was called to order at 8:40 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the December 3, 1996 Board meeting minutes and the December 20, 1996 Conference Call minutes. The motion was seconded by Mike McKee. The motion passed unanimously.

Maureen Rude informed the Board of a hearing at the Capitol for SB88 at 10a.m. The bill would amend the Treasure State Endowment Program. The program is trying to put projects into priority that would result in the construction of housing for low to moderate families that are sponsored by non-profit local government entities. The program is an infrastructure program that

would help fund sewer, water, streets, curbs, gutters and the like for subdivisions. The Board agreed to send Maureen, Bob Thomas, and Paul Bankhead to the hearing. A quorum would still be established by the remaining Board members.

ACCOUNTING AND REPORTING UPDATE

Kelly Rusoff presented the Quarterly Financial Statement as of September 30, 1996 and a Housing Trust Fund report showing \$242,649 is available for programs.

REVERSE ANNUITY MORTGAGE PROGRAM PLANNING

Bruce Brensdaal reported that the Reverse Annuity Mortgage (RAM) bill has been put on the agenda for the legislative process. The bill has passed the first reading of the House with an amendment and a 99-0 vote. The amendment involved the age limitation of 68 with exceptions possible on a case by case basis. He presented a report of RAM funds which showed a balance of \$320,823. Bruce stated that the Board could do approximately eight loans with the funds that are available. Bob Bartholemew commented that seniors are counseled to plan for long term needs and the RAM program is encouraged to meet those needs. He encouraged additional funding be made available for the RAM program. Bob Savage made a motion to set aside \$242,649 of the Housing Trust Fund Fund for the RAM program. The motion was seconded by Bill Oser. The motion passed unanimously.

Maureen, Bob Thomas, and Paul Bankhead left for the legislative hearing leaving Bob Savage as Vice-chairman with Board members Waneeta Farris, Bill Oser, and Mike McKee which was enough for a quorum.

INVESTMENT POLICY AND RFP FOR TRUSTEE SERVICES

Kelly Rusoff went over the Investment Policy and reported on investments. Mike McKee made a motion that the Section 6, D, 2 part in parenthesis which states "including the subsidiary of a foreign bank" be removed from the Investment Policy. The motion was seconded by Waneeta Farris. A roll call vote was taken and Mike McKee and Waneeta Farris voted yes and Bill Oser and Bob Savage voted no. The motion did not pass. Bob Savage encouraged Mike McKee to bring the motion up for reconsideration when Chairman Thomas returned.

Kelly Rusoff reported that MBOH's Trustee (First Interstate Bank) was acquired by Wells Fargo and Wells Fargo sold their trust department to the Bank of New York. Kelly presented a copy of the Request For Proposal for Bond Trustee for Montana Board of Housing (MBOH). The submission deadline is for January 31, 1997. Mike McKee made a motion to ratify the Request For Proposal. Bill Oser seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM TOPICS

Bob Morgan gave an update on the first phase of the 1996 A Program. There have been 41 loans reserved for \$9,172,986 and 264 loans have been purchased for \$15,453,582. The average

purchase amount was \$58,536. The average reservation amount was \$65,056. The total balance remaining to be reserved is \$5,481,584 as of January 16, 1997. The Statewide Housing Profile report showed the number of loans and average amount of the loans and the average income for the various counties. The reports also listed the most active lenders in the program.

Bob Morgan presented a chart comparing the number of reservations received and loans purchased per week for the 1995B and the 1996A bond series.

Bob presented 30 year FHA/VA mortgage rates for conventional loan quotes from this region. He presented a chart comparing Board of Investments and Board of Housing interest rates since bond closing.

The recycled program has \$2,905,775 remaining to be reserved in the Single Family I set asides. The Single Family II set aside has \$13,615,015 remaining to be reserved. The total of funds from all set asides to be reserved is \$16,520,785. Nancy Stephenson requested an extension of the Owners In Partnership III program. Mike McKee made a motion to extend the Owners in Partnership III setaside until August 1, 1997. Bill Oser seconded the motion. The motion passed unanimously. Mike McKee and Bill Oser recommended that Nancy Stephenson detail the problems that hinder affordable housing construction projects.

The HUD Section 184 program expires January 1, 1997. Bob Morgan reported that the setaside has not been used much. Mike McKee said the setaside could go to other projects. Bob Savage stated that it takes time for a program to get moving. Bill Oser made a motion to extend the 184 setaside to July 1, 1997. Waneeta Farris seconded the motion. Waneeta Farris, Bill Oser, and Bob Savage voted for the motion and Mike McKee voted against the motion.

Bob Morgan presented a proposal from the City of Billings to setaside \$500,000 for the rehabilitation of 8-10 houses. The staff recommended to commit the loan funds at 6% with a .25% reservation fee and FHA 203 (k) loan to first-time homebuyers. The project scored 81 points out of a possible 105 points. John Walsh explained the proposal to the Board members. Dick Brinck offered comments supporting the proposal. Bill Oser made a motion to accept the proposal as recommended by staff. Waneeta Farris seconded the motion. The motion passed unanimously.

Maureen Rude, Paul Bankhead and Bob Thomas returned from the Legislative hearing and Bob resumed duties presiding as chairman of the Board.

A conference call with Peter Nolden of PaineWebber and John Wagner of Kutak Rock presented the Board with the options available for the release of the second part of funds from the 1996 A bond issue. The arbitrage limit on the bond issue could be exceeded due to refinancing loans at 7.5% and mortgage loans guaranteed by VA and Rural Development at 7.25%. Mike McKee made a motion to continue to make all remaining Qualifying Loans at 7%, monitor VA and Rural Development with one million dollars reserved to be used for buy-down in the future. Bill Oser seconded the motion. The motion passed unanimously.

Mike McKee asked John Wagner and Peter Nolden for comments about the policy of using foreign banks for our Investment Policy. Mike McKee remade the motion to remove the parenthesis stating “and including the subsidiary of a foreign bank” in item VI, D,2 from the Investment Policy. Waneeta Farris seconded the motion. Bill Oser, Bob Savage, and Bob Thomas opposed the motion. Mike McKee and Waneeta Farris voted in favor of the motion.

Bob Morgan presented the revised HUD income limits and the median income for cities in Montana. The Board tabled any action until June when they are required to review income limits. Bob Morgan presented an update on the FHA purchase price limits which were increased for Silver Bow County and for the State of Montana.

Bob Morgan presented a letter from a lender replying that they have set up a separate custodial account for MBOH, but the requirement has caused undue burden to them. Mike McKee suggested sending a sample of another lender as an illustration of how custodial accounts are setup.

GENERAL OBLIGATION RATING DISCUSSION/STANDARD & POOR TELECONFERENCE

Maureen Rude requested to defer discussion until the next meeting. A recording of the teleconference is available for Board members to listen to.

MULTIFAMILY UPDATE

Bruce Brensdaal reported there was a public hearing on the Qualified Allocation Plan. Maureen, Bruce, and Connie Boyer were the only ones attending. No comments were given, therefore, no changes have been made. The owner certification in the plan was clarified.

Bruce gave an update on the Missoula project which was moved to a site on Reserve Street. He also reported that the Shelby project is in the process of securing other financing.

EXECUTIVE DIRECTORS UPDATE

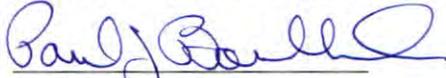
Maureen said that the appointments for new Board members have not been completed.

Maureen Rude presented various articles for Board member information.

OTHER BUSINESS

The National Council of State Housing Agencies (NCSHA) is having its Legislative Conference in Washington DC in March. The Spring Workshop is in May for staff members. Mike McKee made a motion for for Bob Thomas and Bob Savage to attend the Legislative Conference in Washington DC and for Bob Morgan and Kelly Rusoff to attend the Spring Workshop in May. The motion was seconded by Bill Oser. The motion passed unanimously.

The Board agreed the next regular Board meeting will be February 18, 1997 in Helena at Board of Housing's conference room. Bill Oser made a motion to adjourn the meeting. Bob Savage seconded the motion. The motion passed unanimously. The meeting adjourned at 1:00 p.m.


Paul Bankhead, Secretary

3-10-97
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Conference Room
836 Front Street
December 15, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present-via teleconference)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Kelly Rusoff, Accounting & Finance Manager
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt
John Wagner, Kutak Rock
Peter Nolden, PaineWebber

OTHERS: Dick Brinck, HUD
Gene Huntington, Dain Bosworth
Gordon Hoven, Piper Jaffray
Jerry Boone, HUD/FHA
Barbara Campbell, Double-Tree, Inc.
Chuck Holland, Insurance Commissioners Office, State Auditor
Patty Kent, Western Montana Mental Health

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the November 17, 1997 Board meeting. The motion was seconded by Waneeta Farris. The motion passed unanimously.

BOND CALL REPORT

Kelly Rusoff presented reports on the bond calls for October 1, 1997 and December 1, 1997. She went through the individual series and specified the source for each one which was mostly from prepayments. Kelly passed around a report that was printed from the new debt service system. Bob Thomas praised Kelly for the great job she is doing.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce Brensdal presented additional adjustments and changes made to the Proposed Administrative Rule changes. Changes included: a definition on family income and the definition for medical and independent living expenses, clarifying that the applicant is responsible for the closing costs, assurance that the Reverse Annuity Mortgage (RAM) loan is in the first lien position at closing, the language regarding program guidelines (which are actually the administrative rules), adjusting the language on closing costs to the actual amount, and allowing the Board to approve cash advances above \$2,500 on a case by case basis. Bruce stated the changes are timely for counselor training in the spring. Ronda made a motion for the Proposed Administrative Rule changes to go to public hearing. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Bruce Brensdal asked Board members for their input on public service announcements for the Reverse Annuity Mortgage Program. Board members offered suggestions and expressed their approval of doing public service announcements. Bruce said that staff would also send out some mailings.

QUALIFIED ALLOCATION PLAN, LOW INCOME HOUSING TAX CREDIT PROGRAM

Bruce reported that two people attended the public hearing on the proposed 1998 Qualified Allocation Plan and talked about the program. He received written comments on Exhibit C which is the rental market statistics form. Bruce faxed instructions to those who sent written comments, which cleared up any questions they had and he added some suggestions to the instruction sheet. Ronda Carpenter gave some minor suggestions to help applicants gather information for Exhibit C. Bill Oser said he would like to review the form in a year to determine if it works as planned. Ronda asked to abstain from voting on the proposal because she will be doing some rental market studies and has a conflict of interest. She asked to be advised of lines to be drawn as a Board member. Mike Mulrone, the Board's legal counsel, stated that Ronda is ok because she declared her conflict of interest to the Board and will abstain from participating in any action taken by the Board where rental market studies she is involved with are used. Ronda said she does the statewide studies for the Landlord Association which will be provided to the Montana Homebuilders, the Realtors, and the Department of Commerce. The study will be turned over to government agencies for no fee. Mike Mulrone suggested that if Ronda is doing a study that will be used statewide by all agencies and the Board has noted it, it is not necessary for her to abstain from voting in that situation. However, if she is asked to do a special study for a given project

that will come before the Board, then she should abstain from taking any action dealing with that particular given project. Waneeta made a motion to accept the proposed 1998 Qualified Allocation Plan and submit it to the Governor. The motion was seconded by Tom Welch. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 143 loans reserved for \$10,500,855 and 279 loans have been purchased for \$20,380,978. The average purchase amount is \$73,050. The average reservation amount is \$73,433. The total balance remaining to be reserved is \$28,519,306 as of December 11, 1997. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob also presented a chart showing a comparison of purchases for the years 1995, 1996, and 1997. The next chart showed the reservations received per week for the years 1996 and 1997. The final chart showed the number of reservations received per business day and the average for the months of July through November. Bob presented mortgage rates quoted from six lenders that participate in Montana Board of Housing programs and noted the rates were almost identical to the same time period in 1995.

Bob Savage joined the meeting via teleconference call.

Peter Nolden presented two charts on interest rates and reports on the 1997 Series A bond issue. He said interest rates are currently strong. The 1997 Series A bond issue has approximately \$30 million and interest rates could be between $4\frac{7}{8}\%$ - $6\frac{7}{8}\%$ and have the cash flows work. Bill Oser asked about the possibility of blending rates for the current issue with a new issue. John Wagner said the money could be blended from a tax stand point, but would cause more work for staff to track the sources of money. Maureen cautioned cutting the arbitrage spread too much. Peter recommended that preparations be started for a new bond issue. Bill Oser made a motion to authorize Peter to begin research on a new bond issue and report at the next meeting. The motion was seconded by Tom Welch. The motion passed unanimously.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$2,947,691. The total Single Family II set aside is \$9,820,887. The total of all set asides is \$12,768,578. Bob Morgan presented a memo to add \$40,790.04 to the City of Laurel Set aside to fund a final reservation request. Maureen Rude approved the request which was within the guidelines authorized by the Board. Barbara Campbell of Double-Tree, Inc. reported the City of Laurel Homebuyer Program has assisted 15 first time homebuyers. The City of Laurel has funding allotted from the Home Investment Partnership Program to assist with another 15 homebuyers and, therefore, requested another \$795,000. Barbara also requested that the \$250,000 City of Laurel Loan Leveraging set aside be put in the straight home-buyer program. Ronda Carpenter made a motion to move the \$250,000 from the Loan Leveraging set aside to the City of Laurel program. Tom Welch seconded the motion. The motion passed unanimously. The

Board did not add additional funds at this time because there are currently less than \$100,000 in funds for set aside programs.

Bob Morgan reported that the Loan Leveraging funds will run out by the next meeting. Bob proposed using money from the 1997 A series funds to be issued at 6% for Loan Leveraging. Barbara Hamlin made a motion to move \$1 million from the 1997 A series to the Loan Leveraging Program at 6%. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan reported that the Cash Assistance Program (CAP) will run out of funds before the next meeting. He proposed moving funds from the 87A, 87B, and 88A special revenue funds of loan prepayments and repayments. Bill Oser made a motion to move the funds from the 87A, 87B, and 88A special reserves to the CAP set aside for first mortgages. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan pointed out the changes that are taking place within the insurance industry. Chuck Holland of the State Auditors Insurance Commissions Office gave insights to what is happening within the insurance industry and encouraged homeowners to go shopping for insurance. The standard policies show a 2-5% deductible rather than the \$500 deductible for wind and hail, therefore, the homebuyer will need to request the \$500 deductible. The trend does not have guaranteed replacement coverage as part of the standard policy. Montana Board of Housing documents requires the homebuyer to carry enough insurance to cover at least the amount of the principle of the loan or replacement coverage.

Patty Kent from the Western Montana Mental Health Center and on behalf of Ed Mayer of the Missoula Housing Authority thanked Montana Board of Housing for their partnership on the Eaton Street Condominium Project. Patty presented the Board with a wall plaque with pictures of the Eaton Street Project.

Bob Morgan presented a Request For Proposal from the Missoula Housing Corporation for down payment and closing cost assistance for 18 homes. The Corporation requested \$1,470,000 at 5-6%. Montana Board of Housing is out of funds to be recycled, therefore, Bob recommended considering the proposal when funds are available. Bob pointed out that there is a ranking on the projects. Ronda asked that the principle groups involved in the project be disclosed to the Board. Maureen recommended putting past performance on the ranking scale.

EXECUTIVE DIRECTORS UPDATE

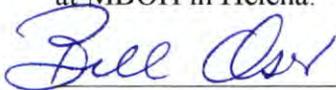
Maureen Rude presented a memo regarding a bulk ticket program for in - state travel. She also gave Board members a memo on Revised Employee Rules of Conduct & Code of Ethics. Maureen presented several articles relating to housing issues. One of the articles listed the bond activities for the first nine months of 1997 and showed PaineWebber as the top Senior Manager, Montana Board of Housing as the top Issuer, and Kutak Rock as second for Bond Counsel.

Maureen presented a memo from the National Council of State Housing Agencies (NCSHA) on an Assisted Housing Working Group. Twenty-five state agencies will be participating in the study in Chicago on January 25, 1998. MBOH's share of the cost would be around \$1,000-\$2,000. Bill Oser made a motion authorizing up to \$2,000 for consulting fees of the Assisted Working Group and giving approval for Maureen to attend the meeting in Chicago. Tom Welch seconded the motion. The motion passed unanimously.

Maureen reported that Montana Board of Housing received \$80,000,000 of carry over bond cap. There is approximately \$63,000,000 left over from 1995 and 1996, giving a total of about \$140,000,000.

Bill Oser gave an update on the Regulatory Working Group. The next meeting will be December 16, 1997. Plans are being made for an architectural contest to get plans for a book to reflect the building code changes and provide plans for low and moderate income housing.

The Board agreed the next regular Board meeting would be January, 16, 1998 in Helena at 8:30 A.M. in the conference room at MBOH. The February meeting will be Friday, February 20, 1998 at MBOH in Helena. The meeting adjourned at 11:30 P.M.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT
December 15, 1997

- I. 8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of November 17, 1997 Board Meeting
- II. BOND CALL REPORT - Kelly Rusoff, Accounting and Finance Manager
- III. REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Administrative Rule Proposed Changes
 - ◆ Public Service Announcements
- IV. QUALIFIED ALLOCATION PLAN, LOW INCOME HOUSING TAX CREDIT PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Public Hearing, Written Comments
 - ◆ Discussion on Changes
- V. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Future Financings-Peter Nolden, PaineWebber; John Wagner, Kutak Rock
 - ◆ Recycled Funds Programs
 - ◆ Insurance Deductibles-wind, hail
 - ◆ Request for Proposals
- VI. EXECUTIVE DIRECTOR'S UPDATE - Maureen Rude
 - ◆ Assisted Housing Working Group
 - ◆ Legislative Conference
 - ◆ Travel
 - ◆ Regulatory Working Group
- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT
November 17, 1997

- I. 8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of September 26, 1997 Board Meeting and Public Sessions
 - ◆ Minutes of October 14, 1997 Conference Call Board Meeting
- II. BUDGET REPORT, SOFTWARE UPDATE - Kelly Rusoff, Accounting and Finance Manager
- III. MULTIFAMILY PROGRAMS - Bruce Brensdaal, Multifamily Program Manager
 - ◆ 1998 Qualified Allocation Plan
 - ◆ Update on Projects
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Recycled Funds Programs
 - ◆ Insurance Deductibles-wind, hail
 - ◆ First Time Home buyer Savings Accounts
 - ◆ Lender Financial Reports
 - ◆ Quarterly Delinquency Report
- V. LEGISLATIVE UPDATE, EXECUTIVE DIRECTOR'S UPDATE - Maureen Rude
 - ◆ Bills for bond and tax credit cap
 - ◆ Legislative Conference
 - ◆ Federal Program Changes/Staffing Impacts
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Mike Finn-Custom Home Store Presentation
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Conference Room
836 Front Street
November 17, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Kelly Rusoff, Accounting & Finance Manager
Kurt Lewis, Accountant
Dolly Snyder, Assistant Accounting & Finance Manager
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Mary Lou Falconer, USDA-Rural Development
Sherrie Pantle, First Trust Montana
John Grant, Jackson, Murdo, Grant & McFarland PC
Jerry Boone, HUD/FHA

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Tom Welch made a motion to approve the minutes from the September 26, 1997 Board meeting, the public meetings from Butte and Dillon, and the conference call for October 14, 1997. The motion was seconded by Bob Savage. The motion passed unanimously.

BUDGET REPORT, SOFTWARE UPDATE

Kelly Rusoff presented the budget report as of October 31, 1997 which was for the first third of the year. Only 28% of the budget has been spent. Barb Hamlin asked the benefits of NCSHA dues. Maureen responded that the dues are necessary to be a member of NCSHA. Membership includes weekly Executive Director updates, which alerts her of any changes being made or proposed and copies and analysis of proposed or final regulations. Bruce gets updated information on the Tax Credit Program and Dave Parker, of HOME, gets a packet for HOME. Membership also gives Board members better rates at conferences and includes representation for housing issues in Washington DC. Tom Welch asked if all the audit fees were included in the figure given. Kelly said that the servicer reviews are not included at this point. The Legislative Audit committee meeting was attended by Kelly, Bruce Brensda, and Bob Morgan.

Kelly gave an update on the software. Dolly Snyder has put all the bond calls since 1982 in the new debt service software. Kurt Lewis and Kelly have worked on the investment module. Bill Oser asked about the year 2000 affecting our systems. Kurt reported that the Department of Commerce has taken care of that issue and the AOD software has loans for 30 years. Tom Welch asked about servicers being covered regarding the year 2000 and suggested sending them a letter addressing the issue. Bob Morgan reported on the new Loan Tracking software.

MULTIFAMILY PROGRAMS

Bruce Brensda recommended changes for the proposed Allocation Plan for the Low Income Housing Tax Credit for 1998. Changes included: proposed submission dates, a developer fee limit for acquisition costs of a rehabilitation project, a clause concerning projects with Tax Exempt financing, the deadline for Owner Certification. Changes to the application were: developing common section of the application to housing programs within the State of Montana, adding a section to list the amenities, and a form on rental market statistics. Bill Oser made a motion to approve the proposed changes and have them go to a public hearing on December 2, 1997 at 10:00 A.M. Tom Welch seconded the motion. The motion passed unanimously.

Bruce Brensda presented an update on the Low Income Housing Tax Credit Program for the year. He summarized the status of each individual project. A total of \$440,268 worth of credits remain and will be carried forward to 1998.

Ronda gave a report on the Board of Housing (MBOH) to the state Landlord's association. Members commented that Board of Housing had been to their cities and MBOH staff assistance and service were excellent.

Bruce Brensda presented a memo on a loan proposal for the Northwest Montana Human Resources in Kalipsell. Bill Oser made a motion to authorize the loan with a minimum interest rate of 6% with the contingency that the project meet the standard underwriting requirements of our multifamily loans and the FHA insurance is acquired. The loan would be funded from the issuance of bonds or funded from excess funds within the multifamily indenture or funded from

excess funds within the multifamily indenture and then issuing bonds to reimburse Montana Board of Housing. Barb Hamlin seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 155 loans reserved for \$11,255,211 and 201 loans have been purchased for \$14,736,924. The average purchase amount is \$73,318. The average reservation amount is \$72,614. The total balance remaining to be reserved is \$34,130,695 as of November 13, 1997. Bill Oser suggested looking into another bond issued to average down the interest rates. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob also presented a new report on the loans amounts and average income of the loans purchases or in progress for each zip code area.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$2,209,955. The total Single Family II set aside is \$11,412,071. The total of all set asides is \$13,622,026. Maureen reported that the set asides reach people with an average income of \$20,000 or less while the regular program reaches people with an average income of \$32,000. Waneeta Farris made a motion to extend the Livingston Land Trust set aside to December 31, 1997. Barbara Hamlin seconded the motion. The motion passed unanimously.

Mary Lou Falconer presented a nice wall certificate to Montana Board of Housing for their efforts in expanding opportunities for homeownership through the Loan Leveraging Program partnership with Rural Development. Montana Board of Housing processed 212 guaranteed rural housing loans and 68 Leveraged loans for a total amount of \$16,892,941 last year. She also made a presentation to Jerry Boone of HUD/FHA for their partnership.

Bob Morgan presented a listing of all the set asides that MBOH has authorized. Montana Board of Housing has set aside a total of \$106,791,027. Bill Oser made a motion to extend the Loan Leveraging program to December 31, 1998. Waneeta Farris seconded the motion. The motion passed unanimously. Bob Savage made a motion to extend the 184 program to January 1, 1999. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan showed the Board the Declaration page on an insurance policy where the company was trying to do 2% wind and hail deductible which would have made the deductible \$1,320. Currently, all MBOH programs specify a \$500 deductible and no more. Maureen recommended sending a letter to servicers to watch for changes on insurance renewal.

Bob Morgan presented a letter from Stockman Bank showing the Errors & Omissions policy written by a company licensed in the state of Montana. Stockman Bank is now back in compliance and able to again service loans.

Bob Morgan presented a proposal for a First-time Homebuyers Savings Account Program. Bill Oser made a motion to set aside \$1 million until December 31, 1999 at 6% interest. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan presented the quarterly financial reports from three participating lenders who have not met the net worth requirement.

Bob Morgan presented the quarterly delinquency reports showing MBOH at a delinquency rate of 2.91% compared to 3.19% in Montana and 3.28% in the Mountain Region and 4.16% nationally. A delinquency analysis reported the delinquencies by servicer, county, set aside, and loan type.

EXECUTIVE DIRECTORS UPDATE

Maureen explained some bills on Bond Volume Caps. Maureen presented several articles relating to housing issues. She also presented several newspaper articles and the NCSHA calendar. Ronda Carpenter made a motion to send Bruce Brensdaal to the Tax Credit Conference in Washington DC in January. Bob Savage seconded the motion. The motion passed unanimously. Bob Savage made a motion for six Board members to attend the NCSHA Legislative Conference in March. Tom Welch seconded the motion. The motion passed unanimously.

Maureen Rude presented a handout on the Vermont Homeownership Center Project. She said she would like to pursue having more staff to offer homeownership training and counseling with non-profits, lenders, and homeowners around the state. Board members conveyed their support. She reported that the Multifamily Program needs someone contracted on an interim basis to help MBOH to be involved with programs like Section 8 restructuring legislation. The Board recommended MBOH approach the legislature to get three more staff members to accommodate the housing opportunities that are coming.

Mike Finn of Custom Home Store gave a presentation to the Board.

The Board agreed the next regular Board meeting would be December 15, 1997 in Helena at 8:30 A.M. in the conference room at MBOH. The January meeting will be Friday, January 16, 1998. The meeting adjourned at 1:00 P.M.



Bill Oser, Secretary

12-15-97
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing

836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

**MONTANA BOARD OF HOUSING
BY TELECONFERENCE**
(FOR CALL IN INSTRUCTIONS, CONTACT DIANA HALL AT 444-3040)
October 14, 1997

- I. 12:00 P.M.--CALL MEETING TO ORDER - Chairman Bob Thomas
- II. FISCAL YEAR 1996-97 AUDIT - Chuck Nemece, Legislative Audit Division
- III. LOW INCOME HOUSING TAX CREDIT PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Bond Application, City of Great Falls
- IV. REGULATORY WORKING GROUP - Bill Oser
- V. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL MEETING Fiscal Year 1996-97 Audit and City of Great Falls October 14, 1997 12:00 P.M.

Notice having been given, the Montana Board of Housing held a special meeting via teleconference to discuss the Fiscal Year 1996-97 Audit and a Tax Credit project for the City of Great Falls. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, and Tom Welch.

MBOH Staff: Maureen Rude, Kelly Rusoff, Dolly Snyder, Bruce Brensdal, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

Others: Lorry Parriman-Legislative Auditor, Chuck Nemec-Legislative Auditor, Deborah Thompson-American Property Development, Cheryl Patton-City of Great Falls, Mayor Bob Demming, Commissioner Randy Gray, Commissioner John Bennett, Tim Ryan-High Plains Development, and John Lawton-City Manager

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

The annual audit report was given by Lorry Parriman. She praised the staff as being very helpful. The financial audit was made to determine if the amounts were accurate and reasonable. The three main areas were bonds, mortgages, and investments. The Auditor found no concerns. Some differences were found in the Statewide Budgeting and Accounting System (SBAS) versus Montana Board of Housing (MBOH) statements. SBAS statements were adjusted to reflect the correct activity. The Auditors will look into this further during the Department of Commerce audit. The Auditor issued an unqualified opinion which means the financial statements were presented fairly. The Auditors will look at the Annual Report to see if anything is inconsistent with financial statements. The Audit Report will be presented to the Legislative Audit Committee meeting on November 7, 1997. Bill Oser asked that the concerns with SBAS be clarified. Waneeta Farris made a motion to accept the unqualified opinion given by the Legislative Auditors. The motion was seconded by Bob Savage. The motion passed unanimously through a roll call vote.

Chuck Nemec and Lorry Parriman left the conference call.

MINUTES OF SPECIAL MEETING
Fiscal Year 1996-97 Audit and City of Great Falls
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Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

Others: Lorry Parriman-Legislative Auditor, Chuck Nemec-Legislative Auditor, Deborah Thompson-American Property Development, Cheryl Patton-City of Great Falls, Mayor Bob Demming, Commissioner Randy Gray, Commissioner John Bennett, Tim Ryan-High Plains Development, and John Lawton-City Manager

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Chuck Nemec and Lorry Parriman left the conference call.

Bruce Brensdal asked if all the Board members received the advance information that he sent. He clarified the Malmstrom information saying one engineer at Malmstrom stated that the work is basically rehab and replacing existing structures and units that are not quality units. Bruce said there is not going to be an increase in the number of units available on the base with the exception of approximately 20 dorm units.

Bob Savage asked: "Where are the people living now? Are they on the base or are they residing in the private sector? "

Bruce said: "The process of rehabing has been going on for 20 years and they expect it to continue to go on. Once they get one building rehabed or constructed, they shift them amongst the base and it has no impact on the community."

Maureen Rude said: "The Montana Board of Housing's responsibility regarding this project is different from the regular tax credit approval process because the City is issuing bonds. If a Tax Credit project comes in under MBOH's state Cap MBOH is responsible for determining if the project meets the Low Income Housing Tax Credit tax code requirements, MBOH's allocation plan, and whether the project is needed. When a project has bonds issued by a local government, the responsibility is only what is required under the tax code and MBOH's allocation plan. The tax code says that if bonds are issued, the issuer is responsible for determining that the project qualifies for the tax credit and meets all of the allocation plan requirements. MBOH has offered to do that for various local governments because they do not have people with the expertise in the tax credit program and with our allocation plan. In this case, MBOH's responsibility is to make sure the project meets the tax code requirements and MBOH's allocation plan requirements. We (Bruce and Maureen) determined that this project does meet the requirements and therefore recommended approval of the project."

John Wagner said: "In almost every state, the state agency does conduct the review for the city or county that is issuing bonds on the local basis. MBOH's plan to follow when reviewing applications has a ten-point requirement for community support, which is the major point of issue for this project. The general rule is if the project meets the minimum qualifications that are established in the plan adopted the first part of the year, the project will go forward and get tax credits. MBOH does have the right to disapprove any project for any purpose, but that does not give MBOH much discretion because general constitutional law for state and federal principles require that you follow appropriate due process, which means that you treat everybody the same. So you have to be careful not picking on someone, but follow your own plan. If the staff used MBOH's plan and approved the project, you would be best to follow staff recommendation."

Maureen said: "The one thing that brought confusion was comments that were made that made it sound like the City of Great Falls was relying on MBOH to determine need. Typically on a bond issue project the city determines the need and MBOH determines that the project meets the tax code requirements."

Cheryl called on Mayor Bob Demming to address that issue. Mayor Demming stated: "The City of Great Falls feels there is a need for the new apartment complex as is proposed by American Property Development. The most important part of the Autumn Run Apartments is that they will remain affordable for low and moderate income citizens for 15 years. That's why approval of the Tax Credit project is so important. As mayor, I frequently get letters from constituents asking for help in finding affordable housing that is decent and meets today's needs. At public hearings for the Community Development Block Grant Program (CDBG) the City Commission is pressed for affordable places to rent. The only comments opposing the project in Great Falls appear to be from landlords or property managers. The City Commission unanimously approved bonds for this project because they thought this was in the interest of our low and moderate income citizens to provide for affordable housing. We have determined this project is in the best interest of our community. We urge you as members of MBOH to help our lower income residents have affordable housing opportunities by approving the tax credit application by American Properties. We understand the application meets your rating scale criteria and staff has recommended approval. We are available for questions and thank you for allowing us to speak." Mayor Demming introduced Randy Gray who is a city commissioner.

Mr. Gray said: "The City of Great Falls is authorized by both state law and federal tax code to authorize the issuance of tax exempt multifamily housing revenue bonds upon compliance of certain state and federal requirements through the determination after a duly noted public hearing that the project is in the public interest. The City of Great Falls on July 25, 1997 adopted a resolution of its intention to issue such bonds for the Autumn Run multifamily project and called for a hearing thereon. The public hearing was advertised once a week for three consecutive weeks and held on August 19, 1997. At the conclusion of the hearing the City Commission unanimously adopted a resolution determining the proposed Autumn Run project and the issuance of tax exempt bonds, therefore, was in the public interest. The city applied for and received \$6 million from the Department of Administration private activity volume cap allocated to local governments for the project. Under the Low Income Housing Tax Credit Act, if at least 50% of the aggregate basis for the project is financed with tax-exempt bonds that are subject to the state volume cap, the entire project qualifies for the 4% tax credits without competing through the state housing agency process. These credits are not counted against state tax credit ceilings. The project must meet the minimum standards of the housing agency's qualified allocation plan. It was noted in a recent outline at the bond attorney's workshop that quote: 'Although the bond issuer can determine the amount of the credit, it is unclear whether the determination that the housing agency minimum standards are met is with the housing agency or the bond issuer.' Certainly the act is less than clear. Notwithstanding that, we understand that based on your own rating system, this project meets the state qualified allocation plan, though the legal issue of who makes that determination of need not even arise. The City has determined that the project is needed and that it is in the public interest. The City does not believe that in the case of tax exempt bond tax credit financing, that the state housing agency needs to make a determination of need. Certainly the City of

Great Falls is not looking to the Board of Housing to make that determination on its behalf. As you know, in enacting the Low Income Tax Credit Act, congress determined that low income housing was a continuing national responsibility and that low income housing could not attract sufficient equity investors simply on the basis of cash and capital appreciation and some tax incentives were necessary. This is not just a question of whether there are some available rental units in Great Falls. This is a question of whether we as governmental entities, can by issuing both tax exempt bonds and tax credits, can require or impose that a certain number of the units being financed by the bonds and tax credits be set aside for qualifying low income tenants for a period of at least 15 years. How many of the persons objecting to this project would be willing to place on the deeds to their property a restrictive covenant, running with their land for 15 years, that at least 40% of the units must be occupied by households having income of 60% or less of area median income. That type of set aside is what we're talking about adding to the housing stock of Great Falls by this project-some long term projections for people needing housing. We are not unconcerned about existing landlords, but quality housing stock for low income families is our primary concern in approving this project. Thank you members of the Board." Mr. Gray introduced Tim Ryan of the High Plains Development Authority.

Mr. Ryan said: "For many years I have been involved closely with lobbying efforts associated with our military base, Malmstrom Air Force Base. And I know about landlords in town, there has been a lot of misconceptions of what is going on at Malmstrom that apparently has been clarified with information you have received recently. However, in addition to that, a squadron, which is an engineering squadron, has been announced and still has another 100 active duty families to be moved into this community over the next year and those are families who for the most part will be living off base and something that most of the landlords are not aware of. In addition, the general officer of some magnitude was here this last week and made a talk and indicated that if Malmstrom Air Force Base was a stock, he would buy that stock. He is bringing some information that is not yet public, he has indicated to me that there is a very high chance that shortly the Air Force will be announcing yet another mission for our base which will amount to another 50-60 families moving in. So I think that clarifies and stabilizes the issue of the Air Base and whether it is going to shrink or grow." Cheryl Patton thanked the Board for their patience with them and said they would answer any questions the Board may have.

John Wagner said: "MBOH's plan requires that the community support be specific to the project in question and not just be generic support for affordable housing in the community. Do you feel that you have received the specific support for this project and not just generic support for affordable housing generally? And if not, perhaps the people from the city could address that."

Bruce said: "The letters MBOH has received have been very project specific and not just support for affordable housing in the community, so that requirement has been met."

Bill Oser said: "After listening to these people and listening to the beginning statements on this to the effect that MBOH has passed this over the minimum threshold and the decision is with the City of Great Falls. I don't really see what we can do other than pass it. I don't see what the discussion is." Bill Oser made a motion to adopt the Autumn Run Apartments. The motion was seconded by Waneeta Farris. The motion passed unanimously by a roll call vote.

Bill Oser reported on the Regulatory Working Group and stated that we needed the continued expertise of the consultant. Bill Oser made a motion to extend the contract through the completion of the Department of Commerce completion of the codes. The motion was seconded by Bob Savage. Tom Welch asked what the cost might be. Bill responded that he thought it would take 8-10 more hours at \$50 per hour. The motion passed unanimously with a roll call vote.

The next Board meeting will be November 17, 1997 in Helena and the following month it will be December 15, 1997 in Helena. Both meetings will convene at 8:30 A.M. The Regulatory Working Group will meet November 18, 1997 at 10:00 A.M.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 12:40 a.m.



Bill Oser, Secretary

11-17-97
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING

PUBLIC INFORMATION SESSION

Silver Bow County Courthouse, Conference Room
Butte, Montana
September 25, 1997

- I. MEETING CONVENES AT 3:00 P.M. - Bob Thomas, Chairman
- II. MEETING ADJOURNS IN BUTTE, MONTHLY BUSINESS MEETING IN DILLON SEPTEMBER 26, 1997, SEE ATTACHED AGENDA

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.
3/17/97

**Silver Bow County Courthouse
Public Information Session
September 25, 1997**

The September 25, 1997 public information meeting in Butte was called to order at 3:00 P. M. Guests were Twylla McDongall of the Council of Commissioners, Betsy Cohn of the Montana Standard, and Colleen Fine of Butte-Silver Bow.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds.

Bob Morgan presented the statistics on the jobs that are created through Montana Board of Housing loans.

Maureen Rude reported on the purpose and progress of the Regulatory Working Group. She said that a consultant was hired to look at the building codes that do not contribute to life, health, and safety, yet add to the cost. A task force made a list of items that they recommend changing to help housing affordability.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program. He pointed out that one out of six homes in Montana are financed by Montana Board of Housing and that many partnerships make these loans possible.

Bruce Brensdaal explained the Multifamily Programs. Tax Credits are used as a gap filler for financing rental housing projects and the Risk-sharing Program provides permanent financing for multifamily projects. Bruce Brensdaal explained the Reverse Annuity Program (RAM). The RAM Program is for seniors 68 years and older. The loan is at a 5% interest rate and gives seniors \$285 to \$310 per month for 10 years.

Questions were asked by the guests regarding acquisition and rehabilitation and the Disabled Accessible Homeownership Program and also the Reverse Annuity Program.

The meeting adjourned at 4:00 P.M.

Bill Ober
11-17-97

**Forest Service Center-Dillon
Public Information Session
September 26, 1997**

The September 26, 1997 public information meeting in Dillon was called to order at 8:30 A. M. Guests were Greta Chaffin of KDBM Radio, Jim McIsaac of Bicentennial Apt., Dee Dee Jensen of Carriage House Realty, Bill Forrester of Carriage House Realty, Rick Hartz of Beaverhead County (planner), Clint Rouse of the State Bank and Trust Co., Deborah Thompson of American Property Development, Ken Koss of American Property Development, Fred Stokke, Ward Jackson-Madison County Commissioner, Sheila Stearns of Western Montana College, Ed Gemer, Janet Gemer, Cheryl Patton of the City of Great Falls, Denise Breen of Norwest Mortgage, Colleen Fine of Butte Silver Bow, Rev. Brad Ulgenes of First Lutheran and the Beaverhead Housing Task Force.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds.

Bob Morgan presented the statistics on the jobs that are created through Montana Board of Housing loans.

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the Reverse Annuity Program (RAM). The RAM Program is for seniors 68 years and older. The loan is at a 5% interest rate and gives seniors \$285 to \$310 per month for 10 years.

Bob Savage reported on the National Council of State Housing Boards conference that was held in Whitefish in August.

Questions were asked by the guests regarding mobile homes and the Reverse Annuity Program.

The meeting adjourned at 9:40 A.M.

Bill Cost

11-17-97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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MONTANA BOARD OF HOUSING Forest Service Center 420 Barrett, Dillon, MT September 26, 1997

- I. 8:30 a.m. - PUBLIC INFORMATION SESSION (approx. 1 hour)
- II. CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of August 26, 1997 Board Meeting
- III. UPDATE ON REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal, Multifamily Program Manager
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Recycled Funds Programs
 - ◆ Recycled Funds New Program Proposal
- V. REGULATORY WORKING GROUP UPDATE - Bill Oser & Maureen Rude
 - ◆ Consultant Report & Discussion
- VI. UPDATE ON FISCAL YEAR 1996-97 AUDIT - Maureen Rude
- VII. LOW INCOME HOUSING TAX CREDIT PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Third Round, 1997 Applications
 - ◆ Request for Additional Credit
 - ◆ Bond Application, City of Great Falls
- VIII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



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Forest Service Center
Dillon, Montana
September 26, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Absent)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Deborah Thompson, American Property Development
Ken Koss, American Property Development
Ed and Janet Gemar
Cheryl Patton, City of Great Falls
Denise Breen, Norwest Mortgage
Colleen Fine, Butte-Silver Bow
Dab Dabney, Farmhouse Partners LP
Mary Lou Falconer, USDA-Rural Development
Bill Tash, Representative, HD 34 Beaverhead Co.
John Barrows, Dillon Tribune
Ward Jackson, Madison County Commissioner
Jim McIsaac, Bicentennial Apartments
Phyllis and Traci Welch

CALL MEETING TO ORDER

The meeting was called to order at 9:40 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Tom Welch made a motion to approve the August 20, 1997 minutes. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Ronda Carpenter abstained from discussion of the Autumn Run Apartments and left the room. Bob Thomas reported that a vote would not be taken today, but would wait until a conference call in two weeks.

Bruce Brensda presented the information for the tax credit application for the Autumn Run Apartments in Great Falls. The Autumn Run Apartments are sponsored by American Property Development. The developer proposes a new construction project in Great Falls with 30 one bedroom units, 80 two-bedroom units, and 11 three bedroom units. The developer has an option agreement on the property and the developer has applied for annexation and rezoning. The amenities include garages, exercise equipment, and laundry facilities. The tenants will pay the utilities which are gas heat, hot water, electric cooking and other electric. The total actual cost is \$7,515,000. The rent levels are \$397 for thirty-one bedroom units at 60% area median income and \$454 for 80 two-bedroom units at 60% area median income and \$518 for 11 three-bedroom units at 60% area median income. Financing includes Bond Issuance by the City, Deferred Developers Fee, and Interest Earned (Bonds). The project scored 68 points with the minimum threshold of 60 points. Bob Savage asked about annexation and rezoning. Bruce said that the project would have no impact on the school system. Barb Hamlin noted that there was conflicting information on the projected future of housing in Great Falls and expressed concern that existing tax credit housing is having trouble staying full. Cheryl Patton of the City of Great Falls responded to these concerns. Janet and Ed Gemar said that this project hurts those rentals that are already established. Tom Welch asked about the number of vacancies in Great Falls. Cheryl said that there were building permits for 24 units at \$650-\$700 per month. She said Section 8 tenants cannot find quality homes. Cheryl said the City Commission is not relying on the Board of Housing to determine the need. Cheryl's staff called businesses that are expanding and they expect 670 new jobs. Bruce said if a project is allocated and uses tax exempt bonds under the state's bonding cap authority, then the project is eligible to receive an allocation of tax credits outside of MBOH's usual housing state tax credit.

Ronda returned to the meeting.

UPDATE ON REVERSE ANNUITY PROGRAM

Bruce Brensda gave an update on the Reverse Annuity Program (RAM) which receives approximately 16 calls per week. There is \$776,965 of the RAM allocation available for loans. Bruce said that he wants to promote the program more and do press releases. Maureen reminded the Board that when the RAM program was set up, no operating funds were allocated. Currently the multifamily and tax credit programs pay staffing and administrative expenses of the program.

Maureen suggested any advertising costs should be paid by interest earned as the loans revolve, which they are starting to do.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan introduced Colleen Fine of Butte-Silver Bow and Denise Breen of Norwest Mortgage to give an update on the Tullamore Project. They are requesting an additional \$102,000. Tom Welch made a motion to allow an additional set aside of \$102,000 to expire June 30, 1998 to complete phase I and December 31, 1998 to complete phase II. The motion was seconded by Bob Savage. The motion passed.

Bob Morgan reported on the property in Whitefish at 583 Baker Ave. The appraisal was \$69,167 in July of 1995. The appraisal in September was \$31,000. Glacier Bank found a buyer and the loan closed September 25, 1997. There will be a slight loss to Montana Board of Housing (MBOH) which will be split with Glacier Bank. The lenders (MBOH, RD, Glacier) are filing a report regarding the appraisal.

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 150 loans reserved for \$11,006,325 and 87 loans have been purchased for \$6,597,185. The average purchase amount is \$75,830. The average reservation amount is \$75,376. The total balance remaining to be reserved is \$42,478,678 as of September 22, 1997. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented a chart that showed the number of reservations received per week and a chart showing the number of reservations received each day. A bank rate monitor showed that the average mortgage rate in Montana is 7.4%. The rate of lenders that Bob contacted was 7³/₈%. Bob Savage made a motion to lower the interest rate to 6.5% effective September 29, 1997. The motion was seconded by Barbara Hamlin and Tom Welch. The motion passed unanimously.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$2,010,608. The total Single Family II set aside is \$11,900,836. The total of all set asides is \$13,911,444.

Bob Morgan presented a memo recommending adding an additional \$1,000,000 of recycled funds to the Homebuyers Cash Assistance Program (CAP). Bob Savage made a motion to approve the request for an additional \$1,000,000 of recycled funds for the CAP program. Tom Welch seconded the motion. The motion passed unanimously.

Bob Morgan reported that MBOH added \$27,622.14 of recycled funds to the Loan Leveraging Program to complete a reservation request for a loan that needed to close September 22, 1997. Maureen gave approval September 18, 1997 under the authority extended to her by the Board.

Bob Morgan presented a memo recommending an additional \$1,000,000 of recycled funds to the Loan Leveraging set aside. He pointed out that MBOH has purchased 82 loans that have

averaged \$35,876 each. The typical family served by this program is a household of three, whose income is \$20,031, with the head of household being 35 years of age. The loans are dispersed over 17 counties. Tom Welch made a motion to set aside an additional \$1,000,000 of recycled funds for the Rural Housing Loan Leveraging set aside and also approve Maureen's action of adding \$27,622.14 of recycled funds to the program as reported to the Board. The motion was seconded by Bob Savage. The motion passed unanimously.

Bob Morgan presented a memo suggesting that MBOH provide permanent financing for Habitat for Humanity Projects. Most of the loans would qualify for FHA, VA, or RD and would be eligible for the "New Money" funds in the 1997 Series A bond issue. The loans that would not qualify for FHA, VA, or RD would have to be funded from the 1997 A special reserve account. Bob Savage made a motion to set aside \$750,000 at 0% interest rate through December of 1998 for the benefit of Habitat for Humanity with two conditions: 1. Each affiliate only is allowed one housing project during this period of time. 2. If foreclosure becomes necessary Habitat for Humanity has the first right of purchase. The motion was seconded by Ronda Carpenter. The motion passed unanimously.

REGULATORY WORKING GROUP UPDATE

Maureen Rude reported that the Montana Building Industry Association (MBIA) has asked MBOH to extend Mr. Kembel's contract to make technical presentations during the rule adoption process. The contract closed September 15, 1997. MBIA also asked MBOH to consider the recommendations in the report and endorse the proposal. Ronda Carpenter made a motion to extend the contract so Jim Kembel can speak on behalf of changes to Building Codes. The motion was seconded by Barbara Hamlin. Board members discussed having MBIA sharing continued expenses. Ronda withdrew the original motion and Barbara agreed. Ronda made a motion to endorse the proposed building code changes that were reported from the consultant. Barbara Hamlin seconded the motion. The motion passed unanimously. Ronda made a motion to extend Jim Kembel's contract for not more than \$1,000 to make the presentation to MBOH further explaining these changes and to the Building Codes Board on behalf of MBOH for these changes. The motion died for lack of support.

UPDATE ON FISCAL YEAR 1996-97 AUDIT

Maureen Rude reported that the Auditors will complete the audit on October 10, 1997. They will do a presentation at a conference call on October 14, 1997.

LOW INCOME HOUSING TAX CREDIT PROGRAM

Bruce BrensdaI introduced Dab Dabney, the developer of West Yellowstone Madison Apartments, and then gave some history on the project. The project was allocated tax credits in May of 1996 and consists of 14 one-bedroom units and 11 two-bedroom units and 28 single room occupancy (SRO) units. The SRO rooms are not renting. Mr. Dabney is proposing to remodel the units with only two of the SRO units sharing a kitchen instead of four SRO units sharing a kitchen. Bruce recommended allocating \$7,560 of annual credit to help finance hard construction

costs on the basis of this being an extreme hardship case and there being a high risk of losing these units for low income tenants. He would also recommend that the rents be 60% of median income in exchange for extending the commitment to 20 years. Mr. Dabney reported on the project. Tom Welch made a motion to allocate \$7,560 additional tax credits and allowing changing the SRO units to 60% of median income in exchange for the low income use to be extended out to 20 years. Barbara Hamlin seconded the motion. (Ronda's comments) A roll call vote was taken with Tom Welch, Barbara Hamlin, and Bob Thomas voting in favor of the motion. Ronda Carpenter and Bob Savage voted against the motion. The motion carried.

Bruce reported that he received three applications for the final tax credit round. One application did not have site control which disqualified it. The Women's Opportunity and Resource Development (WORD) is the developer for the First Street Project from Missoula which proposes 12 units that are more single family type versus apartments. The project scored 84 points out of a possible 118. The amenities are yards and trees. The tenants will pay the utilities which are gas heat and hot water, electric cooking and other electric. There is a buy-sell agreement and the property has proper zoning. The total actual cost is \$1,186,492. The rent levels are \$81 for 1 two-bedroom unit, \$384 for 2 two-bedroom units, \$60 for 1 three-bedroom unit, \$224 for 1 three-bedroom unit, and \$433 for 7 three-bedroom units. The financing is through a Norwest Bank Loan, a HOME grant, MRA, Affordable Housing Program, City of Missoula, and a land contribution. The cost per unit is \$98,874 with the tax credit cost being \$7,369 per unit. Bob Savage made a motion to approve the project for \$88,430. The motion was seconded by Ronda Carpenter. The motion passed unanimously.

The other project is the Timberline Apartments in Belgrade. Peter Gerrard of Gerrard Realty is the developer for the Timberline Apartments which proposes 24 elderly units. The project scored 81 points out of a possible 118. The amenities are standard. The tenants will pay electric air conditioning, electric cooking and other electric. There is a buy-sell agreement and a zoning change in progress. The total actual cost is \$1,340,674. The rent levels are \$355 (50% median income) for the 6 one-bedroom units and \$355 (60% median income) for 18 one-bedroom units. The financing is through a RD 515, Deferred Developer Fee, and Tax Credits. The cost per unit is \$55,861 with the tax credit cost being \$1,980 per unit. Bob Savage made a motion to approve the project for \$47,527 conditional on proper zoning and the 6 conditions that were proposed by the City of Belgrade and also any other conditions that they have to meet. The motion was seconded by Tom Welch. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented several articles relating to housing issues.

Bob Savage made a motion to meet in Butte in March to review the Tullamore project and to honor the Irish pioneers who settled this great state on March 16, 1997. The motion was seconded by Ronda and Tom and then all the Board members. The motion passed unanimously.

The Board agreed the next regular Board meeting would be November 17, 1997 in Helena with a teleconference call October 14, 1997. The meeting adjourned at 1:00 P.M.

Bill Oser

Bill Oser, Secretary

11-17-97

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING First Interstate Bank Building 2 Main Street, Kalispell, MT August 26, 1997

- I. 1:00 p.m. - CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of July 29, 1997 Board Meeting
- II. DRAFT FISCAL YEAR 1996-97 FINANCIAL STATEMENTS - Kelly Rusoff, Accounting and Finance Manager
- III. MULTIFAMILY PROGRAMS- Bruce Brensdal, Multifamily Program Manager
 - ◆ Multifamily Loan Application - Superior, MT
 - ◆ Preservation Project, Federal Home Loan Bank - Bruce and Maureen
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Recycled Funds Programs
 - ◆ Recycled Funds Applications
 - ◆ E & O Insurance
 - ◆ New Lender Requests
 - ◆ Quarterly Delinquency Report
- V. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ◆ Special Programs, RAM & CAP Funding
 - ◆ NCSHA Annual Meeting
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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Phone: (406) 444-3040
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First Interstate Bank
Kalispell, Montana
August 26, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Rand Kennedy, HRC/Glacier
Susan Moyer, City of Kalispell
Jim Morton, HRDC District XI
Nancy Stephenson, Neighborhood Housing Services

CALL MEETING TO ORDER

The meeting was called to order at 1:00 p.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the July 29, 1997 minutes. The motion was seconded by Waneeta Farris. The motion passed unanimously.

DRAFT FISCAL YEAR 1996-97 FINANCIAL STATEMENTS

Kelly Rusoff presented the draft of the financial report for fiscal year ending June 30, 1997. She explained all the balance sheets, statements of cash flows, and the notes to the financial statements.

MULTIFAMILY PROGRAMS

The Superior Senior Housing project is sponsored by District XI Human Resource Council. Jim Morton and Rand Kennedy were present to give input on the project which proposes seven 1-bedroom units and one 2-bedroom unit. The amenities include a Community Room, Garden Area, and Carports. The tenants will pay the utilities which are electric heat, hot water, and cooking because there is no gas available in Superior. The land has a purchase contract and there are no zoning requirements. The total actual cost is \$578,865. The rent levels are \$265 for seven units at 50% average median income and \$330 for one unit at 50% average median income. Financing included a HOME grant and equity of \$18,865. The project has good community support and the city will donate staff and equipment to demolish a building on the site. Bob Savage made a motion to approve the Superior Senior Housing project at 6.5% for 30 years conditional on the approval of HOME funding, but if conditions change in the future, Montana Board of Housing (MBOH) has the flexibility of lowering the rate to a minimum of 6%. The motion was seconded by Tom Welch. The motion passed unanimously. The project will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH.

Bruce Brensdaal said he received an application for a tax credit project from Great Falls which would be funded from tax exempt bonds that the city will issue. He said if a project is allocated and uses tax exempt bonds under the states bonding cap authority, then the project is eligible to receive an allocation of tax credits outside of MBOH's usual housing state tax credits. The project is a 121 unit multifamily development applying for around \$269,000 in tax credits. The city has approved the issuance of up to \$6 million in IDB bonds. Bruce asked the Board if they want this project brought before them. Ronda said she would have to abstain from voting on the project. The Board indicated that they would like to see the project.

Bruce reported that he received three applications for the next round, however, one was turned back because there was no site control on the project.

Maureen presented a memo and spreadsheet on the Montana Preservation Project that explains the nine projects that are subject to HUD's Preservation Act. The projects are scattered around the northwest area of the state. A proposal was approved by the legislature so the Board of Investments could issue low floater bonds and provide direct loans for these projects at 5%. The proposal was sent to HUD a couple of months ago and they did not want to continue to subsidize projects over Fair Market Rent. These projects are substantially below Fair Market Rent (FMR) and the memo clarifies the project's range from 53% of FMR to the Green Meadow Manor in Libby at 107% of FMR. The Green Meadow Manor has no Section 8 assistance. Maureen tried to explain that if HUD does not allow the interest rate subsidy to continue on these projects,

which is a key request, the funding gap would increase by about \$3 million. The other issue is to allow the Section 8 rents to be higher than the other rents. She provided information to show what the existing rents were and what the projects were asking for the Section 8 rents and the non Section 8 rents and how we backed into what the projects could afford and our gap. These are not projects where the owners are getting windfall profit because they are probably under subsidized, which is why there are some of the deferred maintenance issues and the rehab costs are as high as they are. If these projects go to market rate units, the existing tenants who have Section 8 are then going to be able to pay FMR and it will actually cost HUD less. Maureen explained that the state is trying to cut the cost of the projects, cut the rehab costs, and to cut the soft costs without doing a disservice to the project.

Maureen talked to the group of non-profits about approaching the Federal Home Loan Bank about applying for a grant and provide that money in very soft, low interest loans to these projects to fill the funding gap. Montana Board of Housing (MBOH) could loan each project the amount necessary to make it work and make it flexible. The loans would have to be paid back under the tax credit rules. Western Federal would be willing to sponsor MBOH. MBOH still needs a sponsor who is a shareholder from the Federal Home Loan Bank. The application for between \$1.5 to \$1.9 million would be due October 15. Bill Oser made a motion for staff to proceed with the application to the Federal Home Loan Bank. Barbara Hamlin seconded the motion. Ronda Carpenter abstained from voting because some of the projects were her clients. The motion passed.

Bruce Brensdaal gave a report on the Reverse Annuity Program. Two loans have closed recently and one loan has been paid off with another close to paying off. He said MBOH continues to get lots of calls regarding the program.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 140 loans reserved for \$10,491,098 and 11 loans have been purchased for \$819,101. The average purchase amount is \$74,936. The average reservation amount is \$74,464. The total balance remaining to be reserved is \$48,744,459 as of August 21, 1997. Bob presented the Statewide Housing Profile report which showed the number of loans and average amount of the loans and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$2,737,905. The total Single Family II set aside is \$9,416,236. The total of all set asides is \$12,154,141.

Bob Morgan presented a letter from the Glacier Affordable Housing Foundation requesting the Board to reinstate the amount of \$2,442,300 which was originally committed to them in September of 1995. The set aside would be used for 30 units in Lincoln County which has a waiting list of 108 applicants. Bob Savage made a motion to set aside \$2,443,300 to the Glacier Affordable Housing Foundation contingent on them receiving a HOME grant. The set aside would expire December 31, 1999. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a request from Nancy Stephenson of Neighborhood Housing Services (NHS) for an additional \$2,000,000 for the down payment assistance program. Bob Savage made a motion to set aside an additional \$2,000,000 for NHS down payment assistance program to be used with a \$160,000 subsidy from the City of Great Falls and Neighborhood Reinvestment. The set aside would expire September 1, 1998. The motion was seconded by Tom Welch and Waneeta Farris. The motion passed unanimously.

Bob Morgan presented several newspaper articles on the Butte-Tullamore Project which is one of MBOH's set asides. The Board will tour the project before the public meeting in Butte in September.

Bob Morgan reported on the quarterly delinquencies for the period ending March 31, 1997. The percentage of total delinquencies for MBOH is 3.02% compared to 2.94% statewide, 3.32% for the mountain region and 3.97% nationally. Bob noted that even though the delinquency rate has gone up, the foreclosure rate has gone down. Bob presented loan delinquency analysis that reports the delinquencies by servicer, county, set aside and loan type. Board members said that they really liked the delinquency reports.

Bob Morgan presented a memo regarding Net Worth, E& O Insurance, and Fidelity Bond Requirements. Participating lenders must have \$1 million Net Worth. Participating servicers must have \$1 million Net Worth plus carry Errors and Omissions insurance and a Fidelity Bond from a company licensed to do business in Montana and a member of the Guarantee Association.

Bob Morgan presented an application from the Countrywide Home Loans, Inc. to be an approved lender. Bill Oser made a motion to accept Countrywide Home Loans, Inc. as an originator only. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bob Morgan presented an application from GMAC Mortgage Corporation to be an approved lender. Bill Oser made a motion to accept GMAC Mortgage Corporation as an originator only subject to a letter stating how many Montana loans were made in the last year. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Bob Morgan reported that another application was received that has not been completely reviewed, therefore, he did not bring the application before the Board. The applicant would like the Board to consider a different philosophy. The Board indicated that the rules that are in place are good and they do not want to make exceptions or set bad precedents.

Bob Morgan said that in MBOH program documents require that all of MBOH loans have a maximum deductible of \$500. Two insurance companies have changed their deductible on wind and hail. One is offering a 2 percent deductible and the other a 5 percent deductible. This will have an impact on MBOH loans.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented a memo with a list of special program funds project ideas. The funds are clear of the restrictions of first-time home ownership and single family or multifamily programs. The funds could also be used as a gap filler. The Board indicated they would like to think about the options. Maureen asked for part of the special program funds to be set aside for the Cash Assistance Program (CAP) and Reverse Annuity Programs (RAM). Bill Oser made a motion to increase the CAP program by \$75,000 and the RAM program by \$350,000 from the special reserve funds. The motion was seconded by Bob Savage. The motion passed unanimously.

Maureen presented an article from the Montana Building Industry newsletter on the advances of the building code study.

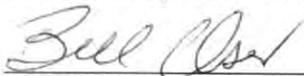
Maureen presented the letter she sent to the National Council of State Housing Agencies annual program awards for MBOH's Rural Loan Leveraging Program. Statistics show that 20% of the homes in this program are new construction, while the regular program is 11%. The average income of the people in this program is \$20,203 while the average income in the regular program is \$31,162 and 39% of the loans in this program are reaching people 50% below median income. The Rural Loan Leveraging program is reaching a population that MBOH could not reach alone.

Maureen presented an article from the Rosebud County Times telling about the public meeting held in Forsyth. Maureen also presented a memo on the Ethical Rules of Conduct Policy and an article about economics and affordable housing design and an article about Conrad Burns touring affordable homes in Great Falls. She gave a summary of salaries of ten states in the surrounding area for 1995.

The annual National Council of State Housing Agencies Conference is in Miami October 5-7. Bob Thomas, Bob Savage, and Maureen Rude will attend this conference.

Maureen told the Board about a seminar through the Montana Consensus Council on Resolving Public Disputes that she would like to attend and receive three credits for continuing education. The course would involve one Friday morning each month from September-April. The Board gave their approval.

The Board agreed the next regular Board meeting would be September 26, 1997 in Dillon after a public meeting at 8:30 A.M. There will be a public meeting in Butte on September 25, 1997 at 3:00 P.M. Oser made a motion to adjourn the meeting. All Board members seconded the motion. The motion passed unanimously. The meeting adjourned at 4:40 P.M.



Bill Oser, Secretary

10-2-97

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
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MONTANA BOARD OF HOUSING

PUBLIC INFORMATION SESSION

Forsyth, Montana
Blue Spruce Cafe
July 28, 1997

- I. MEETING CONVENES AT 2:00 P.M. - Bob Thomas, Chairman
- II. MEETING ADJOURNS IN FORSYTH, MONTHLY BUSINESS MEETING IN SIDNEY JULY 29, 1997, SEE ATTACHED AGENDA

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.
3/17/97

**Forsyth Blue Spruce Cafe
Public Information Session
July 28, 1997**

The July 28, 1997 public information meeting in Forsyth was called to order at 2:00 P. M. Guests were Debbie Hagemeister - USDA Rural Development, Vicky Fink - Realtor, Brenda Inwards - Stockman Bank, Linda Grimsrud - Castle Rock Realty, Linda Satterthwart - First State Bank of Forsyth, Duane C. Martens - Rosebud City Commissioner, Mack Cole - State Senator, Robert Martinek - Mayor - City of Forsyth.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing.

Bill Oser explained the Reverse Annuity Program (RAM). The RAM Program is for seniors 68 years and older. The loan is at a 5% interest rate and gives seniors \$285 to \$310 per month for 10 years. Bruce Brensdal gave an overview of eligibility requirements such as income limits and Board of Housing being in the first lien position.

Bob Savage told about the National Council of State Housing Boards annual conference in Whitefish, Montana on August 24-26.

Bill Oser reported on the Housing Regulatory Working Group and its purpose of finding ways to cut costs to make housing more affordable.

Maureen Rude stated that Montana Board of Housing (MBOH) has changed its bond issues to provide continued funding for loans. She asked the guests for feedback. She also explained how MBOH is partnering with Rural Development to do loan leveraging.

Bruce Brensdal explained the Multifamily Program. Tax Credits are used as a gap filler for financing projects and the Risk-sharing Program provides permanent financing for multifamily projects.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program which include the Disabled Affordable Accessible Homeownership Program (DAAHP) and the Cash Assistance Program (CAP). He pointed out that one out of six homes in Montana is financed by Montana Board of Housing.

Debbie Hagemeister of Rural Development pointed out that it is hard to get the small institutions in Eastern Montana to do MBOH loans which would help the rural area. Brenda Inwards of Stockman Bank commented that MBOH staff and the Board are great to work with.

The meeting adjourned at 2:55 P.M.

Bill Oser



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MONTANA BOARD OF HOUSING

Public Library
Sidney, MT 59270
July 29, 1997

- I. PUBLIC INVITATION MEETING IN SIDNEY 8:30 A.M. - Chairman Bob Thomas
- II. CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of June 10, 1997 Board Meeting
- III. UPDATE ON 1997 SERIES A, SINGLE FAMILY BOND ISSUE - Peter Nolden, PaineWebber; John Wagner, Kutak Rock; staff
 - ◆ Reserve Fund Structure
 - ◆ Interest Rates
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Recycled Funds Programs
 - ◆ E & O Insurance
 - ◆ New Lender Requests
- V. MULTIFAMILY PROGRAMS- Bruce Brensdal, Multifamily Program Manager
 - ◆ Firm Approval/Risk Sharing - Bozeman Interfaith Housing
 - ◆ Update on Previous Applications
- VI. EXECUTIVE DIRECTORS UPDATE - Maureen Rude
 - ◆ NCSHB Meeting
 - ◆ Professional Services - Legal, Investment Banking
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 3/17/97

Sidney Public Library
Public Information Session
July 29, 1997

The July 29, 1997 public information meeting in Sidney was called to order at 8:30 A. M. Guests were Dan Rasmussen - USDA Rural Development, Cal Oraw - Sidney City Council, Paul Groshart - Richland County Housing Authority, Margo Zadow - First United Bank of Sidney, Enid Stennes - Security Bank of Sidney, John Wagner - Kutak Rock, Peter Nolden - PaineWebber Incorporated.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing.

Bill Oser explained the Reverse Annuity Program (RAM). The RAM Program is for seniors 68 years and older. The loan is at a 5% interest rate and gives seniors \$285 to \$310 per month for 10 years. Bruce Brensdaal gave an overview of eligibility requirements such as income limits and Board of Housing being in the first lien position.

Bill Oser reported on the Housing Regulatory Working Group and its purpose of finding ways to cut costs to make housing more affordable.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program which include the Disabled Affordable Accessible Homeownership Program (DAAHP) and the Cash Assistance Program (CAP). He pointed out that one out of six homes in Montana is financed by Montana Board of Housing.

Maureen Rude stated that Montana Board of Housing (MBOH) has changed its bond issues to provide continued funding for loans. She asked the guests for feedback. She also explained how MBOH is partnering with Rural Development to do loan leveraging. Maureen presented newspaper articles that told about Stockman Bank receiving an award from MBOH for being the rural lender who did the most MBOH loans. Margo Zadow commented that the continuous funding and the lower interest rates for loans were a huge advantage for MBOH loans.

Bob Savage told about the National Council of State Housing Boards annual conference in Whitefish, Montana on August 24-26.

Bruce Brensdaal explained the Multifamily Program. Tax Credits are used as a gap filler for financing projects and the Risk-sharing Program provides permanent financing for multifamily projects.

Bob Thomas complimented the Board and the staff of Montana Board of Housing as the best that the agency has had.

The meeting adjourned at 9:25 A.M.

Bill Oser



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Public Library
Sidney, Montana
July 29, 1997

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Peter Nolden, PaineWebber Incorporated
Mike Mulroney, Luxan & Murfitt

OTHERS: Dan Rasmussen, USDA, Rural Development
Cal Oran, Sidney City Council
Paul Groshart, Richland County Housing Authority
Enid Stennes, Security Bank of Sidney
Margo Zadow, First Security Bank

CALL MEETING TO ORDER

The meeting was called to order at 9:45 a.m. by Chairman Bob Thomas.

UPDATE ON 1997 SERIES A, SINGLE FAMILY BOND ISSUE

John Wagner of Kutak Rock reported on the restructuring on the Single Family I Indenture to make it more flexible. A special reserve fund of more than \$2 million was created with money to be used for any housing purpose. Mortgages from old bond issues of 87 & 88 were put in an unrestricted account of \$11-12 million and there will be no tax restraints (other than eligibility) on those accounts as they repay. The third special pool of money is the result of refunding the 1979 bonds resulting in \$6 million pre-Ullman funds with some yield restraints to be used for recycling. Maureen said that \$100,000 of the special reserve fund has been committed to the Cash

Assistance Program (CAP) and she anticipates using some of the funds for the Reverse Annuity Program (RAM) also. The funds will give Montana Board of Housing (MBOH) the ability to do some new things or use to inject some cash into future bond issues or to put up a special fund to get the rating needed. She said now is a good time to start planning for a special program. Bill Oser asked if there was a risk with the funds. John Wagner said it can be used for any housing purpose. Bill and Barb said that they would like to see a list of the options that the funds could be used for.

Peter Nolden presented a chart comparing the interest rates from July 1996 to the present of 30-Year Treasury Bonds and the Revenue Bond Index. The chart indicated that rates have dropped. The rate initially set on the bond issue was 6⁷/₈%, however, not all of the issue can stay at that rate because federal tax laws say that the mortgage rate cannot exceed the bond rate by more than 1¹/₈%. Commitments have been made for close to \$8 million. The market may dictate that rates be dropped to be competitive and the overall rate needs to be adjusted at some point for arbitrage purposes. Peter suspects that rates will plateau. MBOH interest rates can go as low as 5.5%, but Peter indicated that is the minimum under the cashflow and he would not recommend it. Bill Oser suggested setting up a monitoring system. Bob Morgan presented a chart comparing the reservations received for 1996 and 1997. Another chart compared the mortgage rates in Montana with the average rate of 7.5%. Waneeta said that the rate is so close to conventional rates that some borrowers are going with market rate FHA rather than MBOH. Enid Stennes of Security Bank confirmed her comments. Tom said the spread needs to be at least 1%. Bill Oser made a motion to adopt a procedure regarding the 1997 Series A Bond loan interest rate adjustment under which Maureen Rude will poll the Board members and upon their majority advise, so adjust the loan interest rate at a new rate not to exceed one-half percent up or down from the most recent formal Board established rate. Such action is subject to formal Board ratification at its next public meeting. The motion was seconded by Bob Savage. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen gave an update on the agenda for the National Council of State Housing Boards conference in Whitefish August 24-26. There will be a bus tour of Tax Credit and other housing projects in the Kalispell area on Sunday, August 24.

The Board reviewed whether they wanted to keep the same team for professional services for investment banking and legal bond counsel or start the RFP process for a new team. The banking team of PaineWebber, Merrill Lynch, Piper Jaffray, Dain Bosworth, and DA Davidson was selected four years ago. The contract for John Wagner of Kutak Rock as bond counsel expires this fall. Bob Savage made a motion to extend the professional services contracts for two years. The motion was seconded by Bill Oser. The motion passed unanimously.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the June 10, 1997 minutes. The motion was seconded by Barb Hamlin. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 63 loans reserved for \$4,692,624 and one loan has been purchased for \$95,829. The average purchase amount is \$95,829. The average reservation amount is \$74,770. The total balance remaining to be reserved is \$55,229,291 as of July 7, 1997. Bob presented the Statewide Housing Profile report which showed the number of loans and average amount of the loans and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob pointed out that the average reservation amount is up about \$10,000 from the last bond issue. Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$3,414,986. The total Single Family II set aside is \$11,154,703. The total of all set asides is \$14,569,689. Maureen reported that she met with the Fair Lending Committee of the Montana Bankers Association who expressed concerns about the 184 program because the Bureau of Indian affairs has a moratorium on the approval of any new long term leaseholds. They are working with the tribes to set up a uniform commercial code. Bob reported that he received many positive comments on the changes made to the CAP program. However, lenders recommended changing the purchase price limits due to the fact that not many homes are available at \$65,000. Bill Oser made a motion to increase the purchase price limits to \$70,000 for the Cash Assistance Program. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Maureen reported that Dick Brinck from Housing and Urban Development (HUD) completed a series of town meeting to the rural areas around the state and received many favorable comments about the Board of Housing. People felt having continuous funds helped and that the staff was easy to work with.

Bob presented a review of neighboring State Housing Agencies' policies on Errors and Omissions Insurance. The Board thoroughly discussed the issue. Ronda Carpenter made a motion to direct staff to come up with some guidelines with advice from legal counsel for Errors and Omissions Insurance that would be flexible enough to include the lenders MBOH would want to include yet encompassing enough to exclude others so the Board could work with a concrete piece of paper for approval. The motion was seconded by Barbara Hamlin. The motion passed unanimously.

Bob Morgan presented some letters from the Qualified Mortgage Service and GMAC Mortgage Corporation regarding the requirements for Errors and Omissions Insurance. Ronda Carpenter made a motion to put off making a decision until the staff can come up with the new guidelines and make a decision pending the new guidelines. The motion was seconded by Bill Oser. Discussion took place on whether it was best to tell them they did not qualify as of today or wait until new guidelines were adopted. A roll call vote was taken with Bill Oser, Barbara Hamlin, Ronda Carpenter, and Bob Thomas voting in favor of the motion and Tom Welch, Bob Savage, and Waneeta Farris voting against the motion. The motion passed.

Bob Morgan presented an application from Bitterroot Valley Bank to be an approved lender. The application had a listing of the Bank's officers, a listing of the personnel, a letter seeking to participate, a certificate of Errors and Omissions Insurance, a Call Report with net worth in excess of \$4 million, certification as an FHA approved lender, and an Officer's Certification that the information is accurate. Bob Savage made a motion to approve the application for Bitterroot Valley Bank to be an approved lender. Bill Oser seconded the motion. The motion passed unanimously.

Daniel Rasmussen commented that at Rural Development staff training, Mary Lou Falconer compliments MBOH and staff. MBOH works together with Rural Development to iron out programs that work for both programs.

MULTIFAMILY PROGRAMS

Bruce Brensdaal presented an application for final approval for Bozeman Interfaith Housing II for permanent financing through the Risk Sharing Program for the Pond Row Apartments. The Pond Row project proposes seven 2-bedroom units. The amenities are standard. The tenants will pay the utilities which are gas heat and hot water and electric cooking. The land is owned by the developer and has preliminary annexation with proper zoning. The total actual cost is \$909,596. The rent levels are \$218 for the five units at 30% average median income and \$401 for two units at 50% average median income. Financing included an AHP grant, a HOME grant, a city loan and contributions. Barbara Hamlin made a motion to give final approval to the Pond Row project. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bruce reported that he submitted a letter expressing all the Board's questions and concerns to the developers of the College Homes project since the last meeting. He presented a copy of that letter and the letter from the Governor responding to a letter from Mr. Wellman concerning this project. He also presented the material received from Mr. Wellman (the developer) responding to the questions and concerns of the Board.

In response to the first concern Mr. Wellman said that because this is a multifamily rental project, the subdivision laws do not apply until there is individual ownership of the project. Bruce's concern was that since the plan, as submitted in the application, is to sell the homes in year 15 to qualifying individuals that are living in the homes, this should be addressed at the beginning of the project. According to legal counsel, subdivision approval is technically not needed until the homes are sold to the individuals.

The Board discussed the relevance of the the Quit Claim deed supplied by Mr. Wellman with his material. The developer must show ownership of the site before a reservation agreement can be entered into. Maureen said MBOH would not do a reservation based on a Quit Claim Deed, so even if the project was approved Mr. Wellman would have to provide a warranty deed. Our issue is that the property has to be owned by the person who is getting the tax credit under the federal tax law and the Quit Claim Deed is not enough. Bruce said one of the requirements was that Mr. Wellman supply a warranty deed to show that he has title to the land.

Mike Mulrone said Mr. Wellman has not met a number of requirements, today was the day that Bruce's letter gave him to supply the information for the Board to make a decision. Barb asked what are we missing? Bruce said that we are missing the letter from the tribe indicating their full support for the project, and the letter from the housing authority stating there is a definite need for this type of project and this type of rent levels. Barb said if we gave them until today, then we can't do the project. Maureen said we approved the project, so the two options we have are to withdraw our approval or approve them to go forward. Maureen pointed out that in Bruce's letter he quoted page 9 of the MBOH's Qualified Allocation Plan which states: "once the application has been approved by the Board of Directors for future reservation of tax credits, the applicant will have 90 days in which to provide evidence the project is progressing. If the applicant cannot show significant evidence toward meeting reservation requirements, the MBOH may withdraw conditional approval of the application." Maureen said the Allocation Plan specifically states that the Board can withdraw approval and it would not be unusual for MBOH to do that on other projects if they are not showing evidence of moving forward. Bruce said the 90 days were up as of the 21st. The required information was not supplied, so MBOH needs to act accordingly. Maureen said we have not heard from the tribe with a definitive answer saying that this is the type of project that they need. Bruce said the two main issues are the lack of tribal support and the lack of support from the housing authority stating they need a project with these types of rents. He realized that there is a political tug of war going on in this area, but without this type of support, MBOH does not have the basis to go forward. Barb said it is frightening to think that the housing authority said that rents were so far over that the homes would never be rented and that the people Mr. Wellman thought would move into the houses would not come back and pay those prices. It is scary to think they would build the project and then not have anyone to occupy the homes because the rent is high, especially if the people are paying \$3 and \$5 through the housing authority. Maureen said realistically there is no possible way anyone could build a project that is going to rent for the average rent in this area, but if they can't show that there is someone to build it for, then it is hard to justify doing it. We know they need housing, which is what is frustrating. We have been telling them that we understand there is a need, but we haven't seen that this is the right project.

Bruce said one of the issues brought up was the availability of utilities to the site. The town of Browning says the utilities are available next to the property and there would be appropriate utilities for them to hook into when the houses are built. Bruce said we had proposed that they get an independent person that MBOH approves to come in and say what is actually in place. Mr. Wellman sent the letter from the Town of Browning which he probably feels is meeting that requirement. Maureen said often the utilities have to be extended as part of the project, as long as they have a budget for that.

Bruce said another issue was the role that Lodgebuilder will play in the project. Bruce asked them to clarify the statements originally made to the Board. An earlier letter stated that Lodgebuilder could not be excluded from submitting a bid to do the project, the most current letter states they will play no part. Based on this we can not tell what part they will play.

The Board discussed that although we have a limited level of risk the Board needs to consider the quality of projects and whether they are needed in the community for our long term liability in our

allocation of these credits. Waneeta Farris made a motion to withdraw our approval of this project based on the lack of community support and their failure to meet our deadline for needed information. The motion was seconded by Ronda Carpenter. The motion passed unanimously.

Barb Hamlin amended her motion on the Pond Row application to add the language that the Pond Row application will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and bonds issued to reimburse MBOH, whichever the Board decides is effective at the time of closing. The motion was seconded by Waneeta Farris. The motion passed unanimously.

Bruce presented a letter from HUD stating the dedicated account requirement for the HUD Risk-Sharing Program has been released due to the general obligation rating of A2 Montana Board of Housing received from Moody's Investors Service.

EXECUTIVE DIRECTORS UPDATE (CONT.)

Maureen presented a letter from Jim Kembel who is the consultant for the Building Codes review giving an update on his progress.

Maureen presented a letter from John Wagner of Kutak Rock regarding Volume Cap Preservation and options available for the future.

Maureen presented a couple of articles from the National Council of State Housing Agencies which included Montana Board of Housing. She also presented articles from around the state telling about the National Home Ownership Week awards and that Stockman Bank was honored as the rural lender who contributed most to affordable housing. An article from the Kansas Division of Housing discussing housing cost analysis.

The Board agreed the next regular Board meeting would be August 26, 1997 in Kalispell at 1:00 P.M. Bill Oser made a motion to adjourn the meeting. All Board members seconded the motion. The motion passed unanimously. The meeting adjourned at 12:30 P.M.



Bill Oser, Secretary

Date



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MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT
December 14, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of November 20, 1998 Board Meeting
- II. BUDGET REPORT, QUARTERLY FINANCIAL STATEMENT - Kelly Rusoff, Accounting and Finance Manager
- III. LOW INCOME HOUSING TAX CREDIT UPDATE - Bruce Brensdal
 - ◆ Qualified Allocation Plan
 - ◆ Update on 1998 Tax Credit Project Status
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series B -Update
 - ◆ Exceptions to Maximum \$500 Deductible on Hazard Insurance
 - ◆ MBOH Purchase Price Limit Update
 - ◆ Recycled Funds Programs
 - ◆ Set-aside Program Updates
 - ◆ District IX HRC-Livingston Land Trust
 - ◆ HUD Section 184
 - ◆ Ronan Housing Authority
 - ◆ Butte/Silver Bow Tullamore Project
 - ◆ Neighborhood Housing Services
 - ◆ Delinquency Analysis
 - ◆ Participating Lenders Net Worth Requirements
- V. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule for Legislative Session
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/12/98



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MBOH Conference Room
836 Front Street
December 14, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Absent)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Sue Mannix, Accountant
Lore Morgan, Training & Development Specialist
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: Jerry Boone, HUD/FHA
Glenn Johnson, Habitat for Humanity Montana
Dick Brinck, HUD
Judith D. Holly, HUD Community Builder
Caren Roberty, HRDC District 9
Nancy O'Brien, Neighborhood Housing Services
Billie Lee, Ronan Housing Authority/Lake Co CHDO
John Grant-Jackson, Murdo, Grant & McFarland PC
Colleen Fine, Butte-Silver Bow

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the November 20, 1998 minutes. Bob Savage seconded the motion. The motion passed unanimously.

BUDGET REPORT, QUARTERLY FINANCIAL STATEMENT

Kelly Rusoff presented a balance sheet comparing September of 1997 with September of 1998. She presented a balance sheet comparing June of 1998 with September of 1998. Kelly presented an income statement comparing 1997 with 1998. She went over the budget report for 33% of the year elapsed.

LOW INCOME HOUSING TAX CREDIT UPDATE

Bruce Brensdaal gave an update on the proposed 1999 Qualified Allocation Plan for Low Income Housing Tax Credits. He presented a draft of the minutes and the comment letters for the public hearing which was held on December 10, 1998. Bruce went through the changes made to the proposed 1999 Qualified Allocation Plan for Low Income Housing Tax Credits based on public comment. Ronda Carpenter made a motion to accept the changes of the Qualified Allocation Plan based on public comment. Bill Oser seconded the motion. The motion passed unanimously.

Bruce presented an application for Tax Credits for the Custer Villa Apartments in Miles City sponsored by Birchwood Properties. The project has received bond cap authority through the end of December. The project is an acquisition/rehabilitation project. The Tax Credit amount requested is \$230,000. Amenities are 2 storage and shop buildings. The rents for tenants are \$540 for 23 two-bedroom units for tenants at 60% of area median income and \$702 for 8 three-bedroom units for tenants at 60% area median income. The project has project based rental subsidies so tenants will pay only 30% of their income towards rent. The Board discussed the project based rental subsidy expiring in year 2002. The application assumed they would automatically be renewed annually but there is no guarantee. The Board had concerns with this assumption being made. The project scored 74 out of a minimum threshold of 60. Bob Savage made a motion to give staff the authority to approve the project conditional upon receipt of final documentation and meeting underwriting standards. Bill Oser seconded the motion. A roll call vote was taken with Ronda Carpenter, Tom Welch, and Waneeta Farris opposing the motion and Bill Oser and Bob Savage approving the motion. The motion failed.

Bruce Brensdaal gave an update on the 1998 Tax Credit Projects which have been approved. All projects are moving forward meeting the 10% carry over requirements with the exception of the Phil Maxwell project in Ronan and St. Ignatius. The Ronan project has financing through Rural Development which could not be completed by year end, therefore, they will apply for tax credits next year.

Maureen Rude presented a letter to Governor Racicot from Farmhouse Partners Limited Partnership. The letter was a response to an article in the Missoulian from the Montana Housing Partnership.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue were \$60,000,000. There have been 156 loans reserved for \$10,818,145 and 94 loans have been purchased for \$6,373,959. The average purchase amount is \$67,808. The average

reservation amount is \$69,347. The average income is \$30,648. The total balance remaining to be reserved is \$42,892,545 as of December 9, 1998. Bob presented a report that listed the most active lenders in the 1998 B program. He presented a zip code report which showed the number of loans, the amount of the loans, and the average income for the 1998 B program for 62 communities.

Bob presented a letter requesting an exception to the \$500 deductible policy for insurance. The Board discussed the issue and declined to make a change to program documents, but asked Bob to do some research and report back to the Board.

Bob presented a letter he sent to lenders and Realtors requesting information on the purchase price of family homes to collect data on single family home sales throughout the state. He also presented a letter from John Wagner (bond counsel) explaining the process for average area purchase price alternate calculations. Bob is hoping to have the University system compile the data when it is all received.

Bob introduced Caren Roberty of Human Resource Development Council. Caren gave an update on the Livingston Affordable Housing Land Trust project. Bob Savage made a motion to approve \$337,000 for the Livingston Affordable Housing Land Trust project and to extend the set aside to December 31, 1999. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob said the HUD 184 program will expire at the end of the month. Bill Oser made a motion to extend the HUD Section 184 program to January 1, 2000. Bob Savage seconded the motion. The motion passed unanimously.

Bob introduced Billie Lee of the Ronan Housing Authority who gave an update on Ronan Housing Authority's set aside. She asked the Board to consider keeping the set aside and extend the expiration date. She asked about a possible new bond rate and allowing rent to own. Waneeta Farris made a motion to extend the Ronan Housing Authority and Lake County CHDO set aside for one year. Tom Welch seconded the motion. The motion passed unanimously.

Bob introduced Colleen Fine of Butte-Silver Bow who gave an update and slide presentation on the Tullamore project. Bob Savage made a motion to approve \$901,000 for the second phase of the Tullamore project and extend the project to October 31, 1999. Tom Welch seconded the motion. The motion passed unanimously.

Glen Johnson from Habitat for Humanity requested that MBOH allow Miles City to build a second house. Bill Oser made a motion to allow an exception for a second house for Habitat for Humanity in Miles City. Waneeta Farris seconded the motion. Bill Oser amended the motion to state that Miles City will have to fund the next two houses afterwards. Waneeta Farris seconded the amended motion. The motion passed unanimously.

Nancy O'Brien of Neighborhood Housing Services (NHS) gave an update on NHS's foreclosure prevention. NHS emphasizes personal contact and homebuyer education. Nancy said the release form from MBOH helps them to know when there is a problem. She said they provide

foreclosure prevention loans. Bill Oser asked if MBOH could have a foreclosure fund. The Board had a discussion of possible options for working with people in foreclosure.

Bob presented a chart of foreclosures by year originated, number per year, bond issue, and various setaside programs. MBOH currently has 87 loans in possible foreclosure, 62 are from the bond program with 32 in bankruptcy and 25 are from the set asides with 7 in bankruptcy.

Bob presented a report showing the quarterly net worth of three lenders who have five years to meet the requirements of MBOH.

EXECUTIVE DIRECTORS UPDATE

Maureen said the Legislative Conference is in Washington DC from February 28-March 3, 1999. Ronda Carpenter made a motion for Bob Thomas, Bill Oser, Bob Savage, and Waneeta Farris to attend the Legislative Conference in Washington DC. Bill Oser seconded the motion. The motion passed unanimously.

Maureen Rude asked Board members if they are interested in more bulk airline tickets from Big Sky Airlines.

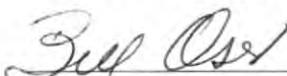
Bob Thomas said Board members and staff would like to plan a presentation meeting with the Legislators when they convene in Helena.

Maureen said a couple of MBOH's underwriters have not paid their affiliate dues to NCSHA. Board members said Maureen should encourage them to pay their dues. Maureen asked the Board how they would feel about her running for the Board of NCSHA.

Maureen said the Governor's Office has three people it is considering for Board appointments. They are: Bob Thomas, Waneeta Farris and Teresa Lightbody.

Ronda Carpenter asked if she should be listed as a lobbyist for MBOH. Tom Welch made a motion for Bob Thomas to be designated as Board spokesperson for the 1999 Legislature. Bob Savage seconded the motion. The motion passed unanimously.

The next meeting will be January 22, 1999 in Helena. The meeting adjourned at 1:00 P.M.



Bill Oser, Secretary

1-22-99
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF PUBLIC HEARING MONTANA BOARD OF HOUSING ALLOCATION PLAN FOR LOW INCOME HOUSING TAX CREDIT

Notice is hereby given of the intent of the Montana Board of Housing to hold a public hearing on the Board's draft Allocation Plan for the Low Income Housing Tax Credit.

The hearing will be held at 9:00 A.M. on Thursday, December 10, 1998, at the offices of the Montana Board of Housing. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in record of the public hearing.

A copy of the draft Allocation plan is available and can be obtained at the Montana Board of Housing offices located at 836 Front Street, Helena, Montana.

MONTANA BOARD OF HOUSING

A handwritten signature in pink ink, appearing to read "Bruce Brensdal".

Dated: November 13, 1998

BY: Bruce Brensdal
Multifamily Program Manager
836 Front Street
P.O. Box 200528
Helena, MT 59620-0528
(406) 444-3040



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MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT
November 20, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of October 19, 1998 Board Meeting
- II. LEGISLATIVE AUDIT REPORT - Lorry Parriman, Audit Manager; Emy Neuman-Javornik, Financial/Compliance Auditor
- III. BUDGET REPORT, QUARTERLY FINANCIAL STATEMENT - Kelly Rusoff, Accounting and Finance Manager
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series B -Update
 - ◆ FHA Maximum Mortgage Limits, MBOH Purchase Price Limits
 - ◆ Recycled Funds Programs
 - ◆ Habitat
 - ◆ Foreclosures
 - ◆ Special Requests
 - ◆ Project Set-Aside Request - NHS
- V. UPDATE ON MARKET - Peter Nolden, Paine Webber
- VI. MONTANA HOUSING PARTNERSHIP-HOUSING TRUST FUND PRESENTATION
- VII. GENERAL OBLIGATION BOND ISSUE - Bruce Brensdaal, Multifamily Program Manager
- VIII. LOW INCOME HOUSING TAX CREDIT UPDATE - Bruce Brensdaal
 - ◆ Qualified Allocation Plan
 - ◆ Aspen Meadows Site Change
- IX. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
- X. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule for Legislative Session
 - ◆ Oser's Motion

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MBOH Conference Room
836 Front Street
November 20, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Bill Oser, Secretary (Present)
Waneeta Farris (Present - via teleconference)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Dolly Snyder, Assistant Accounting & Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt
Peter Nolden, Paine Webber Inc.

OTHERS: Lorry Parriman, Legislative Audit Division
Emy Neuman-Javornik, Legislative Audit Division
Jeanne Carstensen-Garrett, Legislative Audit Division
Anne Erickson Gifford, Dain Rauscher
Bill Tierney, Dain Rauscher
Jerry Boone, HUD/FHA
Glenn Johnson, Habitat for Humanity Montana
Byron Roberts, MT Building Industry Association
Larry Robertson, NW MT RC&D - Shelby
Gordon Hoven, Piper Jaffray, Inc.
Ken Meske, NHS Great Falls
Carson Strege-Flora, Montana Housing Partnership
Jan Martin, Valley Bank of Helena

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Ronda Carpenter made a correction to the October 19, 1998 minutes. Ronda then made a motion to approve the minutes as amended. Bill Oser seconded the motion. The motion passed unanimously.

LEGISLATIVE AUDIT UPDATE

Lorry Parriman of the Legislative Audit Division introduced the team who did the audit for Montana Board of Housing (MBOH). Emy Neuman-Javornik gave an update on the blue cover report. The Auditors issued an unqualified opinion which means the financial statement information is reliable. Emy explained the Auditors concentrated on three major function areas: 1) the Bond area, 2) the Mortgage area, and 3) Investments and financial statements and state compliance. Emy complimented MBOH staff on being easy to work with. Lorry Parriman gave an overview of the Management Memo which included a recommendation on recording of the MBOH's financial information on the Statewide Budgeting & Accounting System (SBAS). Maureen Rude said Kelly Rusoff, Accountant, left notes explaining the reason investments are recorded later on SBAS. Jeanne Cartensen-Garrett reported on the servicer reviews on three banks using agreed upon procedures. Tom Welch asked the Auditors how comfortable they were doing audits for MBOH with the bond issues. They responded they were comfortable auditing bond issues.

Dolly Snyder presented the budget report for MBOH. The total spent is 26% of the yearly budget for 33% of the year elapsed. Dolly presented a balance sheet which compared September of 1997 with September of 1998.

Maureen said the DEC computer which runs the accounting and Single Family software is not certified to be year 2000 compliant. Bill Oser made a motion to contract with Digital for \$7,680 to inventory and review the system to make it year 2000 compliant. Barbara Hamlin seconded the motion. The motion passed unanimously. Maureen said MBOH would like to contract with Application Oriented Designs (AOD) to run a test of accounting, single family, and debt service systems to confirm that everything works.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan showed an award Rural Development presented to MBOH as a partner in providing housing throughout the state. Bob said that MBOH has done training sessions with Rural Development and FHA in Helena and Missoula and will be doing more training with Realtors and lenders.

Bob presented a chart comparing four bond issues that closed in September of various years. He gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue were \$60,000,000. There have been 129 loans reserved for \$8,615,645 and 63 loans have been purchased for \$4,485,586. The average purchase amount is \$71,199. The average reservation amount is \$66,787. The average income is \$30,581. The total balance remaining to be reserved is

\$46,963,963 as of November 17, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties for the 1998 B program. Bob presented a report that listed the most active lenders in the 1998 B program.

Maureen said the Board is starting to see delinquencies & foreclosures in the Rural Development programs and banks need to be aware of their responsibility in underwriting for Rural Development loans. Rural Development pays 100% of the first 35% loss, but if the loss is greater than 35%, Rural Development guarantees only 90%.

Bob Morgan presented a demographic report on recycled loans done since the last Board meeting. Sixty loans have been purchased with an average loan amount of \$46,134. The average purchase price has been \$62,966 with the average annual income \$21,899.

Neighborhood Housing Services (NHS) requested an extension of their setaside. Ronda Carpenter made a motion to extend the NHS setaside to January of 1999. Barbara Hamlin seconded the motion. The motion passed unanimously. Bob presented a summary of the recycled mortgage program set asides. The total of all setasides available to be reserved is \$16,263,746. Glenn Johnson of Habitat for Humanity gave an update on the program. Barbara Hamlin made a motion to extend the Habitat for Humanity setaside thru 12/31/99. Ronda Carpenter seconded the motion. The motion passed unanimously.

Barb Hamlin noted that many borrowers are surprised there is a Cash Assistance Program (CAP) payoff necessary when paying off a loan. Bob said MBOH will be working with lenders in training sessions.

Waneeta Farris joined the meeting via teleconference. Bob Morgan presented a memo regarding the FHA increase of Maximum Mortgage Limits to \$109,032. Current limits for MBOH were established to comply with the tax code and published "Safe Harbor Limits" from 1993 data. IRS regulations permit housing agencies to use their own limits, rather than the safe harbor limits, if they have more accurate and comprehensive data. Byron Roberts and Jan Martin gave their perspective on the purchase price limits and urged MBOH to increase the limits. Bill Oser made a motion for staff to proceed with contacting the Montana State University (MSU) system for the cost to have students do the study. Barb Hamlin seconded the motion. After discussion, Bill Oser restated the motion to authorize staff to proceed with the information for a survey. Waneeta Farris seconded the motion. The motion passed unanimously.

Peter Nolden gave an update on the market. The market has been erratic since the bond sale. The 30-Year treasury bonds dropped significantly, while the Revenue Bond Index did not drop drastically. Montana Board of Housing funds remain competitive.

Maureen gave an update on the preservation project. The idea of going with Board of Investment funds is not feasible because of uncertainties surrounding CI-75 and the use of the moral obligation pledge. If the developers use MBOH, John Wagner will be Bond Counsel and Peter Nolden will be the underwriter due to their multifamily experience.

Maureen presented information on the Glacier Affordable Housing Foundation. 54% of the people are receiving loans in the 50-59% category, 29% of the people are in the 60-69% category, and 17% of the people are in the 70-79% category. Glacier Affordable Housing has not had one person sell their house or go into foreclosure.

Bob presented a chart of foreclosures by year originated, bond issue, and various setaside programs. Bob said the foreclosure prevention counseling along with the form to release financial information to the nonprofit should help with foreclosures.

Bob Morgan presented a request from Neighborhood Housing Services (NHS) for \$2,000,000 at 6% with a .25% reservation fee to be setaside for down payment and closing costs for 50 home sites statewide. Ken Meske and Larry Robertson explained the program and answered Board questions. Bill Oser made a motion to accept the request from NHS. Barbara Hamlin seconded the motion. After discussion, Bill Oser restated the motion to accept the proposal with a \$500 minimum down payment from the borrower for the leveraged loans and FHA guaranteed loans, \$1500 minimum down payment from the borrower for RD guaranteed loans, and subject to the approval of the HOME grant. Barbara Hamlin seconded the motion. The motion passed unanimously.

HOUSING TRUST FUND PRESENTATION

Carson Strege-Flora of the Montana Housing Partnership explained their plan to establish a state Housing Development Fund with fewer requirements and more flexibility to subsidize and support lower income projects. Funding sources is an issue to get the Housing Development Fund approved by the Legislature. Carson handed out a report on the Economic Benefits of Investing in a State Housing Development Fund. Maureen emphasized that MBOH does not have adequate staff at this time to facilitate administering a new program and would need staff to administer the program if it is approved.

Bob presented a memo regarding refinancing a loan funded with pre-Ullman funds in the Disabled Accessible Affordable Housing Program (DAAHP). Bill Oser made a motion to refinance the Disabled Accessible Affordable Housing Program loan. Tom Welch seconded the motion. The motion passed unanimously.

MULTIFAMILY PROGRAM

Bruce Brensdaal gave an update on the issuance of General Obligation Bonds for the Multifamily Program with an average rate on the bonds of 5.04%.

Bruce presented the proposed 1999 Qualified Allocation Plan for Low Income Housing Tax Credits. Bruce said that 2,592 units have been financed through the program. Ronda Carpenter made a motion to approve the draft of the Qualified Allocation Plan to go to public comment. Tom Welch seconded the motion. The motion passed unanimously.

Bruce presented a summary of project application changes for the Aspen Meadows project in Bozeman. Bill Oser made a motion to accept the changes in the Aspen Meadows Project. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bruce presented an exception request to the lump sum payment rule for the Reverse Annuity Mortgage Program (RAM). Bill Oser made a motion to approve the request. Tom Welch seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented several articles for the Board's information.

Maureen presented a letter from Neighborhood Housing Services and an article from their newsletter.

Maureen reported on the Capital Finance Advisory meeting discussion of CI-75. She also presented an article from Standard & Poor's regarding CI-75. Mike Mulroneu said personal liability is attached to anybody who increases a fee or issues a bond illegally.

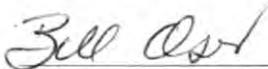
Maureen said the budget from Congress included an increase in the Volume Cap for bonds, however, the increase does not start until 2003. Thereafter, the Volume Cap will go up approximately \$15 million each year. New bills will be going in next year to fill in the gap until 2003. The number of requests for Volume Cap may increase.

Barbara Hamlin expressed her appreciation for the opportunity and experience of serving on the Board. Board members thanked Barb for her service.

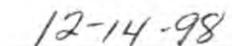
Bob Thomas talked about scheduling workshops for the Legislature around their activities.

Mike Mulroneu and the Board congratulated Maureen on a fine Annual Report.

The next meeting will be December 14, 1998 in Helena. The meeting adjourned at 1:00 P.M.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

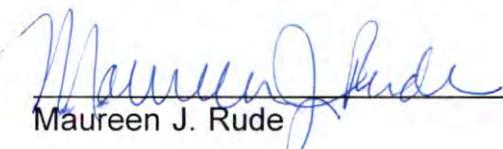
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MINUTES OF SPECIAL PUBLIC HEARING MULTIFAMILY PROGRAM GENERAL OBLIGATION BONDS, 1998 SERIES A OCTOBER 26, 1998, 9:00 A.M.

Notice having been given, the Montana Board of Housing held a public hearing on the (up to) \$3,000,000.00 Multifamily Program General Obligation Bonds Series 1998 A. Series 1998 A is the Board's proposed issuance of Mortgage revenue bonds to finance the following projects:

Whitefish Apartments - Whitefish, Montana
The Bridge Apartments - Missoula, Montana
Pond Row - Bozeman, Montana
Superior Senior Housing - Superior, Montana
Meadowlark Townhomes - Chester, Montana
Parkside Apartments - Hamilton, Montana

The public hearing was called to order at 9:00 A.M. on Monday, October 26, 1998, the Board's office at 836 Front Street. Those attending were Maureen J. Rude - Executive Director and Treasurer, Bruce Brensdal - Multifamily Program Manager, Michael J Mulrone - Board Counsel and Bob Newhouse - General Public. There was a general question and answer period but no comments were given for the record, either written or oral and the meeting closed at 9:15 A.M.


Maureen J. Rude

10/26/98

Dated



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT
October 19, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of September 15, 1998 Board Meeting
- II. TRUSTEE MEETING - Terry McRoberts & Debbie Kuykendall, US Bank NA; Doreen Rowe, Norwest Bank
- III. LEGISLATIVE AUDIT UPDATE - Legislative Audit Division
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A-Update
 - ◆ 1998 Series A-Update
 - ◆ 1998 Series B -Update
 - ◆ Recycled Funds Programs
 - ◆ Quarterly Delinquency Report
- V. MONTANA HOUSING PARTNERSHIP-HOUSING TRUST FUND PRESENTATION
- VI. MULTIFAMILY PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ General Obligation Bond Issue (w/John Wagner)
- VII. LOW INCOME HOUSING TAX CREDIT UPDATE - Bruce Brensdal
 - ◆ Tax Credit Task Force Best Practices Recommendations and Impact on Qualified Allocation Plan
- VIII. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
- IX. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion
- X. 2:00 P.M. - GROUND BREAKING AT ROADRUNNER TAX CREDIT DEVELOPMENT
- XI. 3:00 P.M.-FINANCIAL WORKSESSION - Kelly Rusoff, Accounting and Finance Manager.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 7/2/98



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836 Front Street
October 19, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Absent)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Dolly Snyder, Assistant Accounting & Finance Manager
Sue Mannix, Accountant
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Terry McRoberts, US Bank
Debbie Kuykendall, US Bank
Doreen Rowe, Norwest Bank
Jerry Boone, HUD/FHA
Emy Neuman-Javornik, Legislative Auditor

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the September 15, 1998 Board meeting. Waneeta Farris seconded the motion. The motion passed unanimously.

LEGISLATIVE AUDIT UPDATE

Emy Neuman-Javornik reported the Auditors will prepare a written letter which would include any issues it they should arise, the financial statements, and the Auditor's opinion. The Auditors are in the process of doing servicer reviews which will be finished in November. The only concern at this point is resolving the ongoing issue of State accounting records with Montana Board of Housing (MBOH) Fiscal Year End reporting regarding classification of investments.

TRUSTEE MEETING

Maureen introduced the Trustees: US Bank and Norwest Bank. The Trustees were encouraged to give an update on administration of MBOH's portfolio, discuss what would happen if there was a bill in the Legislature proposing to take funds from the MBOH's Indentures, and state when the Trustee should be involved. Terry McRoberts from US Bank said Sandy Shupe and Debbie Kuykendall administer the trust indenture and there are no issues. Debbie said the investment procedures are being streamlined. US Bank is working toward electronic inquiry and downloading. Doreen Rowe from Norwest said they converted to a new system that will be year 2000 compliant and Norwest has no issues.

Terry McRoberts said the Trustees have three roles: 1. Trustees are a predefault servicer provider and assist in investing proceeds, making disbursements, taking in the single and multi family loans and maintaining mortgages, and any UCC that needs to be refiled. 2. Trustees are the predefault monitor to insure indenture covenants are being met and fulfilled, to watch over bondholder rights, and to help the issuer stay in compliance with the bond program. 3. Trustees work on defaults in bond indenture resolutions and remedies for beneficiaries which are investing in the bonds. Terry said the Trustee would like to be involved early to provide support if the indentures are threatened. Doreen said that Norwest has internal attorneys and would also like to be involved early and be a resource. Maureen pointed out that a fund balance is not cash that is not being used. The Annual Report will focus on the economic benefits provided by MBOH programs. Debbie stressed the need for an educational emphasis in three areas: 1. Reacquaint the legislature with MBOH's mission and public purpose to provide affordable housing. 2. Define what a Bond issue is and why reserves are necessary and clarify what the funds are pledged for. 3. Point out the programs offered at break even or losses that are subsidized by the overall reserves of the program. Reserves are actively being used to call bonds or for mortgages because the indenture requires MBOH funds be used for housing purposes. Rating agencies look at fund balances to rate bond issues. The chairman mentioned that he has been educating the public that MBOH does not get state money.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 90 loans reserved for \$5,728,558 and 722 loans have been purchased for \$50,374,952. The average purchase amount is \$69,771. The average reservation amount is \$63,651. The average income is \$31,647. The total balance remaining to be reserved is \$2,467,349 as of October 14, 1998. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1997 A program.

Bob Morgan gave an update on the 1998A Program. The total funds available for the 1998 A bond issue were \$30,000,000. There have been 32 loans reserved for \$2,297,868 and 388 loans have been purchased for \$27,513,701. The average purchase amount is \$70,912. The average reservation amount is \$71,808. The average income is \$31,253. All the funds in the 1998 A Program have been reserved. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1998 A program.

The total funds available for the 1998B Program were \$60,000,000. There have been 103 loans reserved for \$7,102,207 and four loans have been purchased for \$336,640. The average purchase amount is \$84,160. The average reservation amount is \$68,953. The average income is \$30,664. The total balance remaining to be reserved is \$52,598,159 as of October 14, 1998.

Maureen Rude gave an update on the new Training and Education position and staff changes in the Single Family Program.

Bob Morgan presented a summary of the recycled mortgage program set asides. He said that all setaside reservations that are first-time homebuyers or from a targeted area are reserved from the 1998A Program. If the borrower is not a first-time homebuyer, the loans are purchased from the recycled funds. Bob Savage made a motion to extend the Richland County First-Time Homeowner Program for six months. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob presented a report on quarterly delinquencies for the quarter ending June 30, 1998. MBOH has a delinquency rate of 3.42% compared to 3.02% in Montana and 3.60% in the Mountain Region and 4.22% nationally. Bob also presented a report showing the delinquency comparison of all Montana loans at 3.02%, Montana FHA loans at 5.13%, and Montana VA loans at 3.66%. He also presented a servicer comparison report. A delinquency analysis reported the delinquencies by servicer, county, set aside, and loan type. Ronda Carpenter said she is concerned with high delinquencies and people getting into Neighborhood Housing Services (NHS) housing with no down payment by using matching CDBG funds and grant money. She said Senator Christiaens said the interiors of some of the NHS homes are not being maintained. NHS borrowers are approved through the local lenders and are required to attend the homebuyer education program. The homes are insured by FHA, therefore, there is no risk to MBOH.

Bob presented a memo regarding a loan in the Disabled Accessible Affordable Housing Program (DAAHP). Board members discussed the loan and determined that the individual probably would not qualify for refinancing and they would not be helping the individual. Board members asked for more information to confirm that the individual does not qualify.

Maureen said she was notified that the Republic Bank of New York is on a credit watch. They have MBOH's acquisition fund for 98A which is less than \$15 million. The language in the contract says MBOH can require them to post additional collateral or MBOH can withdraw the funds from the investment contract. John Wagner said the bank is on a watch but has not been downgraded. The situation will be monitored closely.

MULTIFAMILY PROGRAM

Bruce Brensda presented Resolution 98-10-19-M1 for the issuance of up to \$2,000,000 in General Obligation Bonds for the Multifamily Program. The bonds will be used to reimburse MBOH for a pool of six loans from around the state. The existing loans are for Meadowlark Townhomes in Chester, the Whitefish Apartments, and the Bridge Apartments. The committed loans are for the Pond Row Project, the Parkside Apartments, and the Superior Housing Project. John Wagner summarized and explained the resolution. Bob Savage made a motion to adopt Resolution 98-10-19-M1. Ronda Carpenter seconded the motion. The motion passed unanimously.

Bruce summarized the National Council of State Housing Agencies (NCSHA) Housing Credit Task Force recommended practices (see attachment A). These practices are a guideline for states to follow for Tax Credits and will have an impact on the Qualified Allocation Plan.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented a draft of a bill proposed to exempt from taxation certain rental housing property for which the Board of Housing has issued low-income housing tax credits. Maureen presented an analysis from the Department of Revenue on the cost to the general fund and other funds from exempting \$1,750,000 of Market Value from Property Tax for ten years.

Maureen presented a note from the Landmark Company praising Bob Morgan and his staff for the training workshop for Real Estate professionals.

Maureen presented an application from Neighborhood Housing Services for the Social Compact Award which gives awards for public private partnerships.

Maureen presented the NCSHA calendar and several articles for the Board's information. Waneeta Farris made a motion to send Bruce to the Assisted Housing Workgroup training in Chicago. Bill Oser seconded the motion. The motion passed unanimously.

Maureen and Bruce gave an update on the Preservation projects. Bruce reported that Congress approved the allocation of \$25,000 new units of risk-sharing authority.

The next meeting will be November 20, 1998 in Helena. The meeting adjourned at 12:08 P.M.

Bill Oser
Bill Oser, Secretary

11-25-98
Date

Attachment A

Recommended ~~Practices~~ Practices.

Appendix A: Report of the NCSHA Housing Credit Task Force

Background

During the past two years, confidence in the Low Income Housing Tax Credit (Housing Credit) has emerged stronger than ever from a serious sunset threat, an intensive General Accounting Office study, and extensive Congressional review. Overwhelming evidence of efficient, effective, and prudent Housing Credit administration by the states profoundly influenced that outcome.

These state agencies, to which Congress has entrusted the administration of the Housing Credit, want and need to continue to merit and maintain Congressional confidence in the Housing Credit and state administration of it.

To maintain that confidence, Housing Credit administrators need to respond aggressively to suggestions which GAO, the House Ways and Means Oversight Subcommittee, and the Housing Credit community have made about state Housing Credit allocation and underwriting. Most of those suggestions center on two concerns. First is that the apartments the Credit helps finance prove financially feasible and viable for low income rental for the full term Congress requires that they be set aside for that purpose. Second is that states simplify the Housing Credit process, to the extent practical and consistent with the Congressional intent that each state shape its own Housing Credit policy to meet its low income citizen's particular housing needs.

In December 1997, NCSHA's Board of Directors established a Task Force to develop Best Practice standards for state Housing Credit administration which respond to the suggestions the GAO and Ways and Means Oversight Subcommittee and other participants in the Housing Credit community have made. Those concerns include: the adequacy of housing needs assessments; the need for property market studies; appropriate use of state agency discretion in allocating Credits; the need for independent, third party cost certifications; the adequacy of debt service ratios, operating and replacement reserves, and operating expenses; quality of management experience; and adequacy of compliance safeguards.

The Task Force consisted of 20 states, which allocate two-thirds of all the Housing Credits each year. These states vary widely in geography, state size, demographics, and housing needs. A list of the states participating in the Task Force is included in Appendix A.

The Task Force examined recommendations made by GAO in its study of the Housing Credit and those of the Ways and Means Oversight

Subcommittee, which considered the GAO report. The Task Force also solicited Best Practice recommendations from the full spectrum of private sector participants in the Housing Credit community in two days of discussions. A list of the private sector firms and individuals who met with the Task Force is listed in Appendix B.

The Task Force considered all of these views extensively before preparing a draft report of its own conclusions. Subsequently, it considered comments on that draft from the private sector firms and individuals who had previously met with the Task Force. Thereafter, the Task Force completed its recommendations and this report to NCSHA's Board.

By the time the NCSHA Board acts on this report, a total of nearly two-thirds of the directors of all Housing Credit agencies, which allocate more than 75 percent of all Housing Credits, will have formally considered and acted upon it.

Recommended

Background on Best Practices

Congress has delegated responsibility for administering the Housing Credit to the states, recognizing that each state is better able than the federal government to address the low income housing needs unique to its citizens.

This delegation of authority to the states to administer a major federal tax program is unique and unprecedented. In making it, Congress recognized the value of decentralized decision making concerning each state's low income housing needs, but also imposed a uniform set of procedures each state must follow in determining the developments for which they grant Housing Credits.

In the Housing Credit, Congress created a system for producing low income apartments which relies significantly for its success on the private sector market discipline among developers and syndicators of low income housing developments and the lenders to and investors in those developments. Congress designed the system to provide adequate incentives to the private sector to achieve the objectives Congress intended and heavy tax penalties if it does not.

Congress made the states responsible for allocating all Housing Credits and underwriting all applications for them. The states take those responsibilities very seriously. Particularly in this era of more limited federal support for housing assistance, states must strive to assure, to the extent they reasonably can, that housing financed with the Housing Credit remains quality affordable rental property for the full period it is set aside for low income use. All states share an imperative to assure that housing financed by the Housing Credit be prudently underwritten, in order to provide a

reasonable assurance, at the time such apartments are financed, that they can weather the foreseeable stresses they will encounter during the 15 to 30 year period the Housing Credit statute requires them to be dedicated to low income use.

Realistic state allocating and underwriting standards strengthen Congressional confidence in the Housing Credit and its state administration. They also anticipate standards Congress would otherwise have to impose itself. Best Practices created by states, for states, not only meet states' responsibilities, but best preserve, to the maximum practical extent, the individual state flexibility which is at the heart of the Housing Credit program.

As Congress expected, during their 12 years of Housing Credit administration, the states have evolved a variety of allocating and underwriting practices in their Housing Credit administration which each state has judged appropriate to its own low income housing needs.

At the same time, the states themselves have from time to time established Best Practices for each state to consider in its Housing Credit administration. These Best Practices and their implementation by most states were frequently favorably cited in GAO's 1997 report to Congress on the Housing Credit and in the Ways and Means Oversight Subcommittee consideration of it. Those Best Practices gave Congress confidence in state competence and conscientiousness in administering the Housing Credit and played a major part in averting the sunset threat the Credit faced that year.

The additional Best Practices recommended in this report present the Task Force's judgment of minimum standards that all states should meet on certain aspects of Housing Credit allocation and underwriting, regardless of other differences between them. The Best Practices recommended in this report are minimums. They are not intended to suggest that agencies reduce higher standards which they judge better serve their states and the low income renters in them the Housing Credit is intended to serve.

Nor does the adoption of these standards for allocation and underwriting prior to award of Credits imply any responsibility on the states to assume a greater monitoring responsibility than Congress has already required. The Housing Credit allocation and underwriting standards each state pursues, however, must be adequate to assure that no development receives Credits which can reasonably be judged, when the Credits are allocated, likely to fail financially, thus potentially imperiling its condition or its devotion to low income renters, during the period the Housing Credit requires it be set aside for their use.

These baseline standards may be consistent with substantially equivalent standards which individual states may designate to achieve specific public policy objectives. To be substantially equivalent, an alternative standard needs to be based on sound underlying economics adequate to provide, under the particular circumstances of the state or development, the same long-term viability the standards recommended in this report are intended to help assure. A fundamental touchstone of state allocating and underwriting of the Housing Credit must be that allocating and underwriting standards which produce unsound real estate cannot serve valid public policy objectives.

Finally, these Best Practices are intended to encourage sound real estate judgments in every Housing Credit development, regardless of its sponsorship. They do not intrude, however, on the discrete state housing policy objectives Congress left to each state in determining its own housing needs. Thus, for example, these Best Practices do not presume to judge the percentage allocation of Housing Credits between larger and smaller developers or between for profit and nonprofit entities, matters Congress, beyond a 10 percent minimum nonprofit set-aside, has left to individual states to decide.

Best Practices in Housing Credit Allocation and Underwriting

Operating and Replacement Reserves

Recommendation: States should establish operating and replacement reserve standards which consider development location, site (single or scattered), construction type, population served, projected vacancies, duration of reserves, design features, and security.

- minimum operating reserves should equal four to six months of projected operating expenses plus: i) debt service payments; ~~and ii) annual operating reserve payments; and iii) annual replacement reserve payments;~~ and [see Appendix B, Operating and Replacement Reserves, page 2]
- minimum replacement reserves should equal \$200 per unit annually for new construction and \$300 for rehabilitation developments. Exceptions may be made for certain special needs developments such as senior developments, which may suffer less wear and tear than other properties. In projecting replacement reserve standards, states should take into account a realistic rate of inflation foreseeable at the time of underwriting.

In lieu of such operating reserves, states may also accept developer guarantees, taking account of the developer's demonstrated financial capacity

and liquidity, its track record, and the number of other guarantees it has outstanding. [see Appendix B, Operating and Replacement Reserves, page 3]

Discussion: Adequately funded operating and replacement reserves are essential to a rental development's long-term financial and physical viability. Operating reserves must be adequate to cover short-term net operating income shortfalls. Replacement reserves must be sufficient to cover foreseeable capital expenditures. Adequate reserves are particularly important in Housing Credit developments, because rents are restricted and may not keep pace with operating, maintenance, and replacement costs.

Total development cost limits and allocation plan preferences for sponsors projecting the lowest development and operating costs may inadvertently result in the undercapitalization of operating and replacement reserves.

In evaluating the appropriateness of operating reserves, states should assess what entity would be retaining the reserve accounts, whether reserve accounts could be reduced over time after achieving project benchmarks, and how such reserves will be funded. [see Appendix B, Operating and Replacement Reserves, page 3]

Debt Coverage

Recommendation: States should require a minimum debt service coverage ratio of 1.1 (1.05 in RHS properties) for Housing Credit development debt financing which would foreseeably result in foreclosure if not repaid. For purposes of this standard, debt service coverage is defined as the ratio of a property's net operating income (rental income less operating expenses and reserve payments) to forecloseable, currently amortizing debt service obligations. States should not reward developments with the lowest possible debt service coverage. Instead, states should ensure that rental income, any subsidies, and reserve funds are sufficient to cover the property's debt and operating expenses over the period of low income use. Any alternative underwriting system must produce an equivalent outcome.

Discussion: States should require that projected debt service coverage is adequate to protect the financial viability of Housing Credit developments the entire period they are set aside for low income use, including periods of foreseeable economic downturn. Care should also be taken—for example, by establishing maximum debt coverage ratios—to assure the Credits awarded are no greater than necessary to fill any actual financing gap ~~so that, for example, Credit is not used as credit enhancement for tax-exempt bonds and do not result in minimizing the mortgage in an effort to provide implicit credit enhancement to the bonds in tax-exempt bond properties.~~ [see

Appendix B, Debt Coverage, page 3]. Except in RHS projects, where the RHS standard is 1.05 to 1, states should require minimum debt coverage of 1.1, consistent with FHA's standard and ~~Fannie Mae's policy for 100 percent low income properties.~~ [see Appendix B, Debt Coverage, page 3].

Operating Expenses

Recommendation: States should require realistic operating expense and vacancy rate projections. In consultation with development sponsors, owners, property managers, syndicators, and lenders, states should establish and maintain operating cost databases based on historic and current Housing Credit property experience and use them in their Housing Credit property underwriting.

Discussion: The Housing Credit statute requires agencies to assess the reasonableness of all development and operating costs in evaluating the financial feasibility of Credit properties. Inaccurate projection of operating expenses at underwriting, for example, by failing to consider historic experience in trending forward expenses compared to income, is a significant cause of financial underperformance of multifamily rental properties. Measuring projected operating costs against actual expenses of comparable properties is an effective way to judge the adequacy of operating budgets.

Market Analysis

Recommendation: States should obtain an independent, comprehensive, timely, and professional market study for each Credit property. The study should be prepared by a market analyst, unaffiliated with the developer, who has experience with multifamily rental housing. States should review each study to determine its implications for the financial viability of the property and justifies the need for the number, size, and type of rental housing proposed.

States should specify in their allocation plans the time at which the market study must be provided to the agency (i.e., at Credit application or reservation); any exceptions from the requirement (i.e., for small properties); and the components and analysis required in the study. At a minimum, a market study should include:

- a statement of the competence of the market analyst;
- a description of the proposed site;
- demographic analysis of the number of households in the market area which are income eligible and can afford to pay the rent;
- geographic definition and analysis of the market area;
- analysis of household sizes and types in the market area;
- a description of comparable developments in the market area;

- a description of rent levels, and vacancy rates of comparable properties;
- analysis of practically available operating expenses and turnover rates of comparable properties in the market area;
- projected operating funds and expenses, when available at the time of the study; and
- expected market absorption of the proposed rental housing, including a description of the effect on the market area.

Discussion: The Housing Credit statute requires that state allocation plans direct Housing Credits to properties which "meet priorities appropriate to local conditions." In its 1997 report, the GAO expressed concern that some state agencies may allocate Housing Credits to developments without reliable, comprehensive, and timely documentation of need for the housing in the market area.

The report of the Ways and Means Oversight Subcommittee which oversaw the GAO report recommended requiring developers to submit to the state agency a market study conducted at the developer's expense by an unaffiliated party approved by the state agency documenting the need for the proposed development.

This Best Practice on market studies is consistent with that recommendation. In addition, it recognizes that any market study requirement must be flexible enough to adapt to a particular development's characteristics such as rural location or assisted living and elaborates components of an adequate study.

The timing of the market study in the allocation and underwriting process should be determined by the individual state but always precede any Credit allocation.

Development and Management Experience

Recommendation: In allocating Housing Credits, states should consider the capabilities and track record of the entire development team. States should take into account the team's record, financial capacity, and relevant experience in multifamily housing finance, development, management, and resident services.

Discussion: The complexity of the Housing Credit program and multihousing development generally requires a minimum level of development experience and financial strength. Yet, broader access to the Housing Credit—a public resource—by new, less experienced sponsors is may be deemed by individual states to be a worthy public policy goal. [see Appendix B, Development and Management Experience, page 3]. Evaluating the entire development team assures adequate development capacity without

creating insurmountable barriers to program newcomers. It encourages partnering and joint ventures which often strengthen Credit applicants.

Cost Limits

Recommendation: Pursuant to NCSHA's 1993 Best Practice on cost limits, states should develop realistic per unit cost limits for Housing Credit developments, and while encouraging cost efficient production, should not give preference solely for lowest construction costs.

Discussion: In 1993, NCSHA recommended that states thoroughly examine their building construction and land costs, including variations in such costs within their states, and develop per unit development cost standards for publication in their qualified allocation plans. Developments with costs in excess of the standard should be subject to an added level of agency review. Credits should be allocated to those properties only when the additional costs are justifiable, reasonable, and documented. Nearly all allocating agencies have adopted this standard or a variation of it.

The Housing Credit law requires states to allocate the minimum amount of Credits necessary to a development's long-term viability and to assure that all Housing Credit development costs are reasonable. However, in minimizing costs states must be certain to adhere to sound underwriting practices, including assuring quality construction, if they are to achieve long-term property viability.

Minimum Rehabilitation Threshold

Recommendation: States should establish a minimum rehabilitation investment threshold to assure meaningful, rather than simply cosmetic, rehabilitation of properties. That threshold, and any exceptions to it, should be included in the state allocation plan. Exceptions may be especially appropriate when the Credit is allocated in connection with state or federally assisted preservation efforts.

Discussion: In 1986, Congress established a minimum rehabilitation threshold of \$2,000 per apartment to qualify for Housing Credits. This amount was adjusted in 1989 to \$3,000. It has not been adjusted since despite nearly a decade of inflation. In many areas and for many properties today, \$3,000 per unit is insufficient to accomplish more than cosmetic improvements.

While limited rehabilitation may make a property temporarily more attractive, it often will not sustain it over a 15 to 30-year or more compliance period. An unrealistically low rehabilitation minimum also encourages

ownership transfers by allowing use of the Credit for rehabilitating properties that simply need to address deferred maintenance.

Capital Needs Assessment

Recommendation: States should require that any award of Housing Credits for rehabilitation be preceded by and take into account a capital needs assessment by a competent party.

Discussion: Housing Credit properties must provide a minimum of 15 years, and often 30 years or more, of affordable housing use. In rehabilitating older properties, developers may encounter unforeseen issues which can delay, make more costly, or even halt rehabilitation. To avoid this, states should require that all allocations of Housing Credits for rehabilitation be preceded by a capital needs assessment by a competent party.

Extended Low Income Housing Commitments

Recommendation: Allocating agencies should require that extended low income housing commitments:

- specify whether a development was allocated Credit under the nonprofit set-aside, to make clear that any new owner during the initial compliance period must be a nonprofit qualify under that set-aside; [see Appendix B, Extended Low Income Housing Commitments, page 4].
- identify all requirements imposed on the development which are material to the award of Credit—including, for example, income restrictions, rent skewing, affordability period, reserve levels, amenities and services, and accessibility; and
- require that all mortgage liens on the property be subordinate subject to the low income use restrictions, except in the event of foreclosure. [see Appendix B, Extended Low Income Housing Commitments, page 4].

Discussion: Because Housing Credit developments often take two years or more to complete, it is not uncommon for a development's characteristics to change from the time of Housing Credit application to the property's placement in service. To assure that the state's allocation plan requirements and the conditions of its decision in awarding the Credit are met, states should record in extended use agreements any property characteristic which materially affected its allocation of Credit, so that the state has a means of enforcing it on the sponsor. States should also require that all liens on a property be subordinate to the extended use agreement to ensure

that provisions of the agreement apply throughout the extended use period. This Best Practice will ensure that a property's extended use agreement complies with the statutory requirement that it be enforceable on all parties, including the lender, except in the event of foreclosure. [see Appendix B, Extended Low Income Housing Commitments, page 4].

QAP Application to Bond Deals

Recommendation: Allocating agencies should specify in their qualified allocation plans those requirements (e.g., feasibility, need, cost reasonableness, per unit cost limits, minimum rehabilitation threshold, etc.) to which tax-exempt bond financed developments receiving Housing Credits outside the competitive process are subject, whether or not the allocating agency is also the bond issuer. [see Appendix B, Minimum Rehabilitation Threshold, page 4].

Discussion: The Housing Credit statute requires that tax-exempt bond financed developments satisfy the state's Housing Credit allocation plan. However, it currently entrusts the authority to underwrite tax-exempt financed Housing Credit developments to the bond issuer, even if the issuer is not the Credit allocator. Some local bond issuers have little or no experience with real estate underwriting or the Housing Credit, or the staff to deal with either.

By specifying in its allocation plan the underwriting requirements to which those developments will be subject prior to an allocation of Credit, the development will need to comply with those requirements in order to satisfy the allocation plan as the Credit law requires. If the allocating agency judges those requirements have not been met, it would be obligated to deny the property Credits.

Application Procedures

Recommendation: States should endeavor, to the extent useful and practical, to streamline the application process for Housing Credit developments involving multiple subsidies by taking into account other sources of funding subject to different application and allocation schedules.

Discussion: Many Housing Credit developments, particularly those targeted to very low income tenants, are financed with multiple state and local subsidies. Often these subsidies are administered by one or more agencies which the state Credit agency does not control and in cycles other than those applicable to the Housing Credit. Nonetheless, the state allocating agency should, to the extent practical, consider what it can do in its own funding cycles to accommodate the timing of other funding sources. These efforts may include consolidating funding cycles for Housing Credits with

HOME, CDBG, state trust funds, or other subsidies that are administered by the allocating agency, or coordinating the application process and timing of funding cycles with other funding sources in the state.

Acquisition Price Limits

~~**Recommendation:** As a general rule, states should limit the acquisition price on which Housing Credits are allocated to the appraised value of the property.~~

~~**Discussion:** Special care needs to be taken for acquisition/rehabilitation developments. Some states have encountered situations where the acquisition cost was inflated above the appraised value of the property to increase the acquisition Credit basis. [see Appendix B, Acquisition Price Limits, page 5].~~

Developer Fees

Recommendation: Pursuant to NCSHA's 1993 Best Practice regarding developer fees, states should develop realistic developer fee limits for Housing Credit developments. ~~and while encouraging cost efficient production, should not give preference solely for the lowest fees~~ To the extent states incentivize lower fees, they should take special care to assure the project's long-term financial feasibility. [see Appendix B, Developer Fees, page 5].

Discussion: In 1993, NCSHA recommended that state agencies limit developer fees to 15 percent of total development cost, except for developments meeting specified criteria due to small development size, difficult-to-develop location, or other unique development characteristics. Nearly all allocating agencies have adopted developer fee limits which permit exceptions for specified circumstances.

In applying developer fee limits, states may reward lower developer fees. However, states should not reward sponsors with the lowest fees because unrealistically low fees provide less cushion against construction and lease-up risk, limit the ability to provide necessary development reserves, and may cause reductions in tenant services necessary to compete effectively in the market.

State Discretion in Allocating Credit

Recommendation: In accordance with state disclosure laws, states should document and make available to the public upon request a written explanation for any Housing Credit allocation which is not made in accordance with established priorities and selection criteria of the agency.

Discussion: The Housing Credit program requires that states allocate Housing Credits pursuant to a qualified allocation plan, adopted after public hearings. Plans may allow for discretionary actions in Credit allocation to meet state housing needs. These discretionary actions should be documented by the state allocating agency when they are exercised. That documentation should be made available to the public upon request. This Best Practice is consistent with the recommendation included in the Ways and Means Oversight Subcommittee report last year.

Consistency Among Allocating Agencies

Recommendation: To the extent practical, states should develop standardized administrative procedures and requirements (i.e., standardized 10 Percent certification letters, final cost certification opinion letters, compliance reporting forms, components of a capital needs assessment, etc.).

Discussion: The Housing Credit statute provides broad administrative guidelines to the state agencies but does not specify procedures or documents to be used. Nonetheless, the Ways and Means Oversight Subcommittee report which followed the GAO hearings last year called for standardization, to the extent possible, of reporting requirements. In some cases, consistency in administrative procedures among the states would benefit the program by streamlining agency review and creating efficiency for developers and other Housing Credit industry professionals. In other areas, uniformity among the states may be impractical or inconsistent with appropriate state flexibility to meet unique priorities.

NCSHA's Rental Committee should form a Task Force to consider existing state allocation and compliance practices to determine those areas in which standardization among states would best streamline Credit administration. This Task Force would also be charged with defining the components of a capital needs assessment, making suggestions regarding components of an operating cost database, and developing further Best Practices in the area of compliance monitoring.

Appendix A

NCSHA Housing Credit Task Force Members

Alabama Housing Finance Agency	Bob Strickland
California Tax Credit Allocation Committee	Walter Liang
Colorado Housing and Finance Authority	Dave Herlinger
Connecticut Housing Finance Authority	Gary King
Delaware State Housing Authority	Susan Frank
Florida Housing Finance Corporation	Susan Leigh
Illinois Housing Development Authority	John Varones
Maryland Dept. of Housing and Community Affairs	Patricia Payne
Michigan State Housing Development Authority	Jim Logue
Minnesota Housing Finance Agency	Kit Hadley
Missouri Housing Development Commission	Dick Grose
Montana Board of Housing	Maureen Rude
North Carolina Housing Finance Agency	Bob Kucab
New Jersey Housing and Mortgage Finance Agency	Tim Touhey
New York State Housing Finance Agency	Steve Hunt
Ohio Housing Finance Agency	Dick Everhart
Pennsylvania Housing Finance Agency	William Bostic
Rhode Island Housing and Mortgage Finance Corp.	Richard Godfrey
Texas Dept. of Housing and Community Affairs	Larry Paul Manley
Washington State Housing Finance Commission	Kim Herman

Appendix B

List of Industry Participants Appearing Before NCSHA's Housing Credit Task Force February 19-20, 1998

Robert Bobinchuck	America's Preferred Homes
Kari Brenna	The National Equity Fund
Lana Choy	Bank of America CDC
Fred Copeman	E&Y Kenneth Leventhal Real Estate Group
Anthony Freedman	Hawkins Delafield & Wood
Alan Ginsburg	CED Construction
Jeff Goldstein	Boston Capital Corporation
Richard Goldstein	Peabody & Brown
Mark Hasencamp	SunAmerica Affordable Housing Partners
Bill Haynsworth	Boston Financial
Joseph Henefield	Massachusetts Housing Investment Corp.
Paul Henley	Banc One CDC
Christine Hobbs	Freddie Mac
David Kuhnhardt	Transamerica Realty Services
Trudy McFall	Homes for America
Fred Meyer	Chrysler Capital Realty
Elizabeth Moreland	Elizabeth Moreland Consulting, Inc.
Both Mullen	Reznick Fedder & Silverman
Roxie Munn	Insignia Residential Group
Edwin Neill	Fannie Mae
Mike Novogradac	Novogradac & Co. LLP
Nancy Ross	Enova Financial
Herb Stevens	Peabody & Brown
Ronne Thielen	Related Capital Company
Vicki Vaughn	Enterprise Social Investment Corporation
Susan Wallace	USAA

APPENDIX B

North Carolina

Market Study Requirements for Rental Housing
(Required for projects with 10 units or more
Or any project using RPP funds)

Example

A market study must adequately address all of the issues outlined below in order to be considered satisfactory by the Agency. The study must contain a signed statement by the preparer that attests to the needs of the market area and the ability of the market to support the proposed project based on a preliminary level of analysis. The market analyst must visit the site personally. His or her compensation must not be contingent on the project being funded. They must have no financial interest in the project itself. These facts must be contained in the signed statement. A sample-signed statement can be found at the end of this exhibit. The study must also contain the analyst's resume or statement of experience. It must meet the minimum requirements outlined by the Agency below. All data sources used in the report must be identified and verifiable.

The market study must be no more than six (6) months old at the time of application. Studies more than six (6) months old must be updated. A market study must provide the following information:

A. Project Description/Site Evaluation

1. Physical features of the site and adjacent parcels. Positive and negative attributes of the site should be described in relation to their possible impact on overall market demand. This discussion should reflect the curb appeal of the site, surrounding land uses, the site's physical relation to surrounding roads, transportation, amenities, employment, services, the condition of the physical structures/neighborhoods surrounding the site
2. Pictures of the site.
3. Discussion of neighborhood land use and housing characteristics and compatibility with the project.
4. Assessment of the overall local economy. Simple lists of employers are not adequate. The analyst should have a sense of whether overall employment is expanding or contracting, labor force trends and wages. A narrative analysis of data provided is required.
5. Project Description including bedroom mix, target income group, rents and utility allowances.

B. Market Area

1. A map clearly identifying the location of the project. Maps should identify the closest shopping areas, schools, and employment centers and other amenities.
2. A map and description of the market area. The market area must be specifically justified, i.e. the analyst must describe the methodology and reasoning used to determine the market area in the form of a narrative.

C. Community Demographic Data

1. Population by age cohorts.
2. Number of households by income grouping, and household size.
3. Past and future population growth patterns, specifically relating to the populations proposed for the development.

D. Project-Specific Supply and Demand

1. Demand Analysis

To receive maximum points for the market study the analyst should use the following methodology to determine projected demand for the project. The demand should be derived from two sources.

- (a) New units required in the market area due to projected household growth should be determined. This should be determined using 1990 census data and projecting forward using a growth rate established from

a reputable source such as the State Data Center. This population projected must be limited to the age and income cohort and percent of rents in the population targeted for the proposed development.

- (b) The second source of demand should be projected from rent over-burdened households, if any, within the age group, income cohorts and tenure (renters) targeted for the proposed development, excluding households which will be rent overburdened in the proposed project and/or from households living in substandard housing. Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.

The study should include data for each income group targeted by the project as described in the application. For example, if the project targets families between 40% to 50% of the median income and families between 50% to 60% of the median income, demand projections using the above methodology should be provided for each group. Be aware that affordability windows are required and will lower the target income by a factor of 90% or 95%.

The two overall components added together ((a) and (b) above) represent demand for the project. Units constructed since the base year of projection must be subtracted to calculate net demand. Capture rates should be calculated by dividing the number of units in the project by the net demand. Demand and capture rate analysis must be completed for each bedroom size proposed as well as for the project overall. The Agency does not consider households turnover rates to be an accurate determination of market demand, and can, if fact, falsely skew demand calculations.

Analysts should assume no households are able to pay more than 35% of gross income towards total housing expenses. (The analyst may assume a slightly higher number for elderly households, however this must be justified.) The analyst should extrapolate the percent of rent overburdened households and those living in substandard housing by taking the percent of the households found in the market area and applying it to the population targeted for the development narrowed by age and income for the market area. The Agency will only consider valid data for the census geography/ies that comprise the defined market area. Data supplied should be as up to date as possible with sources clearly identified. **Any statistics used representing populations beyond the market area to determine net demand and capture will not be considered valid, regardless of the extrapolation method.**

The analyst may use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.

An analysis of the voucher and certificates available in the community should be included. If voucher and certificates go unused this should be explained. If there is a waiting list, this should also be documented.

A time schedule for absorption of the project's units (estimated rent-up period) should also be provided.

2. Supply Analysis

The supply analysis will be given significant weight in the Agency's review of the market study, especially given the aging data available from the census. The analyst must supply a description and occupancy levels of all existing multifamily projects, multifamily projects currently under development, and multifamily projects slated to begin construction within the year in the defined market study area of the proposed project. **The analyst must provide the name and phone number of the source of information for each comparable property.** The following information should be included for each comparable property:

Photograph
Breakdown of unit sizes by bedroom count

Monthly rents and what utilities are included in the rent
Project age
Description of amenities
Concessions given, if any
Current vacancy rates broken down by bedroom size
A map showing the comparable projects in relation to the subject. Map should have an identifiable usable scale.
Number of units receiving rental assistance, description of assistance as project or tenant based

Federally or state assisted projects should be specifically identified. If the proposed project is a family project, market area elderly projects are not competitive with family units, and therefore should not be included in the comparable analysis. Conversely, if the proposed project is elderly, market area family units should not be considered.

E. Interviews

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in a separate section.

F. Analyst Qualifications

The market analyst must have an undergraduate degree in Economics, Business, City and Regional Planning, or other relevant course of study. Additionally the analyst must have at least three (3) years experience in one or more of the following: preparing market and/or financial feasibility studies or real estate appraisals. Brokering real estate transactions does not in itself qualify someone to be a market analyst for the purposes of this application.

G.. Signed Statement Requirements

1. The signed statement must include the following language:

I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in the North Carolina Housing Finance Agency's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent on this project being funded.

Market Analyst

Date

**NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
GENERAL OBLIGATION BONDS
1998 Series A
Up to \$3,000,000**

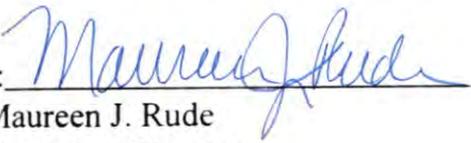
NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$3,000,000 in General Obligation Bonds, to finance the following multi-family projects:

<u>NAME</u>	<u>LOCATION</u>	<u>OWNER/ DEVELOPER</u>	<u>UNITS</u>	<u>APPROXIMATE COST</u>
MEADOWLARK TOWNHOUSES	CHESTER, MT	BRILYN HOMES LLP	6	\$278,594
THE BRIDGE APARTMENTS	MISSOULA, MT	GARDEN CITY CHDO	20	\$1,188,550
SUPERIOR SENIOR HOUSING	SUPERIOR, MT	HRDC XI AGENCY	8	\$578,865
PARKSIDE APARTMENTS	HAMILTON, MT	HAMILTON AFFORDABLE HOUSING LP	23	\$853,653
POND ROW APARTMENTS PHASE I & II	BOZEMAN, MT	BOZEMAN INTERFAITH HOUSING II	20	\$1,630,326
WHITEFISH APARTMENTS	WHITEFISH, MT	NORTHWEST MONTANA HUMAN RESOURCES	4	\$138,794

The hearing will be held at 9:00 a.m. on October 26, 1998, in the Board's conference room. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: October 8, 1998.

MONTANA BOARD OF HOUSING

By: 
Maureen J. Rude
Executive Director
836 Front Street
Helena, MT 59620
(406) 444-3040

Michael J. Mulronev
Luxan & Murfitt
Fourth Floor. Montana Club Building
P.O. Box 1144
Helena. MT 59624-1144
(406) 442-7450

MJM:lp



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MONTANA
September 15, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of August 17, 1998 Board Meeting
- II. MULTIFAMILY PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ SAFE Emergency Family Shelter & Transitional Housing, Hamilton
- III. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series A-Update
 - ◆ 1997 Series A-Update
 - ◆ Recycled Funds Programs
 - ◆ Request For Proposal - Ravalli County
- IV. GUARANTEED INVESTMENT CONTRACTS / REPURCHASE AGREEMENTS - Marty Kanefsky from Packer Kane
- V. NATIONAL COUNCIL OF STATE HOUSING BOARDS - Bob Savage
 - ◆ Vermont Conference
 - ◆ Constitutional Issues Regarding Board
- VI. MONTANA HOUSING PARTNERSHIP PRESENTATION
- VII. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Montana Homes Plan Book
- VIII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion
- IX ADJOURN UNTIL 2:00 P.M., Bond Pre-Closing Begins at 2:00 P.M.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 7/2/98



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MBOH Conference Room
836 Front Street
September 15, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Kelly Rusoff, Financial & Accounting Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Peter Nolden, PaineWebber, Inc.
Mike Mulroney, Luxan & Murfitt

OTHERS: Ann Atkinson, Kutak Rock
Marty Kanefsky, Packerkane & Co., Inc.
Sherrie Pantle, US Bank
Sandra Shupe, US Bank
Jerry Boone, HUD/FHA
Rand Kennedy
Sharon O'Hare
Jeanne Varner-Oury
Jim Morton

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes as amended from the August 17, 1998 Board meeting and the minutes from the public information session in Lewistown. Tom Welch seconded the motion. The motion passed unanimously.

MULTIFAMILY PROGRAM

Bruce Brensda presented a summary for an application from the SAFE Emergency Family Shelter & Transitional Housing project in Hamilton sponsored by the SAFE in the Bitterroot. The project is new construction for an Emergency Shelter and Transitional Housing for abused families. The loan amount requested is \$102,323. Amenities are shelter, supportive services, community room, extra lighting, enclosed garages, and extensive security. The site is owned and has proper zoning. The project has four units of shelter and six units of transitional housing. The rents for tenants are \$228 for two 2-bedroom units for tenants 30% of area median income, \$406 for three 2-bedroom units for tenants 50% area median income, and \$469 for one 3-bedroom unit for tenants 50% of area median income. The owner pays the utilities of gas heat and hot water. The total actual costs are \$942,189. Sources of finances are HOME grant, CDBG, FHLB-AHP, and SAFE. The debt coverage ratio is 116%. The cost per unit is \$94,219 and the cost per square foot is \$120.79. The loan to cost ratio is 10.86%. The loan is proposed as a 30-year loan at 6%. The project received approximately 50 letters of support. Rand Kennedy, Sharon O'Hare, Jeanne Varner-Oury, and Jim Morton were present for questions from Board members. Staff recommendation was to approve the application with the project meeting the following conditions: current underwriting standards, a 6% fixed 30-year loan, less than or equal to 15% loan to cost ratio, annual audited financial statements, and normal compliance monitoring including but not limited to submitting annual owner and tenant certifications as well as site visits and inspection, and receipt of CDBG funding. The project will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH. Tom Welch made a motion to issue a conditional commitment to the SAFE Emergency Family Shelter and Transitional Housing project in Hamilton for \$102,323 with the previous mentioned conditions. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bruce Brensda asked the Board for input on unique inquiries he has received on the Reverse Annuity Mortgage Program (RAM). An example is an 80-year old woman who meets all the requirements of the program and makes \$13,000 per year, but has an existing mortgage of \$28,000. The Board said they are willing to look at unique situations.

SINGLE FAMILY PROGRAM UPDATE

Peter Nolden of PaineWebber gave a summary of the pricing for the Series 1998 A bond issue. The rates for tax exempt municipal bonds have not changed much since the pricing in mid-August. The thirty-year fixed mortgage rate is 5.875% with the bond proceeds invested in a collateralized purchase agreement with Westdeutsche Landesbank which is rated (AA+/Aa1) and is collateralized with a US domestic bank. Peter congratulated the Board for a Moody's upgraded rating of Aa1.

Bob Morgan gave an update on the 1998A Program. The total funds available for the 1998 A bond issue were \$30,000,000. There have been 82 loans reserved for \$5,633,411 and 344 loans have been purchased for \$24,278,411. The average purchase amount is \$70,577. The average reservation amount is \$68,706. The average income is \$31,253. All the funds in the 1998 A Program have been reserved. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1998 A program.

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 173 loans reserved for \$10,581,161 and 642 loans have been purchased for \$45,491,350. The average purchase amount is \$70,859. The average reservation amount is \$61,163. The average income is \$31,647. The total balance remaining to be reserved is \$2,512,489 as of September 11, 1998. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1997 A program.

Bob Morgan presented a summary of the recycled mortgage program set asides. Ronda Carpenter made a motion to extend the Neighborhood Housing Services project until November 30, 1998. Barbara Hamlin seconded the motion. The motion passed unanimously. The Missoula Housing Corporation did not receive the grant from the Federal Home Loan Bank, therefore, the setaside has been withdrawn. The total of all set asides not yet reserved is \$17,448,617.

Bob said MBOH, the Federal Housing Administration, and Rural Development will do a workshop on October 1, 1998 for Realtors. Maureen reported that the new position for a training person has been approved and classified.

Bob presented a proposal from the District XI Human Resource Council for a setaside for the Ravalli County Homebuyer Assistance Program for \$2,100,000 to assist 30 home buyers. Five of the homes are targeted for families 50% of median income, twenty of the homes are targeted for families 60% of median income, and five of the homes are targeted for families 80% of median income. The proposal scored 105 points. Rand Kennedy answered questions from the Board. Bill Oser made a motion to accept the project for \$1,950,000 at 6% with the homebuyer signing the Release of Financial Information form. Tom Welch seconded the motion. The motion passed unanimously.

Legislative Auditors, Lorry Periman and Emy Neuman-Javornik, gave an update on the legislative audit on MBOH. Lorry said the audit is 80% complete. The concern about reservation fee deposits has improved. The auditors are looking at financial statements corresponding with the state budgeting system. Auditors will do servicer reviews for three banks within the next few months.

Marty Kanefsky of PackerKane gave a presentation on options for future Investment Agreements. He presented a handout that listed possible Bidders, their country of origin, their rating, and their ability to participate in Montana deals.

Waneeta Farris reported on the National Council of State Housing Boards (NCSHC) conference in Vermont. More than 30 states were represented and the response to Bob Savage's presentation was very positive.

Bob Thomas and Bill Oser reported on their meeting with Governor Marc Racicot. The Governor was very receptive and in favor of extending the terms of current Board members.

Maureen Rude said the Montana Housing Partnership is a group from various nonprofit organizations who are working on a Housing Trust Fund. They were not in attendance for a presentation.

EXECUTIVE DIRECTORS UPDATE

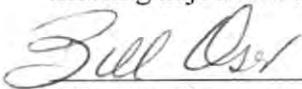
Maureen Rude said the Affordable Housing Plan Book has support from Fannie Mae who is giving \$5,000 from its National Housing Impact Division (HNID). The Building Industry Association has committed \$5,000 and Norwest Mortgage is expected to commit \$5,000. The Board of Housing will offer to do the printing and the mailing as their contribution towards lower income housing plans and their part of the match for Department of Environment Quality's match grant. Bill Oser made a motion to approve, direct, and authorize staff to contribute a sum not exceed \$5,000 in cash or in kind services to the Affordable Housing Plan Book. Waneeta Farris seconded the motion. The motion passed unanimously.

Maureen said the Application Oriented Designs (AOD) conference is in Miami on November 4-6, 1998. Staff members have prepared recommendations to be presented at the conference. If the recommendations are approved by the participants in the conference, the changes are made on the AOD software without being charged to the individual agencies. Waneeta Farris made a motion to send two people to the AOD conference. Bill Oser seconded the motion. The motion passed unanimously.

Maureen said the Neighborhood Reinvestment Training Institute does intense training of trainers for three days. Maureen asked to send the person who will receive the training position for MBOH. Bill Oser made a motion to authorize the new training person to attend Neighborhood Reinvestment Training in San Francisco November 16-20, 1998. Barbara Hamlin seconded the motion. The motion passed unanimously.

Maureen presented several articles for the Board's information. She also presented a copy of the Huber vs. Groff test case for the Board's information.

The next meeting will be October 19, 1998 in Helena, with a workshop in the afternoon. The meeting adjourned at 11:35 P.M.



Bill Oser, Secretary

10-19-98
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING PUBLIC INVITATION MEETING

211 E. MAIN STREET
YOGO INN
LEWISTOWN, MONTANA
AUGUST 17, 1998

1:30 P.M. PUBLIC INVITATION MEETING STARTS

PROGRAM OVERVIEWS

QUESTIONS, COMMENTS, PUBLIC INPUT FOLLOWS

**BUDGET WORKSESSION FOLLOWS UNLESS COMPLETED DURING REGULAR
MEETING**



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
YOGO INN, 211 E. MAIN STREET
LEWISTOWN, MONTANA
August 17, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of July 13, 1998 Board Meeting
 - ◆ Minutes of August 10, and August 14, 1998 Teleconferences
- II. MULTIFAMILY PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Continental Gardens, Butte
 - ◆ Preservation Project Update-AHP Grant, Meetings
- III. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series A-Update
 - ◆ 1997 Series A-Update
 - ◆ Discussion of 1998B Bond Sale and Closing
 - ◆ Recycled Funds Programs
 - ◆ Subservicing Clarification
- IV. LOW INCOME HOUSING TAX CREDIT UPDATE - Bruce Brensdal
 - ◆ Project Change Request
 - ◆ Update on Projects Approved by Board
- V. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Plan Book Project - Fannie Mae
 - ◆ October Meetings/Conferences
 - ◆ Budget Worksession
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion
- VII. ADJOURN UNTIL 1:30 P.M., PUBLIC INVITATION MEETING BEGINS AT 1:30
- VIII. BUDGET WORKSESSION - Will be part of regular meeting if time allows, if not, budget worksession will follow public invitation meeting.

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 7/2/98



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Yogo Inn
Lewistown, Montana
August 17, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Nola Jean McCullough, Accounting Technician
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: Jerry Boone, HUD/FHA
Dick Brinck, HUD/FHA

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes as amended from the July 13, 1998 Board meeting and the conference call minutes for August 10, 1998 and August 14, 1998. Barb Hamlin seconded the motion. The motion passed unanimously.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce Brensdal presented a summary for an application from the Continental Gardens project in Butte sponsored by the Human Resource Council. The project is an elderly project that received funding through the HUD 202 program. The loan amount requested is \$230,000. The project is near completion and almost fully leased. Amenities are supportive services (ie meals, cleaning, etc.) at actual cost to tenants. The rents for tenants are \$245 for 60 one-bedroom units with 12

units for tenants 50% of area median income and 48 units for tenants 80% area median income. The debt coverage ratio is 471% with HUD controlling any surplus cash and has the option of allowing the project to prepay debt with these excesses. Bruce asked the Board to discuss how they wanted to approach a project like this. HUD documents will allow another lien, but Bruce didn't know if HUD would allow a first lien. Bruce asked the Board if they would consider being in a second lien position. The loan is proposed as a 20-year loan at 7.5%. The legal counsel for Montana Board of Housing (MBOH) said the Board normally is in the first lien position. Board members discussed the project and said they do not want to be in a second lien position. Bill Oser made a motion to put a hold on the project until MBOH gets more information and finds out if MBOH would be in the first lien position. The motion failed for lack of support. Ronda Carpenter made a motion to reject the loan application. Bob Savage seconded the motion. The motion passed with Bill Oser opposing the motion.

Bruce Brensdaal gave an update on the Preservation Projects. The original course of action was not obtainable. The new owners met and were presented with options that they could pursue. Bruce reported that the Parkside Apartments in Hamilton could not wait for the other projects and got a Community Development Block Grant (CDBG) and a deferred loan, and Tax Credits.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998A Program. The total funds available for the 1998 A bond issue were \$30,000,000. There have been 157 loans reserved for \$10,485,229 and 271 loans have been purchased for \$19,483,226. The average purchase amount is \$71,894. The average reservation amount is \$66,785. The average income is \$31,253. All the funds in the 1998 A Program have been reserved. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1998 A program.

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 159 loans reserved for \$10,459,513 and 606 loans have been purchased for \$42,849,062. The average purchase amount is \$70,708. The average reservation amount is \$65,708. The average income is \$31,647. The total balance remaining to be reserved is \$5,187,572 as of August 13, 1998. Bob presented a report which showed the number of loans, the total loan amount, and the average income for each zip code for the 1997 A program.

Maureen reported on the bond sale. The rating by Moody's is Aa1 and the rating by Standard & Poor's is AA+. The Board discussed options for the interest rate. Bill Oser made a motion to have an interest rate of 5⁷/₈% for the new bond issue. Barbara Hamlin seconded the motion. The motion passed with Ronda Carpenter opposing the motion. Tom Welch expressed concern about the quality of reservation packages coming to MBOH. Bob said the staff made a checklist to help originators know what MBOH needs in application packages. Tom Welch asked if MBOH has done a study to determine if there is a pool of customers for MBOH funds. Bob and Maureen said a report has been done through the Consolidated Plan. Board members discussed safe harbor limits and the issue of purchase prices. Bill Oser made a motion to continue with the 6.5% funds

until the new issue is available, then park any unused funds. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan presented a summary of the recycled mortgage program set asides. The total of all set asides not yet reserved is \$17,943,620. Bob Morgan clarified the subservicing agreement with Streeter Brothers.

LOW INCOME HOUSING TAX CREDIT UPDATE

Bruce Brensda presented an updated status report on the 1998 applications and allocations for the Low Income Housing Tax Credit Program (LIHTC). The Aspen Meadows is anticipating changing to a site three blocks away. Board members said they would like to see the project again if the site does change.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude said Fannie Mae has expressed an interest in being involved with the plan book project.

Maureen presented a memo which was sent to the originators regarding reservation and purchase packages. She presented a memo regarding the Lender/Realtor & Home Ownership Training position. She also presented a copy of a letter that Senator Burns sent to Bob Savage. Maureen presented a letter from a candidate for the Senate from Great Falls and a memo from NCSHA. Maureen presented an economic report for Montana from the Federal Home Loan Bank of Seattle. She also presented several articles for the Board's information.

Ronda Carpenter offered suggestions to tighten the numbers for a draft of the bill for Tax Credits.

Maureen gave a budget report. The report shows the reason MBOH needs to have a strong positive fund balance. MBOH has more mortgages and investments than bond debts outstanding. However, based on yield analysis, MBOH has only five bond series that are making money and the rest are in a loss position. Maureen asked the Board for a strategy to defend having a fund balance. The budget office wants a working capital analysis of what it costs to operate for 60 days and that is their view of what should be in reserve for proprietary funds. For MBOH the 60 days analysis changed dramatically depending on whether CABs come due and when bond payment dates come, therefore, the budget office asked MBOH to take a year divided by 12 to determine the cost. MBOH is meeting its statutory mission by using whatever money it makes to write down the rate of bond loans and MBOH needs to protect the rating received from Moody's and Standard & Poor's. Over collateralization is one of the reasons MBOH receives high ratings from Moody's and Standard & Poor's and so can provide very low rate mortgages to Montana residents. MBOH has more assets than liabilities. The Indenture requires a minimum 102.5% parity of assets to liabilities. To increase the rating to AAA, MBOH would have to go up to 106 or 108%. Even though most, but not all, of its mortgages are insured, MBOH could have loan losses because the bankruptcy rate is going up. Also, in the bankruptcy situation, MBOH gets no principle or interest payments for an indefinite period of time and over collateralization provides

for strength in that situation. The fund balance also helps MBOH meet their mission of providing housing for low to moderate income people with special programs like the Reverse Annuity Program (RAM) for the elderly and the down payment assistance program. The trustees should meet with the Board to discuss the fund balance situation because they will have to file a lawsuit if the Legislature tries to use MBOH funds in violation of the indentures. Board members discussed strategy for protecting the fund balance and complying with promises to the bondholders.

The next meeting will be September 15, 1998 in Helena. The October meeting is tentatively planned for October 19, 1998. The meeting adjourned at 12:05 P.M.

Bill Oser

Bill Oser, Secretary

9-16-98

Date

Yogo Inn
Public Information Session
Lewistown, Montana
August 17, 1998

The August 17, 1998 public information meeting in Lewistown was called to order at 1:30 P. M. Guests were Kristin Neill of Argus News, Sheila Cerorski-Lewistown City Commission, Belinda Waters-Planning Office, Sue Foster-Council on Aging, Leroy Musick-City Commissioner, Dick Brinck-HUD, and Kathy James-Council on Aging.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds. The Board issued \$91,360,000 in bonds last year. Six years ago MBOH was doing one out of every ten loans in the state, now MBOH is doing one out of every 5.4 loans. MBOH put approximately 1500 families in homes during the past year. The programs provided employment for 1425 Montanans who paid \$1,000,000 in state income taxes, and the new construction financed provided an additional \$1.5 million in local property taxes.

Bill Oser said the Reverse Annuity Mortgage Program (RAM) helps keep the elderly in their home by using the equity to have extra income for 10 years. Payments are usually around \$300 per month. Loans can be up to \$50,000 at 5% interest rate for people 68 years or older, with some exceptions possible. Bruce Brensdal said a misconception is that MBOH owns the home (MBOH has a lien against the property, but the people still own it). RAM targets lower income people, therefore, costs are lower than the market. Closing costs are the only expense on the loans. The RAM program requires gross income of less than \$16,000 with a deduction for medical expenses allowed. Guests asked Bruce what happens after 10 years. Bruce responded that the loan does not come due if borrowers are still in the house. The loan does accrue, however, no payments are made unless borrowers leave the house or sell it. Guests asked if the borrower could reapply at the end of 10 years. Bruce said they could not. Bruce said MBOH has done about 50 RAM loans with the average age 75-77 years.

Bob Morgan explained the Single Family Mortgage Program which provides home loans at a lower interest rate than the conventional market. The loans are financed through the sale of tax exempt bonds, therefore, some eligibility requirements must be met. These requirements include: being a first-time homeowner, purchase price and income limits, the property should not be used for investments, and a recapture tax. Historically, the recapture tax only applies to 5% of the homeowners. The local banks originate the loans. MBOH has financed more than 1300 homes throughout the state in the past year.

Bob said the Recycled Program is funded through loan prepayments. The recycled funds do not have as many restrictions as new bond issues. More than \$120 million have been set aside for recycled funds. Eight million dollars worth of loans have been done at rates less than the bonds. Therefore, those loans are subsidized from the revenues received from other bond issues and mortgages. The Cash Assistance Program (CAP) is for people who are making rent payments that would be the same as a house payment, but cannot save for the down payment. The CAP program offers up to \$2500 for half of the closing costs. This loan is due when the home sells. The Disabled Accessible Affordable Homeownership Program is for people with mobility impairment. The program ranges from 2.75% to 6.5% interest rates. The average income on the regular program is \$32,000, and the average set aside income is \$20,000. The Loan Leveraging Program provides the first mortgage through MBOH for ½ of the purchase price and the second mortgage through Rural Development whose rate is according to income.

Bruce reported on the Low Income Housing Tax Credit (LIHTC) program which offers tax credits for developing rental housing. The tax credits are for 10 years. This year MBOH approved Tax Credits for 12 projects which included 306 units of rental housing. The Tax credits paid for \$11.5 million of the developer's costs with total construction costs of \$20 million. The projects keep rents at lower levels for limited income people. The tax credits are the primary financial source for 60% of the rental buildings that are five units and over. The rent levels can't change with changes in income. Bruce explained the Multifamily Programs. The Risk-sharing Program provides permanent financing for multifamily projects. The General Obligation Program helps with projects that have grant funding.

Guests asked if Tax Credit apartments had to rent to the general public. Bruce said specific groups could be targeted provided that they are a recognized group. Guests asked if Tax Credits could be used for a small project around \$3-4,000. Bruce said it is an individual decision as long as it is cost effective. One Tax Credit project that has been done was a duplex. There was a question regarding the cost to set up a project. Bruce said the project would need a partnership or ownership entities and there would be legal fees to set that up. Guests thanked MBOH for providing funds for housing in Lewistown.

The meeting adjourned at 2:25 P.M.

RESOLUTION NO. 98-08-14-S2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1998 SERIES B (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; 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 Program Bonds, 1998 Series B (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$65,000,000 (the "1998 Series B Bonds"), which will be used to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide previously approved by the Board and the forms of the Invitation to Participate and Notice of Acceptance presented to the Board, and to fund certain reserve funds; and

WHEREAS, a 1998 Series B Supplemental Trust Indenture dated as of August 1, 1998 (the "Supplemental Indenture") (together with the Trust Indenture dated as of August 16, 1979, which it supplements, the "Trust Indenture"), between the Board and U.S. Bank National Association, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1998 Series B Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated July 31, 1998, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1998 Series B Bonds, and which has been distributed to

the purchasers of the 1998 Series B Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to be dated as of the date of the delivery of the 1998 Series B Bonds will be prepared in a form substantially identical to the form for the 1998 Series A 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"), dated the date of adoption hereof, between the Board and the Underwriters, and the Board and the Federal National Mortgage Association ("Fannie Mae"), has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1998 Series B Bonds (except the 1998 Series B Bonds maturing December 1, 2022), and the Board would agree to sell and Fannie Mae would agree to purchase the 1998 Series B Bonds maturing December 1, 2022, 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 1998 Series B Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 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 to be financed with the proceeds of the 1998 Series B 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 1998 Series B Bonds do not involve direct loans.

Section 2. Approval of Supplemental Indenture. The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. Authorization of Bonds. The issuance, sale and delivery of the Board's 1998 Series B Bonds is hereby authorized and approved. The 1998 Series B Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Trust Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1998 Series B 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 1998 Series B Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 1998 Series B Bonds. Such signatures may be in facsimile, provided, however, that such 1998 Series B 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. The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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

Chairman or Vice Chairman, 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. The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. Approval of Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in the form submitted at this meeting, and the Chairman or Vice Chairman 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 7. Approval of Invitation to Participate and Notice of Acceptance. The Invitation to Participate and Notice of Acceptance are hereby approved in the forms submitted at this meeting, and the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, in conjunction with the previously approved Mortgage Purchase and Servicing Guide, with such changes, insertions or omissions therein as may be approved by such person, to implement the Single Family Program.

Section 8. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1998 Series B Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Execution of No-Arbitrage Certificate. The Chairman, the Vice Chairman 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 1998 Series B Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 the Purchase Contract, 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 Officers for such purposes.

Section 12. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 14th day of August, 1998.

MONTANA BOARD OF HOUSING

By Bob Thomp
Chairman

Attest:

By Maurice J. Lude
Treasurer/Executive Director

FEDERAL HOME LOAN BANK OF SEATTLE
Certified Copy of Authorizing Resolution and Signature Card for

Montana Board of Housing

(Name of Institution)

Helena, Montana

(City and State)

I certify that I am duly elected and acting Secretary of the institution named above; that the Resolution set forth below was adopted by its Directors at a legal meeting and recorded in its Minutes; that said Resolution is in full force and effect; and that the signatures of the persons authorized by said Resolution to act on behalf of this institution appearing below are genuine.

Resolved, that any of the following named officers or employees of this financial institution ("Institution") are authorized to act for it relating to all transactions or other dealings concerning collateral securing advances to the Federal Home Loan Bank of Seattle ("Bank") and to do all things necessary in connection therewith; that this Resolution shall remain in full force and effect and shall be binding upon this Institution until written notice of its revocation is received by the Bank; that the receipt by the Bank of a subsequently duly certified copy (using the form prescribed by the Bank for such certification) of a Resolution that deletes or adds any authorized person(s) shall be deemed a revocation of this Resolution; and that the Secretary of this Institution is directed to certify to the Bank (i) a true copy of this Resolution and (ii) that the signatures of such authorized persons are genuine; namely.

Typed Names and Titles

Signatures

Maureen J. Rude,

Executive Director

Maureen J. Rude

Kelly Rusoff

Accounting & Finance Manager

Kelly Rusoff

Dated, signed and certified on

July 13

19 98

Maureen J. Rude
Managing Agent

*By Resolution
of Board.
98-0713-61*

Form No. 11
Revised 5/90



MONTANA DEPARTMENT OF COMMERCE

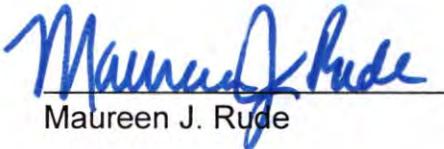
Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL PUBLIC HEARING 1998 SERIES B, SINGLE FAMILY MORTGAGE BONDS AUGUST 5, 1998, 9:00 A.M.

Notice having been given, the Montana Board of Housing held a public hearing on the up to \$65,000,000 1998 Series B, Single Family Mortgage Bonds. The bonds are being issued to fund the Board's single family mortgage programs.

The public hearing was called to order at 9:00 a.m. on Wednesday, August 5, 1998, in the Board's office at 836 Front Street. Those attending were Maureen J. Rude- Executive Director and Treasurer, Robert Morgan- Single Family Program Manager, Kelly Rusoff-Accounting and Finance Manager, Mike Mulrone- General Counsel. Also attending was Bob Newhouse, however he had no comments for the record. There were no comments, either written or oral and the meeting closed at 9:15 a.m.


Maureen J. Rude


Dated



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on August 10, 1998 at 2:00 p.m. by teleconference. The meeting is for the Board to discuss the pricing of its proposed 1998 Series A Single Family Mortgage Bonds, in the amount of \$50,000,000*. The Board will discuss the market, pricing of the bonds, and potential sale on August 11. The meeting will take place in the conference room at the Board's office at 836 Front Street.


Maureen J. Rude
Executive Director

7/30/98
Dated

*Subject to change.

**MINUTES OF SPECIAL MEETING
1998 B SINGLE FAMILY MORTGAGE BONDS
AUGUST 10, 1998, 2:00 P.M.**

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Single Family Program Bonds Series 1998 B. The meeting took place via teleconference to discuss pre-pricing of the bonds. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Tom Welch, and Ronda Carpenter.
MBOH Staff: Maureen Rude, Kelly Rusoff, Bob Morgan, Bruce Brensdal, Bev Murphy, Charles Brown, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

Paine Webber: Peter Nolden, Roan Blacker, Mina Choo, John Feery

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said the Preliminary Official Statement was mailed on Monday. The rating on the bonds has been upgraded by Moody's Investor Service. Previously the bonds were rated AA2 and are now rated AA1. Standard and Poor's confirmed their rating of AA+. The AA1 from Moody's is equivalent to the AA+ from Standard and Poor's. The pricing will be on August 11, 1998.

Peter asked John Feery to give an update on the municipal market conditions. John said there are many moving parts in the market which should provide opportunities to achieve aggressive capital. The market could see volatility and that usually represents opportunity. The market has a heavy calendar week with about \$5 billion overall with municipals. Maine Housing, Rhode Island Housing, and Oregon Housing will be pricing on Wednesday. Economically, the market has a heavy week with numbers. The key numbers probably are on retail sales on Thursday and producer price index on Friday. Other factors on the market involve Africa, Israel, Iraq, and Ireland and the government of Japan. The US dollar is at an eight year high. The Federal Reserve System was actually selling dollars and the rhetoric from the Japanese government officials could cause some volatility. John doesn't see the Treasury market improving given the supply issues. All the different issues could cause the market to jump at any given point in time. The market is a more appealing investment to international investors as the global equity market takes it on the chin and as the dollar does better versus foreign currencies. The US equity market was approximately 9000 a week ago and is now 8574, which is up 23. This is a market that has some risk in it. The equity market also represents some opportunities for the Treasury market and municipals. Clinton's testimony next Monday is being called by some people as the most significant economical and political card that could impact the market. There are more downside risks than upside risks and too many events which PaineWebber has no control over. Last week was a higher housing market with the 30-year bond at 5.40 and now bonds are trading at a 5.43 for AAA rated bonds. Paine Webber is taking the more aggressive approach across the curve, given the fact that there has not been a lot of Montana paper. John gave the recommended scale structure and the take downs for the serial bonds. John gave a comparison of the other housing agencies going to market. He said that he would recommend changing the priority of allocation to make Montana retail investors the number one priority of the first allocation on the bonds from 2001-2012.

Peter said the mortgage rate with the recommended scale would be 6%. Paine Webber will not be taking bids on the investment of bond proceeds til tomorrow morning. The average coupon on this scale is approximately 5.10% and Paine Webber expects a bid from a collateralized repo bidder somewhere in the area of 5.20%. The bond issue will break even or have a positive cost of carry, so there is no negative arbitrage in the acquisition fund. Board members discussed the dollar amount of the bond issue. Bill Oser made a motion to proceed at a \$65 million level subject to: if there is a problem holding the 6% line Paine Webber will have the authority to drop the amount back to \$50 million. Bob Savage seconded the motion.

The motion passed unanimously with a roll call vote.

John Wagner said on the 1983 bond issue Montana Board of Housing (MBOH) elected to make rebate payments. The law was changed in 1988 and could not be done on subsequent issues. The issue was refunded in 1994 to mortgagors and MBOH recently completed a rebate calculation with respect to that issue. A rebate amount is due, but the way to handle it is to use the rebate amount as a write down or reduction in the interest rate on the 1994 mortgage portfolio. As a result of this rebate obligation the Board has more mortgage yield than is permitted in the 1994 issue. The way to solve the rebate obligation is to recycle some of the 1994 prepayments into new loans at a rate of 0%. Paine Webber has done some rough calculations and the total amount of loans that would have to be made at 0% to bring the 1994 issue into yield compliance would be about \$3.7 million if no points are charged in conjunction with the loans. This makes a nice hedge against interest rates going down. MBOH can blend this loan amount with higher rate money and come up with a blended loan rate that is lower. Maureen Rude said the rebate is a way to turn a negative into something positive by hanging on to the rebate option to use as needed. The rebate could be used to buy the interest rate down if rates drop to get the money out. MBOH has the option of holding on to it and seeing if it will be an asset in the future. Bill Oser said it is a good idea to hold it in reserve. John said it could also be used for special programs to reduce the rate on programs that are public service oriented. Peter said that in the past this was used to make some 0% loans for Habitat for Humanity. The rebate could be used for each new mortgage loan originated. MBOH could finance part of the loan (e.g., 90%) from the new issue, and do 10% of the loan from the 0% obligation. If this was done on the whole bond issue, the holding cost to the mortgagor would be approximately 5.5% instead of being 6%. Maureen didn't recommend dropping the whole rate to 5.5% now. Peter said that was just an example of the magnitude of the rebate money. John said other state agencies hold rebate obligations as a hedge against interest rate changes on a regular basis.

Peter said the average coupon on the tax exempt bonds are estimated at 5.10%, but he expects to receive guaranteed investment contracts bids somewhere in the area of 5.20%. Therefore, there will be no negative arbitrage. Peter said Paine Webber is only accepting bids from foreign banks who are US branches and are collateralized agreements with the collateral held by a third party or the trustee. The banks that are expected to bid are: Bayerische Landesbank, Chase Manhattan, Morgan Guarantee Trust of New York, National Westminster Bank of Britian, Nations Bank, Republic National Bank of New York, Societe Generale (a French Bank), and Westdeutsche Landesbank. All these banks are rated at least AA- long term by Standard & Poor's and at least AA3 by Moody's and their obligation is collateralized and the collateral is held by a third party.

Peter said the bond pricing will be the 11th. A conference call is scheduled for Friday, August 14th at 9:00 a.m. Montana time.

There being no further business, the meeting adjourned at 2:35 p.m.



Bob Thomas, Chairman

8-17-98

Date



Maureen J. Rude

8/17/98

Date



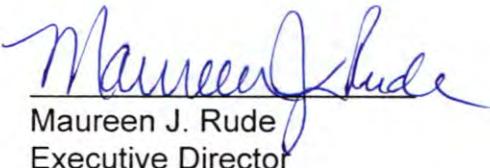
MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on August 14, 1998 at 9:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds (pending a successful pricing on August 11) for its 1998 Series B Single Family Mortgage Bonds, in the amount of \$50,000,000*. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.


Maureen J. Rude
Executive Director

7/30/98
Dated

*Subject to change.

**MINUTES OF SPECIAL MEETING
1998 SERIES B SINGLE FAMILY MORTGAGE BONDS
AUGUST 14, 1998, 9:00 A.M.**

Notice having been given, the Montana board of Housing held a special meeting on the sale and awarding of its 1998 Series B Single Family Program Bonds. The meeting took place via teleconference to discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Barbara Hamlin, Tom Welch, and Ronda Carpenter.

MBOH Staff: Maureen Rude, Kelly Rusoff, Bob Morgan, Charles Brown, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

PaineWebber: Peter Nolden, and Mina Choo

Orrick Herrington & Sutcliffe: Steve Spitz

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said there was a lot of activity on the market for the pricing on Tuesday. He gave an overview of the sale.

John Wagner said Board members received a copy of the bond resolution as well as the Supplemental Trust Indenture draft. He summarized the documents saying they were the standard documents that go through the required legislative findings, approve the forms of the basic documents, approve the issuance of the bonds with the rates and maturities that have been provided and authorize the appropriate officers to execute the documents at closing.

Bob Savage made a motion to approve the resolution. The motion was seconded by Bill Oser. The motion passed unanimously by roll call vote.

Board members asked about the investment contract. Peter reported that bids were taken for a Guaranteed Investment Contract (GIC) on the proceeds. The high bid on the acquisition fund was awarded to the Westdeutsche Landesbank. It is a rated AA+ by Standard and poor's, AA1 by Moody's, the same as MBOH and is collateralized with the collateral held by a third party. Five bids were received. They were: Westdeutsche Landesbank, Societe Generale, Net West, Republic National Bank of New York, and

Bayersche Landesbank.

The rates were covered with the Board. The Board discussed the initial rates and decided to table the discussion until the Board meeting on Monday, August 17, 1998.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 9:30 a.m.

Bob Thomas

Bob Thomas, Chairman

8/17/98

Date

Maureen J. Rude

Maureen J. Rude

8/17/98

Date

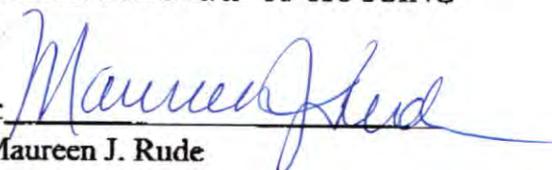
**NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1998 Series B
(Federally Insured or Guaranteed Mortgage Loans)
Up to \$65,000,000.00**

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$65,000,000 in mortgage revenue bonds, a portion of which will be used to redeem prior bonds and the remainder to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on August 5, 1998, in the Board's conference room. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: July 22, 1998.

MONTANA BOARD OF HOUSING

By: 

Maureen J. Rude
Executive Director
836 Front Street
Helena, MT 59620
(406) 444-3040

Michael J. Mulroney
Luxan & Murfitt, PLLP
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624-1144
(406) 442-7450



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING TOWNHOUSE INN, 1411 10TH AVE SOUTH GREAT FALLS, MONTANA July 13, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of June 19, 1998 Board Meeting Via Teleconference

- II. REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Exception Request
 - ◆ Preservation Project Update

- III. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series A-Update
 - ◆ 1997 Series A-Update
 - ◆ Discussion of Future Financings-Peter Nolden, Paine Webber; John Wagner, Kutak Rock
 - ◆ Recycled Funds Programs
 - ◆ Proposals for Recycled Funds
 - ◆ Rural Development
 - ◆ City of Glendive
 - ◆ New Lender Application, Valley Bank of Glasgow
 - ◆ Subservicing
 - ◆ Delinquency Report

- IV. UPDATE ON NEIGHBORHOOD HOUSING SERVICES PROGRAMS - Nancy O'Brien, Executive Director, NHS

- V. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Plan Book Project - Planning Committee (with Bill Oser)
 - ◆ Housing Conference
 - ◆ FHLB Resolution

- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 7/2/98



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Townhouse Inn
Great Falls, Montana
July 13, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt
John Wagner, Kutak Rock
Peter Nolden, PaineWebber

OTHERS: Gordon Hoven, Piper Jaffray, Inc.
Aaron Rudio, D.A. Davidson
Jerry Boone, HUD/FHATree, Inc.
Mary Lou Falconer, USDA/Rural Development
Ricky Linafelter, Montana Landlord's Association
Nancy O'Brien, Neighborhood Housing Services
Bruce Posey, Streeter Brothers

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the June 19, 1998 Board meeting via conference call. Barb Hamlin seconded the motion. The motion passed unanimously.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce Brensdal presented an exception request for the Reverse Annuity Mortgage Program (RAM). The request was for Bob Savage made a motion to accept the exception request. Tom Welch seconded the motion. The motion passed unanimously.

Bruce Brensdal gave an update and summary revision on the Billings Central Court Project. The project will have 30 units which are all below 50% area median income. The total tax credits will be \$136,530.

Bruce Brensdal reported that the Preservation Projects have had obstacles getting the mortgage insurance from HUD for the permanent portion of financing. Montana Board of Housing (MBOH) is considering using risk-sharing units to insure the mortgages. Maureen Rude said another housing agency bought the loans in a similar situation. MBOH could possibly use tax exempt bonds to purchase the Preservation Projects. The difference between the note rate on the loans and the bond rate would be used to subsidize the old loan for the first 14-17 years. The buy-sell agreements are expiring on several of the projects.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998A Program. The total funds available for the 1998 A bond issue were \$30,000,000. There have been 316 loans reserved for \$22,048,570 and 116 loans have been purchased for \$8,099,131. The average purchase amount is \$71,760. The average reservation amount is \$71,760. The average income is \$31,253. All the funds in the 1998 A Program have been reserved. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties for the 1998 A program. Bob presented a report that listed the most active lenders in the 1998 A program.

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 59 loans reserved for \$4,250,048 and 583 loans have been purchased for \$41,209,118. The average purchase amount is \$70,685. The average reservation amount is \$72,035. The average income is \$31,647. The total balance remaining to be reserved is \$13,036,981 as of July 9, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties for the 1997 A program. Bob presented a report that listed the most active lenders in the program for the 1997 A program.

Maureen Rude presented several articles from other state agencies who reported record low rates of 6.1%-6.5%.

Peter Nolden of PaineWebber presented a chart showing the Revenue Bond Index and the 30 Year Treasury Bonds for the past 12 months. He said the rate has not changed much since 1997. The municipal bond yields are closer to the treasury yields this. People believe the resignation of the Prime Minister of Japan will make the market better. However, this will probably make the

market volatile. The 30 year treasury bonds will be a safe haven for investors. Peter said he would expect a 6% interest rate for a bond issue today. Maureen Rude said MBOH has a strategy for a possible bridge program. Bob Morgan said the 1998A bond issue allocated an extra \$15 million for recycled programs. A lot of these funds have not yet been reserved, therefore, these funds could be used for a bridge program and then be reimbursed with a new bond issue.

Maureen Rude said she is preparing a report comparing the fund balance and the operating expenses because MBOH is subsidizing around \$80 million worth of loans. The report will be comparing the average coupon on the bonds that are still outstanding by series and the average loan rate less servicing costs. She is also preparing an investment report.

Bill Oser made a motion to proceed with a bond issue not to exceed \$65 million. Bob Savage seconded the motion. The motion passed unanimously.

The Board discussed timing for the bond issue. The Preliminary Official Statement will be issued August 3 or 4. There will be a conference call on August 10. The bond issue will be under the Single Family II Indenture.

Barbara Hamlin made a motion to authorized the staff to use funds from the recycled program as bridge financing to be replaced with the bond issue. Waneeta Farris seconded the motion. The motion passed.

Maureen Rude presented several maps which show the rate of growth by county and growth rate by cities.

Bob presented a summary of the recycled mortgage program set asides. The total of all set asides not yet reserved is \$18,457,556.

Bob Morgan presented a memo recommending funding for the Cash Assistance Program (CAP). Bob Savage made a motion to set aside \$2,000,000 of the 1998A and recycled funds as appropriate for the CAP program at 6%. Bill Oser seconded the motion. The motion passed unanimously.

Maureen Rude presented a letter from the City of Kalispell responding to a request from Bob Savage.

Mary Lou Falconer of Rural Development presented a request for two exceptions for the self-help project in Hardin. The first exception provides for a 12-month construction period. And the second exception is to waive the \$1,500 cash down payment requirement due to the sweat equity requirement. Rural Development requires each family to provide \$600 cash. The request would be for 2-3 homes. The Board discussed options and expressed their approval of the project. Tom Welch made a motion to setaside \$200,000 for the self-help housing project in Hardin with a 12-month construction period with provisions for the sweat equity payment being made by the individuals involved provided they include \$600 cash of their own in the project and to waive the extension fee. Bill Oser seconded the motion. The motion passed unanimously.

Mary Lou handed out an update on the Rural Housing guaranteed loan statistics. Montana Board of Housing has done about 40% of the Rural Development loans.

Bob Morgan presented a Request for Proposal from the City of Glendive for \$675,000 to assist 15 home buyers. Six of the homes would have a subsidy to provide for families 50% of Median income, five of the homes would have a subsidy to provide for families 51% to 65% of median income and four of the homes would have a subsidy to provide for families 66%-80% of median income. The proposal scored 88 out of a possible 105 points. Bill Oser made a motion to set aside \$675,000 for the City of Glendive with ¼% reservation fee and at 6% interest with the homebuyer signing the Release of Financial Information form. Barb Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan presented an application from the Valley Bank of Glasgow to be an approved lender. The application had a listing of the Bank's principal officers, a listing of the personnel, a letter asking to participate, a Certificate of Errors and Omissions Insurance and Fidelity Bond, the 1997 Call Report showing equity of \$2,031,000 and total capital as a percentage of average assets of 9.72% and verification of approval for Rural Development. Bill Oser made a motion to approve the Valley Bank of Glasgow as an approved lender. Ronda Carpenter seconded the motion. The motion passed unanimously.

Bob presented a subservicing arrangement with Valley Bank of Helena and Streeter Brothers Mortgage Corporation. Board members discussed the issue of each subservicer being an approved lender and MBOH will monitor the servicing with regard to reporting. MBOH reserves the right to recall the servicing on five days notice. Bill Oser made a motion to approve the subservicing agreement with Streeter Brothers Mortgage and Valley Bank. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob presented a loan delinquency analysis which showed delinquencies by servicer, county, setaside, and loan type. He also presented a report on quarterly delinquencies for the quarter ending March 31, 1998 and a servicer comparison report. Nancy O'Brien of Neighborhood Housing Services (NHS) reported on NHS delinquencies.

Bob presented a letter from Housing and Urban Development (HUD) giving the new mortgage limits for Gallatin County.

Nancy O'Brien of Neighborhood Housing Services gave a presentation of the NHS programs. NHS is committed to fixing neighborhoods, providing homeownership, and providing homebuyer counseling.

Maureen Rude presented a draft of a bill to give exemptions for non-profits who use tax credits. Ten percent of tax credits set aside for non-profits. Non-profit rental housing is exempt from property taxes and make payments in lieu in most communities. Montana law destroys property tax exemption if they form a limited partnership to use the Tax Credit program. The Department of Commerce was asked to sponsor a bill that would exempt that Non-profits using Low Income

IncomeHousing Tax Credits (LIHTC) who is the managing general partner and the property goes to the non-profit at the end of the cycle of the tax credit.

EXECUTIVE DIRECTORS UPDATE

Maureen presented a letter to Jim Brown of the Division of Building Codes on the building code changes. She also presented a letter from the Federal Home Loan Bank of Seattle on collateral transaction signature card. Bob Savage made a motion to approve the resolution authorizing Maureen Rude and Kelly Rusoff to perform collateral transactions on behalf of Montana Board of Housing. Tom Welch seconded the motion. The motion passed unanimously.

Maureen presented several articles for the Board's information.

Maureen reported that a group wants to put on a housing conference in October in Great Falls. October is the deadline for the grant programs so MBOH will attend and help this group. MBOH will do another housing conference next year.

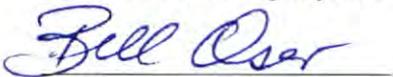
Bill Oser said the Working Group has a plan in process for an architectural plan book for affordable housing with the new approved codes to provide more efficiency. The working group needs a budget and plan on raising the funds. The Building Industry will distribute the books.

Maureen gave a report on the legislative auditor's findings. The Legislative Auditors will submit a letter to the Board.

Bob Savage is on the Board for National Council of State Housing Boards (NCSHB). Tom Welch made a motion to authorize Bob Savage to attend the NCSHB Conference in Vermont in August. Barbara Hamlin seconded the motion. The motion passed unanimously.

Maureen reported the annual workshop for the National Conference of State Housing Agencies (NCSHA) will be in Seattle in October. Maureen said this is a great opportunity for staff from each program area to attend and travel in a State van. Bob Savage made a motion to authorize staff to attend the NCSHA conference in Seattle. Waneeta Farris seconded the motion. The motion passed unanimously.

The next meeting will be August 17, 1998 in Lewistown. There will be a Board meeting, a public meeting, and a financial workshop. July meeting is tentatively planned for July 13, 1998 in Great Falls. The meeting adjourned at 12:00 P.M.


Bill Oser, Secretary

8-19-98
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING PUBLIC INVITATION MEETING

1411 10TH AVENUE SOUTH
TOWNHOUSE INN
GREAT FALLS, MONTANA
JULY 13, 1998

1:00 P.M. PUBLIC INVITATION MEETING STARTS
PROGRAM OVERVIEWS
QUESTIONS, COMMENTS, PUBLIC INPUT FOLLOWS

TOUR OF NEIGHBORHOOD HOUSING SERVICES PROJECTS FOLLOWS AT 3:30 PM

**Townhouse Inn
Public Information Session
Great Falls
July 13, 1998**

The July 13, 1998 public information meeting in Great Falls was called to order at 1:00 P. M. Guests were Representative Diana Wyatt, Terry Youngworth of City of Great Falls Fair Housing, Vince Kyle - candidate for House District 42, Kevin Hager of Great Falls Housing Authority, Jeff Mangan, Kim Theil of Community Development Neighborhood Councils, Mike Rakurg of Community Development Neighborhood Councils, Jacquie Bochar of the Great Falls Tribune, Patrick Galvin of House District 48, Rick Linafelter, Montana Landlord's Association, and Les Haugin.

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds. The Board issued \$91,360,000 in bonds last year.

Bill Oser said the Reverse Annuity Mortgage Program (RAM) helps keep the elderly in their home by using the equity to have extra income for 10 years. Payments are usually around \$300 per month. Loans can be up to \$50,000 for people 68 years or older, with some exceptions possible. Bruce Brensdal said a misconception is that MBOH owns the home (MBOH has a lien against the property, but the people still own it). RAM targets lower income people, therefore, costs are lower than the market. Closing costs are the only expense on the loans which are at 5% interest rate. The borrower may continue to live in the home after the ten years are up and the loan comes due when they leave the home or sell it. The RAM program requires gross income of less than \$16,000 with a deduction for medical expenses allowed.

Bob Morgan explained the Single Family Mortgage Program which provides home loans at a lower interest rate than the conventional market. The loans are financed through the sale of tax exempt bonds, therefore, some eligibility requirements must be met. These requirements include: being a first-time homeowner, purchase price and income limits, the property should not be used for investments, and a recapture tax. Historically, the recapture tax only applies to 5% of the homeowners. The local banks originate the loans. MBOH has financed more than 1300 homes throughout the state in the past year. The program provided \$100 million to the state's economy and new construction provided and additional \$1.5 million in local property taxes last year. The housing industry through MBOH housing programs provides \$1 million to the state's income taxes last year.

Maureen Rude said the Recycled Program is funded through loan prepayments. The recycled funds do not have as many restrictions as new bond issues. More than \$120

million have been set aside for recycled funds. Eight million dollars worth of loans have been done at rates less than the bonds. Therefore, those loans are subsidized from the revenues received from other bond issues and mortgages. The Cash Assistance Program (CAP) is for people who are making rent payments that would be the same as a house payment, but cannot save for the down payment. The CAP program offers up to \$2500 for half of the closing costs. This loan is due when the home sells. The Disabled Accessible Affordable Homeownership Program is for people with mobility impairment. The program ranges from 2.75% to 6.5% interest rates. The average income on the regular program is \$32,000, and the average set aside income is \$20,000.

Bob Thomas said MBOH used to have feast or famine with bond issues, but in the last few years there has been continuous funding available. Barbara Hamlin said MBOH helps with the Habitat for Humanity projects at 0% interest rate. Bob said MBOH plans to have an information session for the Legislators. Tom Welch said MBOH is having public meetings to be more accessible because we want feedback and input from the communities.

Bruce reported on the Low Income Housing Tax Credit (LIHTC) program which offers tax credits for developing rental housing. The tax credits are for 10 years. This year MBOH approved Tax Credits for 12 projects which included 306 units of rental housing. The Tax credits paid for \$11.5 million of the developer's costs with total construction costs of \$20 million. The projects keep rents at lower levels for limited income people. The tax credits are the primary financial source for 60% of the rental buildings that are five units and over. The rent levels can't change with changes in income. Bruce explained the Multifamily Programs. The Risk-sharing Program provides permanent financing for multifamily projects. The General Obligation Program helps with projects that have grant funding.

Guests asked if the program for mobility impairment was the DAAHP program. Maureen said yes and the program works with the lenders. The income limits are the income minus medical expenses. One of the guests asked a question regarding preference for one tax credit project over another. Bruce said the projects are scored for whom the projects are serving, how far along the project is in the process, rent levels, community needs, and if the project is a nonprofit project. A guest asked if students could live in tax credit housing. Bruce said no with the exception of married students who filed jointly on their tax return. Projects need to be available to the general public. MBOH looks for community involvement for projects. Nancy O'Brien said the need for rental housing in Great Falls has softened, but more single family housing is needed. Board members were asked if MBOH does the need assessment. Staff responded that MBOH does not do the need assessment, but use the Consolidated Plan data. The general community assessment is valuable. Kevin Hager said the MBOH homeownership program is wonderful.

The meeting adjourned at 2:00 P.M.

Bell



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MONTANA BOARD OF HOUSING *BY TELECONFERENCE* June 19, 1998

- I. **9:00 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of May 28, 1998 Board Meeting
 - ◆ Minutes of May 27 & 28 Public Information Sessions

- II. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series A-Update
 - ◆ Discussion of Future Financings-Peter Nolden, Paine Webber; John Wagner, Kutak Rock
 - ◆ Recycled Funds Programs, Reimbursement Resolutions
 - ◆ CAP Funds

- III. MULTIFAMILY LOAN PROGRAM - Bruce Brensdaal, Multifamily Program Manager
 - ◆ Samaritan House Project, Kalispell
 - ◆ Multifamily General Obligation Bond Issue

- IV. LOW INCOME HOUSING TAX CREDIT PROGRAM, SECOND ROUND - Bruce Brensdaal, Multifamily Program Manager

- V. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Legal Contracts-Bond Counsel, Agency Legal Services, Approved Foreclosure Counsel

- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

***Any persons interested in participating in the conference call should call Diana Hall at 444-3040 to obtain instructions on calling in to the conference call.**

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

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Board meeting
VIA Conference Call
Helena, Montana
June 19, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant
Kelly Rusoff, Accounting & Finance Manager
Dolly Snyder, Assistant Accounting & Finance Manager

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan & Murfitt

OTHERS: Peter Nolden, PaineWebber
Mina Choo, Paine Webber
Susan Moyer, City of Kalispell
Brad Dillon, Beartooth Apartments
Tim German, The Sparrow Group

CALL MEETING TO ORDER

The meeting via Conference Call was called to order at 9:00 a.m. by Chairman Bob Thomas. Roll call was taken.

APPROVAL OF MINUTES

Bill Oser and Barbara Hamlin noted corrections to the draft of the minutes for the community meeting in Billings and the May meeting in Red Lodge. Bill Oser made a motion to approve the minutes as corrected from the May 27 and 28, 1998 Board meetings. Bob Savage seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 A program. The total funds available for the 1998 A bond issue were \$30,000,000. The total balance remaining to be reserved is \$1,719,000 as of June 19, 1998. Bob reported Montana Board of Housing (MBOH) has been receiving at least 20 reservations per day, which is more than \$1,000,000 per day. Maureen said complete reservation applications have been about 1 out of 20 applications received and causes a lot of time to be consumed by staff. She said a memo was sent to the lenders telling them that they have three days after notification (for applications already in house) to complete the application or lose their place in processing. New applications that are incomplete will lose their place in line to those that are completed. Purchase packages are also coming in incomplete. Therefore, Maureen is submitting a request to the budget office for a training position. Waneeta said the lenders have had a lot of turn around and need to train new people. Bob Morgan said there have been 272 loans reserved for \$19,126,000 and 58 loans have been purchased for \$4,290,000. Sixty-nine loans are in process for \$4,800,000. MBOH received 28 new applications on May 18th and 22 applications on May 17th. The current rate with a local lender with a one point origination fee is 7% and the rate is 6⁷/₈% with a 1¹/₂ point discount. The lenders have been notified that all new applications need to be submitted at an interest rate of 6.5%. Bob said there are \$16,500,000 available at 6.5%.

Peter Nolden said the 30-year Treasury Bond was at 5.74% this morning. When bonds were sold on March 24, the 30-year Treasury Bond was 5.88%. The Asian market trouble caused the bonds to go to 5.6%. The tax exempt market has changed little. The revenue bond index in March was 5.40% and today is 5.6%. The 30-year AMT was 5.45% in March and today is 5.40-5.45%. The tax exempt market is at the same position as it was in March. The US Treasury yield curve is flat. The 2-year treasury is yielding 5.55%, the 7-year treasury is yielding 5.58%, the 10-year treasury is yielding 5.44%, and the 30-year treasury is yielding 5.74%. This is good for reinvestment with respect to negative arbitrage. The bond market is relatively high in the municipal market with some bond issuers refunding existing debts as well as issuing new bonds to take advantage of these low rates. Housing bond issuance has not been high and probably will decline between now and year end. Most housing agencies are running up against the private activity cap limitations. The taxable bond side is showing record levels of corporate bond issuance. MBOH staff is very busy in July closing the books for fiscal year end. Peter recommended not pricing bonds past the second week in August because institutional investors close up their books for summer vacation on the east coast. Peter would expect the interest rate to be 6% if bonds were sold today and no refunding is available. Kelly Rusoff reported on scheduling for accounting staff. Bob Savage made a motion authorizing PaineWebber to start working with the staff and the financing team to put together the information for a new bond issue. Barbara Hamlin seconded the motion. The motion passed unanimously with a roll call vote.

Bob said four of the recycled programs are due to expire at the end of the month. The Neighborhood Housing Services requested a three-month extension for the Owners In Partnership IV set aside. Bill Oser made a motion to accept the request from Neighborhood Housing Services for a three-month extension. Bob Savage seconded the motion. The motion passed unanimously by roll call vote.

Bob Morgan presented a memo from the Ronan Housing Authority requesting an extension to the end of the year and that the balance of funds in the set aside be used for the first time homebuyer program or the American Dream program. Bill Oser made a motion to leave \$385,000 in the Ronan Housing Authority Affordable Housing Program, but return the remainder of the set aside. A roll call vote was taken and the motion passed with Tom Welch opposing the motion and Ronda Carpenter, Bill Oser, Barbara Hamlin, Bob Savage, Bob Thomas, and Waneeta Farris approving the motion.

Bob Morgan presented a memo from the Richland County Housing Authority requesting an extension until October. Bob Savage made a motion to extend the Richland County Housing Authority set aside until October. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan read the memo from John Walsh of the City of Billings requesting an extension of the 203K program to March 31, 1999. Bill Oser made a motion to extend the City of Billings 203K program to March 31, 1999. Waneeta Farris seconded the motion. The motion passed unanimously.

Maureen Rude said the set asides need a reimbursement resolution stating the set asides approved in May and those extended in June may be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then the issuance of bonds for reimbursement. Bob Savage made a motion to adopt a resolution as stated for the set asides. Tom Welch seconded the motion. The motion passed unanimously.

Bob Morgan said \$1,200,000 was set aside in May for the Cash Assistance Program (CAP) for first mortgages. MBOH had \$21,500 left for the second mortgages in May. By June 8th all of the second mortgage funds were reserved. Fourteen CAP loans were done in that period of time. Currently, MBOH has \$504,000 of the first mortgage money, but no cash assistance money to go with it. The Housing Trust fund has \$140,000 that is not committed. Maureen explained that the Housing Trust fund is used to fund loans that don't qualify under the indentures. Waneeta Farris made a motion to use \$140,000 of Housing Trust funds for the CAP program. Barbara Hamlin seconded the motion. The motion passed unanimously.

MULTIFAMILY LOAN PROGRAM

Bruce Brensda presented a memo and summary of the Samaritan House project in Kalispell. The project is designed to serve the homeless with supportive services and transition them into permanent housing and jobs. The project has 35 beds for the homeless and also has some transitional living units and SRO's, efficiency apartments, and permanent apartments. The project

has multiple levels of funding. The total actual costs are \$2,430,110. Some of the units are not complete living units which makes it a special project that does not fit into the standard multifamily programs. Staff proposes a permanent loan of \$220,000 at 6% interest for 30 years. The loan to cost ratio is low at 9.05%. Rural development is willing to take the second lien position for its loan. Bruce asked the Board if they want audited financial statements. The Board said they wanted to look at each project, but would like one for this project. Bob Savage asked about the City of Kalispell's involvement. Susan Moyer responded to questions from Board members. Bill Oser made a motion to accept the Samaritan House Project with ¼% loan fee. Waneeta Farris seconded the motion. The motion passed unanimously. The project will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH.

Bruce Brensdal said there is approximately \$1,500,000 in loans that have closed and are pending. These can be funded out of the existing indenture or new bonds can be issued to reimburse the Board. The general obligation rating was received for this purpose. Waneeta Farris made a motion to start the process for a general obligation bond issue for multifamily projects. Bill Oser seconded the motion. The motion passed unanimously.

Ronda requested that the Board conduct the rest of the meeting before the Tax Credit projects were introduced so she could be dismissed for that part of the meeting.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented the engagement letter from the Legislative Audit Division. Tom Welch attended the Legislative Audit entrance conference.

Maureen said Legal Services Review Committee approved a two-year extension of the bond counsel contract. Tom Welch made a motion to approve renewing the bond counsel contract for two years. Bob Savage seconded the motion. The motion passed unanimously. Maureen said she is in the process of extending the contract with agency legal services.

Maureen informed the Board that the approved foreclosure counsel list needs to be updated.

Maureen said the RAM legislative change has been accepted by the Department of Commerce and the budget office. The Board said they wanted to withdraw the legislative change request based on comments received at public meetings.

Maureen said the Building Codes Division has a list of administrative rule changes that incorporate the changes which were recommended by the Working Group with the Building Association. There will be a public hearing on July 1, 1998. Bill Oser said that the changes could result in a cost savings of \$5,400. Ronda Carpenter made a motion to send a letter to Building Codes expressing support for the changes the Working Group recommended. Waneeta Farris seconded the motion. The motion passed unanimously.

Ronda Carpenter and John Wagner left the Conference Call.

LOW INCOME HOUSING TAX CREDIT

Bruce Brensda presented a memo summarizing the three tax credit projects received for round two. He said comments are sought from the general public and not all of them are housing experts. The Maxwell Senior Apartments is in the nonprofit pool and the Central Court Village and the Beartooth Apartments are in the general pool.

The Maxwell Senior Apartments in St. Ignatius and Ronan is a Rural Development (RD) 515 project. The sponsor proposes twenty-nine units. All of the units are less than 50% of area median income. The project scored 92 points. The amenities include laundry, car port, a large yard, a community room and storage units. The owner will pay for water, sewer, and trash. The tenant will pay for the electricity. Ronan does not have gas options. The project is an acquisition rehab. The site has a purchase option and proper zoning is in place. The total actual cost is \$948,045. The rent levels are \$280 for nineteen one-bedroom units at 50% area median income, \$350 for 10 two-bedroom units at 50% area median income. Sources of financing are: Rural Development, Conventional Loan, and Tax Credits. The cost per unit is \$32,691 with the tax credit cost being \$1,448 per unit. The annual credits are \$42,000. Bill Oser made a motion to approve the Maxwell Apartments Project. Bob Savage seconded the motion. The motion passed unanimously.

Bruce Brensda introduced Brad Dillon of the Beartooth Apartments and Tim German of the Central Court Village. Tim German said he could see the need for affordable housing in Red Lodge, therefore, he proposed to pare down his project and use the tax credits remaining after approval of the Red Lodge project. He would change the units to 24-30 units and would submit the new proposal for Bruce to confirm feasibility requirements are met.

Bruce Brensda said there are \$315,000 of tax credits available. The Red Lodge Project is requesting \$178,520, which would leave \$136,520 for the Central Court project in Billings.

The Central Court Village in Billings is sponsored by Tim German of the Sparrow Group. The sponsor proposes 24-30 units for the elderly. The project scored 86 points. The amenities are gardens, walking paths, community room and laundry. The owner will pay for utilities. The owner has the option to purchase and a zoning change is requested. The units are some at 50% and 60% area median, and some units at market rent. Sources of financing are: Conventional Loan, Capitalized Interest, Deferred Developer Fee, and Tax Credits. The annual credits are \$136,530.

The Beartooth Apartments in Red Lodge is sponsored by Brad Dillon of Dillon Management and Consulting. The sponsor proposes 16 one bedroom units and 16 two-bedroom units. The project scored 85.5 points. The amenities are laundry and recreation areas. The owner will pay for water, sewer, and trash. The tenants will pay for gas heat and hot water and for electricity. The owner has the option to purchase and zoning is in place. The total actual cost is \$2,135,786. The rent levels are \$298 for 7 one-bedroom units at 50% area median income, \$366 for 8 one-bedroom units at 60% area median income, \$439 for 16 two-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, City of Red Lodge Loan, Deferred Developer Fee,

and Tax Credits. The cost per unit is \$66,743 with the tax credit cost being \$5,545 per unit. The annual credits are \$418,099.

Maureen Rude said both developers added longer term use and lower rents to the project since the original application and scored better.

Bill Oser made a motion to accept the Red Lodge project and give the remaining tax credits to the Central Court Village project. Barbara Hamlin seconded the motion. The motion passed unanimously.

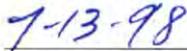
Maureen Rude said Senator Burns' staff indicates he is receptive to both the volume cap and tax credit bills. Senator Baucus is interest in signing the volume cap bill and would vote for the tax credit bill.

Maureen gave an update on options for the preservation projects.

The next meeting will be July 13th in Great Falls. The meeting adjourned at 10:50 A.M.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
Norwest Bank Building, 1 South Broadway
Red Lodge, MT
May 28, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of April 17, 1998 Board Meeting

- II. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ 1998 Series A
 - ◆ Recycled Funds Programs-CAP Funds Fully Committed
 - ◆ Lender Application-U.S. National Bank, Red Lodge
 - ◆ Requests for Proposals-Lewistown
 - ◆ Correspondence

- III. MULTIFAMILY LOAN PROGRAM - Bruce Brensdal, Multifamily Program Manager
 - ◆ Samaritan House Project, Kalispell

- IV. LOW INCOME HOUSING TAX CREDIT PROGRAM UPDATE - Bruce Brensdal, Multifamily Program Manager

- V. ACCOUNTING REPORTS - Dolly Snyder, Assistant Accounting and Finance Manager
 - ◆ Bond Calls
 - ◆ Quarterly Budget Report

- VI. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Moody's Preferred Pricing
 - ◆ NCSHB Workshop
 - ◆ Legal Contracts-Bond Counsel, Approved Foreclosure Counsel

- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

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MONTANA BOARD OF HOUSING PUBLIC INVITATION MEETING

NORWEST BANK BUILDING
1 SOUTH BROADWAY
RED LODGE, MONTANA
May 28 1998

12:00 P.M. PUBLIC INVITATION MEETING STARTS

PROGRAM OVERVIEWS

QUESTIONS, COMMENTS, PUBLIC INPUT FOLLOWS



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING PUBLIC INVITATION MEETING

BILLINGS PUBLIC LIBRARY
510 NORTH BROADWAY, 3RD FLOOR
BILLINGS, MONTANA
May 27, 1998

2:00 P.M. PUBLIC INVITATION MEETING STARTS
PROGRAM OVERVIEWS
QUESTIONS, COMMENTS, PUBLIC INPUT FOLLOWS



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Norwest Bank Building
Red Lodge, Montana
May 28, 1998

RECEIVED
JUN 26 1998
MBOH

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Absent)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant
Dolly Snyder, Assistant Accounting & Finance Manager

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Carol House, Glacier Bank
Julie Jones, Double Tree, Inc.
Jason Ritter, Double Tree, Inc.
Jim Hilderman, US National Bank of Red Lodge
Brad Dillon, Beartooth Apartments

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the April 17, 1998 Board meeting. Bob Savage seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 55 loans reserved for \$3,413,071 and 548 loans have been purchased for \$38,973,686. The average purchase amount is \$71,120. The average

reservation amount is \$62,056. The average income is \$31,647. The total balance remaining to be reserved is \$16,109,390 as of May 21, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties for the 1997 A program. Bob presented a report that listed the most active lenders in the program for the 1997 A program.

Bob Morgan gave a handout that showed: the number of loans, the loan amount, and average income for loans that were purchased and are in process for each zip code area for the 1998 A program. The total funds available for the 1998 A bond issue were \$30,000,000. There have been 168 loans reserved for \$11,925,861 and eight loans have been purchased for \$648,462. The average purchase amount is \$81,057. The average reservation amount is \$70,987. The average income is \$31,354. The total balance remaining to be reserved is \$17,486,270 as of May 21, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties for the 1998 A program. Bob presented a report that listed the most active lenders in the 1998 A program. Waneeta Farris said conventional rates are 7½%. Future funding was discussed and Board members said they would like to explore options.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$4,221,724. The total Single Family II set aside is \$13,933,302. The total of all set asides is \$18,155,026.

Bob Morgan presented a memo recommending funding for the Cash Assistance Program (CAP). Bob Savage made a motion to set aside \$1,200,000 of the 87A, 87B, and 88A revenue account funds for the CAP program. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan presented an application from the United States National Bank of Red Lodge to be an approved lender. The application had a listing of the Bank's principal officers, a listing of the personnel, a letter asking to participate, a Certificate of Errors and Omissions Insurance and Fidelity Bond, the 1997 Call Report showing equity of \$3,051,000 and total capital as a percentage of average assets of 8.43% and verification of approval for FHA. Tom Welch made a motion to approve the United States National Bank of Red Lodge as an approved lender. Waneeta Farris seconded the motion. The motion passed unanimously. Jim Hildeman said there is an upward trend in needs for affordable housing in Red Lodge and a need in the city. There are houses in the \$80,000 to \$90,000 that are in need of repair.

Bob Morgan presented a Request for Proposal from the City of Lewistown for \$1,000,000 to assist 20 home buyers. Julie Jones of Double Tree, Inc. explained the Lewistown project. The homeowners will pay a percentage of the down payment. The proposal scored 88 out of a possible 105 points. Bob Savage made a motion to set aside \$1,000,000 for the City of Lewistown with ¼% reservation fee and at 6% interest. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a form which is a release of financial information for set asides. The form will be a standard document in the closing of set asides.

Bill Oser requested having Nancy O'Brien submit a chart to MBOH to explain all the programs she works with and requested she attend a future meeting to discuss the various programs.

Bob Morgan presented a memo that clarified MBOH's requirement for \$1,500 from the borrower for Rural Development guaranteed loans with no down payment.

Bob Morgan presented a letter from Rural Development (RD) regarding the Self-Help Project in Hardin. RD is requesting a 12-month construction period instead of 6-months and requesting a waiver of the \$1,500 cash down payment requirement due to sweat equity for the Rural Housing Guaranteed Program and/or the Leveraged Loan Program. Board members would like Rural Development to report on the project at the next meeting.

Bob Morgan presented a letter from the City of Billings proposing ways to help mitigate the delinquencies for that set aside.

Bob Morgan presented a letter from Women's Opportunity and Resource Development, Inc. (WORD) thanking MBOH for information on the first-time home buyer savings account program.

Bob Morgan presented a letter from Housing and Urban Development announcing the mortgage limit increase for Sweet Grass County. Maureen Rude discussed the safe harbor limits.

Maureen Rude said there will be Montana Homeowner Partner ceremony with Habitat for Humanity in Helena on June 8, 1998.

Bill Oser said the Working Group has a plan in process for an architectural plan book. The results of the building code study will help builders save \$4,800 per house through building codes changes.

MULTIFAMILY LOAN PROGRAM

Bruce Brensdal said he will bring a proposal for the Samaritan House project to the next meeting.

Bruce Brensdal presented a summary of the three tax credit applications received in the second round. Brad Dillon of the Beartooth Apartments was available for questions. Bruce said there was a press release for the tax credit projects which told where the projects were located and the amount of construction costs for each project.

ACCOUNTING REPORTS

Dolly Snyder gave an update on the bond recalls. She also gave the budget report for 83% of the year elapsed. MBOH has spent 62% of the budget.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude gave the Board members an update on staff changes.

Maureen Rude presented a memo regarding bulk tickets for Board and staff to travel on Big Sky Airlines within the state.

Maureen Rude presented a letter from Moody's Investors Service on their Preferred Pricing Program to cut fees. The issuer would need to have all future bonds rated by Moody's to participate in the program. Board members said it sounds like an antitrust problem.

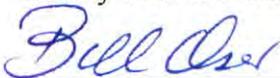
Maureen reported the annual workshop for the National Council of State Housing Agencies (NCSHA) will be in Seattle in October. There is also a NCSHB Conference in Vermont in August for Board members.

Maureen Rude presented the contract history for bond counsel. The current contract expires in November. Board members said they would like to go with a request for proposal for bond counsel if that meant we could get a longer term contract. Board members expressed their continued satisfaction with performance of Kutak Rock and the belief the experience provided could not be replaced.

Maureen Rude presented a letter from Nancy O'Brien which clarifies questions regarding the housing market in Great Falls.

Maureen Rude presented a letter from Moore Fischer Coddington LLC regarding bench marking. She also presented several articles on housing.

The next meeting will be a Conference Call on June 19th. The July meeting is tentatively planned for July 13th in Great Falls. The meeting adjourned at 11:45 A.M.



Bill Oser, Secretary



Date

**Billings Public Library
Public Information Session
May 27, 1998**

The May 27, 1998 public information meeting in Billings was called to order at 2:00 P. M. Guests were Representative Joan Hurdle, Representative Lila Taylor, Representative Royal Johnson, Senator Bruce Crippen, Pam Clark of the City of Hardin, Elaine Egan of Streeter Brothers Mortgage, Jack Streeter of Streeter Brothers Mortgage, Bruce Posey of Steeter Brothers Mortgage, Kathy Hansen of First Interstate Bank, Deb Malvey of Yellowstone Bank, Jordan R. Hoyt of GMAC Mortgage, Joe Burst of the City of Billings, Peggy Floyd of Streeter Brothers Mortgage, and Donnus Dunn Sr. of M.E. Inc. 98

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds. Last year MBOH financed one out of every 5.4 homes sold in Montana. The Tax Credit Program has assisted in the development of 60% of the new construction of rental housing in Montana. The Board issued \$91,360,000 in bonds in June of 1997. MBOH programs provided \$100 million to the state's economy, provided basic and non-basic income and employment for 1,425 Montanans who paid \$1,000,000 in state income taxes, and the new construction financed provided an additional \$1.5 million in local property taxes.

Bill Oser said the Reverse Annuity Mortgage Program (RAM) helps keep the elderly in their home by using the equity to have extra income for 10 years. The RAM program requires gross income of less than \$16,000 with a deduction for medical expenses allowed. Loans can be up to \$50,000. Closing costs are the only expense on the loans which are at 5% interest rate. The loan is paid back at the sale of the house. The borrower may continue to live in the home after the ten years are up.

Jordan Hoyt asked how the RAM program differs from FHA loans and if escrow is required. Bruce explained the RAM program is geared to very low income people and has minimal costs. The FHA program does not have income limits and has all costs traditionally associated with a loan. Royal Johnson asked if the changes made in the RAM program have helped or hindered the program. Bruce said the Board just made its first exception as allowed under the law. A question was asked about a senior leaving the home to go to a nursing home and what is the typical loan size. Bruce said if the

home is left permanently, the loan becomes due and payable. The typical loan is creeping up to the \$50,000 maximum.

Bill Oser reported the Working Group has done a study to reduce costs associated with building codes. The group offers recommendations that will save the home buyer up to \$4,800 per house. He said that the Manhattan Group will present concerns to the legislature regarding the crisis in affordable housing in Montana.

Maureen Rude said the community meetings around the state provide the opportunity for MBOH to inform the community of the programs it offers. The meetings also give MBOH valuable input from the community regarding housing issues.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program. He said many partnerships with private enterprise make these loans possible. The loans are financed through the sale of tax exempt bonds, therefore, some eligibility requirements must be met. These requirements include: being a first-time homeowner, purchase price and income limits, the property should not be used for investments, and a recapture tax. Historically, the recapture tax only applies to 5% of the homeowners. Questions were asked regarding townhouses and condos and row houses. Bob explained townhouses include the unit and the land, condos include the interior, with the association owning the land and exterior. Bob said the average loan life is seven to nine years. MBOH uses the money from paid off loans to recycle new mortgages. The recycled funds do not have as many restrictions as new bond issues. Last year \$19 million was financed for mortgages in the recycled programs. The average income of the borrowers was \$18,000. The Cash Assistance Program (CAP) is a recycled program which targets people who are paying as much in rent as they would for a house payment, but do not have the funds for down payment and closing costs. MBOH will make a second mortgage to cover half the closing costs up to \$2,500. Another recycled program is the Disabled Affordable Accessible Housing Program (DAAHP) which puts accessible housing in the marketplace.

Senator Crippen asked about arbitrage and what the Board does with it. Maureen explained the arbitrage on a bond issue which is the difference between the bond issue rate and the mortgage rate. The tax code allows 1½% spread. The reservation fee, servicing fees, and the points paid to lenders comes out of the spread. The most MBOH receives is about ⅓ of a percent which is used to fund operations and to do special programs.

Tom Welch said during the last 20-years MBOH has made \$273 million in loans in Yellowstone County. \$25 million were made in the last fiscal year. MBOH has loans in every county in the state. Delinquencies for MBOH are low compared to regional and national levels. This low rate shows that home buyers appreciate the homes they get.

Bob Thomas praised the staff at MBOH for being well versed and doing a great job. He

said the Board is super and is dedicated, educated, and giving of themselves. The Board and staff work very well together.

Joe Burst of the City of Billings said they received \$2 million last year in recycled funds. \$90,000 is available for affordable housing from the City's HOME grants. The City of Billings will do 45-50 homes. Joe explained the first-time home buyer program. The average price of a home is \$60,000 and the average amount of assistance is \$43,000. Out of 47 homes, 33 were below 50% of median income. Homeowners are required to use \$750 of their own money and attend a home buyers workshop.

Bruce reported on the Low Income Housing Tax Credit (LIHTC) program which offers tax credits for developing rental housing. The tax credits are for 10 years. Billings has 9 tax credit projects. Bruce explained the Multifamily Programs. The Risk-sharing Program provides permanent financing for multifamily projects. The General Obligation Program helps with projects that have grant funding.

Questions were asked by the guests regarding using tax credits for assisted living and how location is determined and if central city areas can be targeted. Bruce explained that assisted living is eligible for tax credits, however, due to rent limitations it is very difficult. Maureen pointed out that Michelle Barstad at Health Facilities is working on a program. The audience and the Board discussed community involvement in the process of where projects are located. Jordan Hoyt said he is impressed with the great job Montana Board of Housing is doing and how they listen to the needs of people.

A guest asked if Montana Board of Housing could help him get into a home. Bob Morgan met with him after the meeting.

Representative Royal Johnson complimented MBOH over the changes that have taken place the past four years. Representative Johnson encouraged MBOH to invite the legislators to a meeting. He said work sessions are public meetings that should be advertised to introduce more people to our programs.

Barb Hamlin praised MBOH on continuous funding being available.

Maureen Rude presented a Montana Homeowners Partnership matted certificate to Jack Streeter who represented the Mortgage Bankers.

The meeting adjourned at 3:45 P.M.

Bill Os

**Norwest Bank-Red Lodge
Public Information Session
May 27, 1998**

The May 28, 1998 public information meeting in Red Lodge was called to order at 12:00 P. M. Guests were Representative Alvin Ellis Jr., Carol House of Glacier Bank, Julie Jones of Double Tree, Inc., Jason Ritter of Double Tree, Inc., Jim Hilderman of US National Bank of Red Lodge, Brad Dillon of Beartooth Apartments, Mary Fitzgerald of Beartooth Front Community Forum, LaVonne Peck of HRDC in Billings, Rick Bruner of US National Bank of Red Lodge, Tom Kaiserski of Beartooth RC&G, Joliet, MT.

Bob Savage explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds. Bob encouraged guests to get the MBOH newsletter and the annual report. Last year MBOH financed one out of every 5.4 homes sold in Montana. The Board will award some \$1,672,399 in Tax Credits to eligible applicants. The program has assisted in the development of 60% of the new construction of rental housing in Montana. For each \$1 of Tax Credits awarded, \$14 in development cost are injected into Montana's economy. The Board issued \$91,360,000 in bonds in June of 1997. MBOH programs provided \$100 million to the state's economy, provided basic and non-basic income and employment for 1,425 Montanans who paid \$1,000,000 in state income taxes, and the new construction financed provided an additional \$1.5 million in local property taxes.

Maureen Rude introduced the Board members and staff. Maureen gave an overview of MBOH. The single family program does between 1,000-1,600 loans per year. The loans are purchased from private lenders who qualify the borrowers. Funds are obtained from the sale of tax exempt bonds. MBOH confirms that the tax-exempt bond requirements are met. Some of the requirements include: being a first-time homeowner, purchase price and income limits, the property should not be used for investments, and a recapture tax. Historically, the recapture tax only applies to 5% of the homeowners because it applies only if the borrower's income increases drastically, if the home is sold in the first nine years, and is a percentage of the gain on the sale of the home. MBOH uses the money from paid off loans to recycle into new mortgages when it is financially feasible. The recycled funds do not have as many restrictions as new bond issues. The average income on the Single Family Program is \$32,000 while the average income on the special programs is \$20,000. Last year \$19 million was financed for mortgages in the recycled programs. The Cash Assistance Program (CAP) is a recycled program which targets people who are paying as much in rent as they would for a house payment, but do not have the funds for down payment and closing costs. MBOH will make a second mortgage to cover half the closing costs up to

\$2,500. Another recycled program is the Disabled Affordable Accessible Housing Program (DAAHP) which helps with those who are mobility impaired.

Bruce Brensdal reported on the Low Income Housing Tax Credit (LIHTC) program which offers tax credits for developing rental housing. The tax credits are for 10 years and can be used for new construction, acquisition rehab, and rehab. Bruce explained the Multifamily Programs. The Risk-sharing Program provides permanent financing for multifamily projects. The General Obligation Program helps with projects that have grant funding. Bruce said that MBOH works in partnership with the local banks.

Bruce Brensdal said the Reverse Annuity Mortgage Program (RAM) helps keep the elderly in their home by using the equity to have extra income for 10 years. The RAM program requires gross income of less than \$16,000 with a deduction for medical expenses allowed. Loans can be up to \$50,000 and typically provide \$285 per month to the borrower. Closing costs are the only expense on the loans which are at 5% interest rate. The loan is paid back at the sale of the house. The borrower may continue to live in the home after the ten years are up. Bill Oser said the RAM program is designed for seniors who have paid off their home and need some extra money. The seniors can stay in their home and be healthier and happy. A guest asked if certain conditions were required on the home and if MBOH partners with other agencies. Bruce explained the Board has an FHA appraisal done and requires safety issues be addressed. The Board works closely with the area Agencies on Aging.

Maureen Rude said MBOH has a partnership with Rural Development. Rural Development provides loan guarantees for the regular program. Rural Development also works with MBOH on the loan leveraging program which has an average income of \$18,000. MBOH has set aside funds for Habitat for Humanity at 0% interest rate.

Guests said Red Lodge has a housing problem because it is a service community and the average home is more than \$100,000. Land is not available and there is a moratorium on building in Red Lodge because there are sewer and water problems. A 20-25 unit Mobile park rental will be phased out and create a great housing need. The units rent for under \$350 per month and are two and three bedrooms. Work is being done to change the Fair Market Rents in the area. Counseling workshops have shown there is a lot of debt. Guests said the 203K program might be a possibility for Red Lodge.

Bill Oser reported the Working Group has done a study to reduce costs associated with building codes. The group offers recommendations that will save the home buyer up to \$4,800 per house. The Working Group is also working on a plan book for affordable homes. Bill said that the Manhattan Project will present concerns to the legislature and the public regarding the crisis in affordable housing in Montana.

The meeting adjourned at 1:30 P.M.





MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

THERE WILL BE A SCHEDULED LUNCH BREAK AT 12:00 P.M.

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT
April 17, 1998

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - ◆ Minutes of February 18, 1998 Board Meeting
 - ◆ Minutes of March 23 and March 27, 1998 Conference Calls

- II. **SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager**
 - ◆ 1997 Series A
 - ◆ 1998 Series A, Pending Closing April 22-Paine Webber
 - ◆ Recycled Funds Programs-CAP, Loan Leveraging
 - ◆ City of Kalispell Presentation-Susan Moyer
 - ◆ Employee Loan Requests
 - ◆ Quarterly Delinquencies
 - ◆ Requests for Proposals-Missoula Housing Authority, NHS, City of Glendive, City of Billings

- III. **MULTIFAMILY LOAN PROGRAM - Bruce Brensdal, Multifamily Program Manager**
 - ◆ Pond Row Project, Parkside Village

- IV. **REVERSE ANNUITY MORTGAGE PROGRAM - Bruce Brensdal, Multifamily Program Manager**
 - ◆ Legislation Request
 - ◆ Exception Request

- V. **LOW INCOME HOUSING TAX CREDIT PROGRAM, FIRST ROUND - Bruce Brensdal, Multifamily Program Manager**
 - ◆ 12 Applications

- VI. **EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude**
 - ◆ Budget Proposals

- VII. **OTHER BUSINESS**
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Conference Room
836 Front Street
April 17, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Diana Hall, Administrative Assistant
Dolly Snyder, Assistant Accounting & Finance Manager
Nola Jean McCullough, Loan Servicing Technician

COUNSEL: Mike Mulrone, Luxan & Murfitt
Peter Nolden, PaineWebber (via conference call)

OTHERS: Steve Redinger, Intermountain Mortgage
Dick Spaulding, Merrill Lynch
Joe Burst, City of Billings
Lyle Konkol, HUD
Barbara Feldman, Merrill Lynch
Ian Parker, Merrill Lynch
Tim German, The Sparrow Group
Rod Martin, The Sparrow Group
Mike Wornath, Burlington Square
Gene Huntington, Dain Rauscher
Nancy Leifer, Missoula Housing Corporation
Nancy O'Brien, Neighborhood Housing Services
Susan Moyer, City of Kalispell
Tom Mannschreck, Thomas Development
Rand Kennedy, District XI Human Resource Council
Leon Stalcup, District XI Human Resource Council
Dab Dabney, Farmhouse Partners
Phil Rotherham, Rotherham Cooper, Inc.

Jim Morton, District XI Human Resource Council
Robin Welch, Business Services Inc.
Brad Dillon, BAGP Associates/DMC/Beartooth Apartments
Scott Sanders
Chris Imhoff, Rocky Mountain Development Council

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the February 18, 1998 Board meeting and the conference call minutes from March 23 and March 27, 1998. Waneeta Farris seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 112 loans reserved for \$7,190,912 and 482 loans have been purchased for \$34,682,253. The average purchase amount is \$71,955. The average reservation amount is \$64,205. The average income is \$31,647. The total balance remaining to be reserved is \$16,622,982 as of April 14, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program.

Peter Nolden of PaineWebber (via conference call) said the structuring of the 1998 A bonds had two types of bonds: A Planned Amortization Class (PAC) Bond for \$10,000,000 will mature on 6/1/2031 and a \$3,700,000 Super Sinker Bond will mature on 6/1/2019. The two bonds create some certainty for investors with respect to the prepayment stream, the underlying mortgage collateral. The first prepayment, up to a measured amount, referred to as the 65% of the PSA prepayment statistics will first be applied to redeem the \$10,000,000 of 6/1/2031 bonds. After that, prepayments above that level will be used to redeem the serial bonds and the 2019 Super Sinker Bonds on a proportionate basis. For that reason, the 2031 and the 2019 bonds are being sold at a lower rate than otherwise expected, based on their average lives and on the investors estimate of the prepayments. It was a coincidence that both sold at the identical rate of 4 $\frac{5}{8}$ %. All of that financial engineering drove down the overall interest price of the bonds. The mortgage rate of the \$30,000,000 new pool will be set at 5 $\frac{7}{8}$ % and \$15,000,000 of various set aside programs at 6%. The bonds are scheduled for closing April 22 and the bond proceeds and the acquisition fund will be invested in a collateralized repurchase agreement with Republic National Bank of New York who had the highest bid at a rate of 5.46%. There will be no negative arbitrage. Peter pointed out a chart on interest rates which showed since 1981 the revenue bond index has never been below the current level. Another chart showed the last 12 months interest rates for the 30-year Treasury Bonds and the Revenue Bond Index.

Maureen Rude presented Comparative Recent Financing from Merrill Lynch. Other states are rated differently and had different structures. Many states are doing taxable bonds for volume cap purposes.

Bob Morgan reported that the Cash Assistance Program (CAP) has typically been at a lower rate than the regular single family bond program. He recommended lowering the rate to 5.5%. Bob Savage made a motion to lower the CAP interest rate to 5.5%. Barbara Hamlin and Tom Welch seconded the motion. Bob Savage, Barbara Hamlin, Waneeta Farris, and Tom Welch approved the motion. Bill Oser and Ronda Carpenter opposed the motion. The motion carried.

Bob Morgan said the Rural Housing Loan Leveraging Program has an interest rate of 6%. He proposed to fund this program out of the regular pool and not have it as a set aside. Barbara Hamlin made a motion to move the Loan Leveraging Program to the regular program rather than being a set aside. Bill Oser seconded the motion. The motion passed unanimously.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$5,138,564. The total Single Family II set aside is \$7,885,370. The total of all set asides is \$13,023,934.

Maureen Rude introduced Dolly Snyder, Assistant Accounting & Finance Manager and Nola Jean McCullough, Loan Servicing Technician. They are Board of Housing employees who are applying for a loan under the 1998 Series A program. Maureen said their applications will follow the same rules as all others and will also be reviewed by Bob Morgan.

Bob Morgan presented the quarterly delinquency reports showing MBOH at a delinquency rate of 3.32% compared to 3.54% in Montana and 4.04% in the Mountain Region and 4.69% nationally. Montana Board of Housing has .57% in foreclosure compared to .49% in foreclosure for Montana. Bob also presented a report showing the percentage of delinquencies, the number of loans and the percentage in foreclosure for each servicer. A delinquency analysis reported the delinquencies by servicer, county, set aside, and loan type.

Bob Morgan presented a Request for Proposal from the City of Billings for the First Time Home Buyer Program for \$2,000,000. The proposal scored 85 points out of a possible 105 points. Tom Welch asked how the delinquency issue could be resolved. Maureen said that a waiver could be signed to obtain information regarding delinquency. Joe Burst of the City of Billings said the waiver would also help the City as a project sponsor. The Board requested Mike Mulroney to create a waiver form to be included with all set asides saying if there is a delinquency, the sponsor can talk to the borrower. The staff recommended a set aside of \$2,000,000 at 6% with a .25% reservation fee. Ronda Carpenter made a motion to accept staff recommendation with formal language to communicate that the sponsor can receive information regarding delinquency and counsel the borrower. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a Request for Proposal from the City of Lewistown for \$1,352,000 to assist 20 homebuyers with down payment and closing costs. The proposal scored 88 out of a possible 105 points. Ronda Carpenter made a motion to have the City of Lewistown come to a

Board meeting to explain the numbers on their proposal. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan presented a Request for Proposal from the Missoula Housing Corporation (MHC). Nancy Leifer explained the Missoula Housing Corporation program. Nancy gave hand outs on the Westside News, the membership roster of North Missoula Housing Partnership, and the Board of Directors. MHC requested \$1,402,500 at 6% to finance 24 homes targeted to households at 80% below median income. The proposal scored 89 out of 105. Bob Savage made a motion to set aside \$1,402,500 for the Missoula Housing Corporation at 6% with a .25% reservation fee and with the delinquency waiver. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan presented a Request for Proposal from Neighborhood Housing Services Inc. (NHS) for an additional \$2,000,000 on the down payment assistance program to help 30 families. Ronda Carpenter made a motion to allocate \$2,000,000 of set aside funds to NHS for the down payment assistance program. Barbara Hamlin seconded the motion. The motion passed unanimously.

Bob Morgan presented a Request for Proposal from NHS for \$660,000 set aside for the Owners In Partnership V Program. The program proposes 12 new houses targeting buyers under 80% of median income. Bill Oser made a motion to fund the 12 houses for \$660,000 at 6% with a .25% reservation fee. Bob Savage seconded the motion. Bill Oser, Bob Savage, Waneeta Farris, and Barbara Hamlin voted in favor of the motion. Tom Welch and Ronda Carpenter opposed the motion.

Susan Moyer of the City of Kalispell gave a summary of the first time home buyer program for the City of Kalispell. Bill Oser made a motion to extend the date of the City of Kalispell program for one year with the second year extension contingent on a satisfactory report from Susan Moyer. Barbara Hamlin seconded the motion. The motion passed unanimously. Bob Savage requested the City of Kalispell submit a written comment on why litigation was not pursued against the contractor for the performance bond.

MULTIFAMILY LOAN PROGRAM

Bruce Brensda presented an application for the Pond Row Phase I & II project in Bozeman sponsored by Bozeman Interfaith Housing II. The sponsor proposes twelve two-bedroom units and eight three-bedroom units. All of the units are under 50% of area median income. The amenities are standard. The tenants will pay for electricity. The site is owned and proper zoning is in place. The total actual cost is \$1,630,326. The rent levels are \$248 for five two-bedroom units at 30% area median income, \$339 for four two-bedroom units at 40% area median income, \$430 for three two-bedroom units at 50% area median income, \$387 for one three-bedroom unit at 40% area median income, and \$493 for seven three-bedroom units at 50% area median income. Sources of financing are: MBOH Loan, HOME, CDBG, City of Bozeman, FHLB-AHP, BIH II, BIH-Latent Defects Esc. The project will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH. Tom Welch made a motion to approve the Pond Row project as proposed with the

conditions listed by staff. Bob Savage seconded the motion. Ronda Carpenter abstained from voting on the motion. The motion passed.

Bruce asked the Board for input regarding requiring audited financial statements. Members expressed they would like to see audited financial statements on all multifamily projects.

Bruce Brensda presented an application for the Parkside project in Hamilton sponsored by the District XI Human Resource Council. The sponsor proposes six one-bedroom units and 17 two-bedroom units. All of the units are under 60% of area median income. The amenities are laundry. The owner will pay for utilities. The site has a purchase option and proper zoning is in place. The total actual cost is \$853,653. The rent levels are \$275 for six one-bedroom units at 50% area median income, \$350 for 17 two-bedroom units at 60% area median income. Sources of financing are: MBOH Loan, CDBG-City, AHP-MBOH, and Tax Credits. Parkside Apartments is one of nine preservation projects. The project will be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH. Barbara Hamlin made a motion to approve the Parkside Apartments project as proposed with the conditions listed by staff. Waneeta Farris seconded the motion. The motion passed unanimously.

Maureen Rude gave an update report on the preservation projects.

Bruce gave a report on proceeds available for the multifamily program. He asked for input from Board members for options to continuously have funds. Bill Oser said he would rather use bond money than use up all available MBOH multifamily funds.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce Brensda presented an exception request for the Reverse Annuity Mortgage Program (RAM). Bill Oser made a motion to waive the age limit and allow a larger lump sum advance. Tom Welch and Bob Savage seconded the motion. The motion passed unanimously.

Bruce Brensda gave an update of the status of RAM allocation of loan funds. There have been eleven prepaid RAM loans and the allocation pool has \$780,344 available. Maureen presented a letter expressing appreciation for MBOH staff from the Department of Public Health & Human Services. Bruce said the age limit for RAM will be submitted to the legislature again this year.

LOW INCOME HOUSING TAX CREDIT PROGRAM, FIRST ROUND

Bruce Brensda made introductions of the developers present for the 12 tax credit applications. Ronda Carpenter asked to be excused for this portion of the meeting and was not present for the discussions or the vote on the tax credit projects. Bruce went through the scoring criteria for the development ranking matrix which has a maximum threshold of 118 points and a minimum threshold of 60 points. Then Bruce presented the scoring and summary for each project. Each developer was given an opportunity to respond to the summary or to make a statement about their project.

Bruce presented the two applications for the Non-Profit Pool of funds. The Parkside Apartments (which was presented under the multifamily projects) scored 96 points. The cost per unit is \$37,115 with the tax credit cost being \$1,271 per unit. The annual credits are \$29,226. The Roadrunner Project in Helena is sponsored by Rocky Mountain Development Council. The sponsor proposes six one-bedroom units and 10 two-bedroom units. All of the units are under 50% of area median income. The project scored 109 points. The amenities include yards. The owner will pay for utilities. The site is owned and proper zoning is in place. The total actual cost is \$1,252,726. The rent levels are \$371 for six one-bedroom units at 50% area median income, \$493 for 10 two-bedroom units at 50% area median income. Sources of financing are: Conventional Loan, HOME, Helena Housing authority loan, FHL-AHP, Deferred Developer Fee, and Tax Credits. The cost per unit is \$78,295 with the tax credit cost being \$5,607 per unit. The annual credits are \$89,710. Bill Oser made a motion to approve the Parkside Apartments and the Roadrunner Project as proposed with the conditions listed by staff. Waneeta Farris seconded the motion. The motion passed unanimously.

Bruce presented the two small pool projects. The Westchester Square Project in Billings is sponsored by Scott Sanders. The sponsor proposes two three-bedroom units. All of the units are under 60% of area median income. The project scored 62 points. The amenities are one car garage, washer/dryer hookups, and low density. Tenants will pay for utilities of gas heat and hot water and electricity for cooking and general use. The site is owned and proper zoning is in place. The total actual cost is \$167,880. The rent levels are \$600 for two three-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Tax Credits/Owner Equity. The cost per unit is \$83,940 with the tax credit cost being \$6,736 per unit. The annual credits are \$13,472. The Cherry Orchard project in Kalispell is sponsored by the Kalispell Partners LP and is a Rural Development (RD) 515 project. The sponsor proposes 24 one-bedroom units. All of the units are under 60% of area median income. The project scored 69 points. The amenities are elevator, community room, and grill/patio. Tenants will pay for utilities of electricity for air conditioning, cooking, and general use. The developer has the option to purchase and the property is zoned correctly (needs a conditional use permit). The total actual cost is \$1,323,346. The rent levels are \$310 for six one-bedroom units at 50% area median income, \$340 for 18 one-bedroom units at 60% area median income. Sources of financing are: Rural Development (515), Deferred Developer Fee, and Tax Credits. The cost per unit is \$55,139 with the tax credit cost being \$1,845 per unit. The annual credits are \$44,284. Bill Oser made a motion to approve the two small pool projects of Westchester Square and Cherry Orchard (conditional on receiving the Rural Development 515 commitment). Barbara Hamlin seconded the motion. The motion passed unanimously.

Bruce Brensda presented the eight general pool tax credit projects. The Big Sky Apartments Phase II is sponsored by Farmhouse Partners. The sponsor proposes 24 SRO units. All of the units are under 60% of area median income. The project scored 71 points. The amenities include a barbeque area. Tenants will pay for utilities of electricity for heat, water, cooking, and general use. The property is owned and proper zoning is in place. The total actual cost is \$1,139,609. The rent levels are \$290 for 24 SRO units at 60% area median income. Sources of financing are: Conventional Loan, Deferred Developer Fee, and Tax Credits. The cost per unit is \$47,484 with the tax credit cost being \$4,138 per unit. The annual credits are \$99,319.

The Central Court Village in Billings is sponsored by Jubilee Properties. The sponsor proposes 92 one and two-bedroom units. The project scored 64 points. The amenities are gardens, walking paths, community room and laundry. The owner will pay for utilities. The owner has the option to purchase and a zoning change is requested. The total actual cost is \$6,060,575. The rent levels are \$411 for 16 one-bedroom units at 50% area median income, \$420 for 50 one-bedroom units at 60% area median income, \$495 for six one-bedroom units at market rent, \$494 for four two-bedroom units at 50% area median income, and \$510 for 13 two-bedroom units at 60% area median income, and \$575 for three two-bedroom units at market rent. Sources of financing are: Conventional Loan, Capitalized Interest, Deferred Developer Fee, and Tax Credits. The cost per unit is \$65,876 with the tax credit cost being \$4,545 per unit. The annual credits are \$418,099.

The Aspen Meadows project in Bozeman is sponsored by Bozeman Partners LP. The sponsor proposes 48 one, two, and three-bedroom units. All of the units are under 60% of area median income. The project scored 85 points. The amenities are one car garage, play ground, picnic areas, and basketball court. Tenants will pay for utilities of electricity for air conditioning, cooking, and general use. The developer has the option to purchase and a zoning change is requested. The total actual cost is \$3,992,672. The rent levels are \$355 for two one-bedroom units at 50% area median income, \$425 for 10 one-bedroom units at 60% area median income, \$425 for two two-bedroom units at 50% area median income, \$520 for 16 two-bedroom units at 60% area median income, \$490 for seven three-bedroom units at 50% area median income, and 11 three-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Deferred Developer Fee, and Tax Credits. The cost per unit is \$83,181 with the tax credit cost being \$7,896 per unit. The annual credits are \$379,000.

The Castlebar project in Bozeman is sponsored by Thomas Development. The sponsor proposes 35 two and three-bedroom units. All of the units are under 60% of area median income. The project scored 90 points. The amenities are Community Facility, laundry, storage, tot lot, patios, microwaves, and outside plugs. Tenants will pay for utilities of gas for heat and hot water and electricity for cooking, and general use. The developer has a Purchase Contract and proper zoning is in place (needs PUD approval). The total actual cost is \$2,486,154. The rent levels are \$306 for four two-bedroom units at 40% area median income, \$397 for 20 two-bedroom units at 50% area median income, \$488 for three two-bedroom units at 60% area median income, \$343 for one three-bedroom unit at 40% area median income, \$448 for five three-bedroom units at 50% area median income, and \$554 for two three-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Deferred Developer Fee, and Tax Credits. The cost per unit is \$71,033 with the tax credit cost being \$6,752 per unit. The annual credits are \$236,317.

The Comstock Apartments Phase II in Bozeman is sponsored by Farmhouse Partners. The sponsor proposes 34 one, three and four-bedroom units. All of the units are under 60% of area median income. The project scored 93 points. The amenities are a playground, barbeque area, and laundry. Tenants will pay for utilities of gas for heat and hot water and electricity for cooking, and general use. The site is owned and proper zoning is in place. The total actual cost is \$2,564,846. The rent levels are \$305 for eight one-bedroom units at 50% area median income, \$395 for 16 one-bedroom units at 60% area median income, \$555 for eight three-bedroom units

at 60% area median income, \$615 for two four-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Land Note, and Tax Credits. The cost per unit is \$75,437 with the tax credit cost being \$7,092 per unit. The annual credits are \$241,118.

The Atherton project in Butte is sponsored by Thomas Development. The sponsor proposes 35 two and three-bedroom units. All of the units are under 60% of area median income. The project scored 88 points. The amenities are Community Facility, laundry, storage, tot lot, patio, microwaves, outside plugs. Tenants will pay for utilities of gas for heat and hot water and electricity for cooking, and general use. The developer has a Purchase Contract and proper zoning is in place. The total actual cost is \$2,505,046. The rent levels are \$369 for 17 two-bedroom units at 50% area median income, \$455 for 10 two-bedroom units at 60% area median income, \$415 for five three-bedroom units at 50% area median income, \$514 for three three-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Deferred Developer Fee, and Tax Credits. The cost per unit is \$71,573 with the tax credit cost being \$5,194 per unit. The annual credits are \$181,783.

The Vista Terrace at Marketplace project in Great Falls is sponsored by the Sparrow Group. The sponsor proposes 100 one and two-bedroom units. The project scored 66 points. The amenities are gardens, walking paths, community room, and laundry. The owner will pay for utilities. The developer has a Purchase Option and proper zoning is in place. The total actual cost is \$6,342,447. The rent levels are \$418 for 64 one-bedroom units at 60% area median income, \$495 for 12 one-bedroom units at market rates, \$501 for 21 two-bedroom units at 60% area median income, \$575 for three two-bedroom units at market rates. Sources of financing are: Conventional Loan, Deferred Developer Fee, Capitalized Interest, and Tax Credits. The cost per unit is \$63,424 with the tax credit cost being \$4,181 per unit. The annual credits are \$418,099.

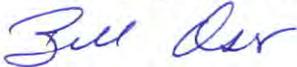
The Beartooth Apartments in Red Lodge is sponsored by Dillon Management and Consulting. The sponsor proposes 31 one and two-bedroom units. All of the units are under 60% of area median income. The project scored 60 points. The amenities are laundry and a recreation area. Tenants will pay for utilities of gas for heat and hot water and electricity for cooking, and general use. The owner has a Purchase Contract and proper zoning is in place. The total actual cost is \$2,137,115. The rent levels are \$367 for 16 one-bedroom units at 60% area median income, \$438 for 15 two-bedroom units at 60% area median income. Sources of financing are: Conventional Loan, Deferred Developer Fee, HOME Program - loan, and Tax Credits. The cost per unit is \$68,939 with the tax credit cost being \$5,763 per unit. The annual credits are \$178,639.

Tom Welch made a motion to approve the general pool projects of: Comstock Apartments II, Castlebar, Atherton, Aspen Meadows, and Big Sky Apartments II as recommended by staff (see the attached summary of the Low Income Housing Tax Credit Program). Bob Savage seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen presented fiscal year 00 and 01 budget proposals. The proposals are for a new person in the Single Family Program, a network server, lender online software and electronic document imaging system. The proposals would increase the MBOH budget by \$337,000 for the year 2000 and increase it by \$205,000 for the year 2001. The increases are to improve efficiency and provide better service and remedy concerns for document management. Bob Savage made a motion to ratify the action of Maureen in sending budgets requests to Commerce. Tom Welch seconded the motion. The motion passed unanimously.

The May meeting will be in Red Lodge on May 28th with a community meeting. There will be a community meeting in Billings on the 27th. The following meeting will be June 16th in Helena. The meeting adjourned at 3:05 P.M.



Bill Oser, Secretary

5-28-98

Date



MONTANA DEPARTMENT OF COMMERCE

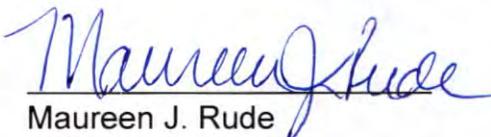
Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MINUTES OF SPECIAL PUBLIC HEARING 1998 SERIES A, SINGLE FAMILY MORTGAGE BONDS APRIL 15, 1998, 9:00 A.M.

Notice having been given, the Montana Board of Housing held a public hearing on the up to \$75,000,000 1998 Series A, Single Family Mortgage Bonds. The bonds are being issued to fund the Board's single family mortgage programs.

The public hearing was called to order at 9:00 a.m. on Wednesday, April 17, 1998, in the Board's office at 836 Front Street. Those attending were Maureen J. Rude- Executive Director and Treasurer, Robert Morgan- Single Family Program Manager, Kelly Rusoff-Accounting and Finance Manager, Mike Mulrone- General Counsel. Also attending was Bob Newhouse, however he had no comments for the record. There were no comments, either written or oral and the meeting closed at 9:15 a.m.


Maureen J. Rude

4/15/98
Dated

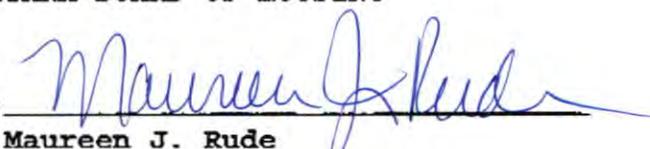
NOTICE OF PUBLIC HEARING
MONTANA BOARD OF HOUSING
SINGLE FAMILY PROGRAM BONDS
1998 Series A
(Federally Insured or Guaranteed Mortgage Loans)
Up to \$75,000,000.00

NOTICE IS HEREBY GIVEN of the intent of the Montana Board of Housing to hold a public hearing on the Board's proposed issuance of up to \$75,000,000 in mortgage revenue bonds, a portion of which will be used to redeem prior bonds and the remainder to finance single family homes for qualified families in Montana.

The hearing will be held at 9:00 a.m. on April 15, 1998, in the Board's conference room. The Montana Board of Housing is located at 836 Front Street, Helena, Montana. Oral comments are limited to five minutes; however, written comments will be accepted and included in the record of the public hearing.

DATE: April 1, 1998.

MONTANA BOARD OF HOUSING

By: 

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Executive Director
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MJM/MP

RESOLUTION NO. 98-0327-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY MORTGAGE BONDS AND PRIOR SINGLE FAMILY PROGRAM BONDS AND APPROVING A NEW ISSUE OF SINGLE FAMILY PROGRAM BONDS; AUTHORIZING THE ISSUANCE OF \$51,780,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY PROGRAM BONDS, 1998 SERIES A (FEDERALLY INSURED OR GUARANTEED MORTGAGE LOANS) TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; 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 has previously issued its Single Family Program Bonds (Federally Insured or Guaranteed Mortgage Loans) in several series (collectively, the "Prior Issues") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Program Bonds, 1998 Series A (Federally Insured or Guaranteed Mortgage Loans) in the aggregate principal amount of \$51,780,000 (the "1998 Series A Bonds"), consisting of \$4,600,000 aggregate principal amount of its Single Family Program Bonds, 1998 Series A-1 (Federally Insured or Guaranteed Mortgage Loans) (the "1998 Series A-1 Bonds") which will be used to refund a portion of the bonds of the Prior Issues and \$47,180,000 aggregate principal amount of its Single Family Program Bonds, 1998 Series A-2 (Federally Insured or Guaranteed Mortgage Loans) (the "1998 Series A-2 Bonds"), which together with the transferred proceeds from the refunding of the Prior Issues will be used to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide previously approved by the Board and the forms of the Invitation to Participate and Notice of Acceptance presented to the Board, and to fund certain reserve funds; and

WHEREAS, a 1998 Series A Supplemental Trust Indenture dated as of March 15, 1998 (the "Supplemental Indenture") (together with the Trust Indenture dated as of August 16, 1979, which it supplements, the "Trust Indenture"), between the Board and U.S. Bank National Association, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1998 Series A Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated March 16, 1998, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1998 Series A Bonds, and which will be distributed to the purchasers of the 1998 Series A Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to be dated as of the date of the delivery of the 1998 Series A Bonds has been presented to the Board, 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"), dated the date of adoption hereof, between the Board and the Underwriters, and the Board and the Federal National Mortgage Association ("FNMA"), has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1998 Series A-1 Bonds and the 1998 Series A-2 Bonds (except the 1998 Series A-2 Bonds maturing December 1, 2030), respectively, and the Board would agree to sell and FNMA would agree to purchase the 1998 Series A-2 Bonds maturing December 1, 2027, 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 financed through the issuance of the Prior Issues and to be financed through the issuance of 1998 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans 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 1998 Series A 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 Prior Issues and the 1998 Series A Bonds do not involve direct loans.

Section 2. ***Approval of Supplemental Indenture.*** The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. ***Authorization of Bonds.*** The issuance, sale and delivery of the Board's 1998 Series A Bonds is hereby authorized and approved. The 1998 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Trust Indenture upon execution and delivery as aforesaid in Section 2 hereof.

The 1998 Series A 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 1998 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 1998 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1998 Series A 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.*** The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, 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.*** The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. ***Approval of Continuing Disclosure Agreement.*** The Continuing Disclosure Agreement is hereby approved in the form submitted at this meeting, and the Chairman or Vice Chairman 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 7. ***Approval of Invitation to Participate and Notice of Acceptance.*** The Invitation to Participate and Notice of Acceptance are hereby approved in the forms submitted at this meeting, and the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, in conjunction with the previously approved Mortgage Purchase and Servicing Guide, with such changes, insertions or omissions therein as may be approved by such person, to implement the Single Family Program.

Section 8. ***Ratification of Prior Actions.*** All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1998 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. ***Execution of Documents.*** In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. *Execution of No-Arbitrage Certificate.* The Chairman, the Vice Chairman 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 1998 Series A Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. *Additional Actions Authorized.* The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 the Purchase Contract, 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 Officers for such purposes.

Section 12. *Effective Date.* This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 27th day of March, 1998.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice Heide
Treasurer/Executive Director



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Please note change of Date

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on March 27, 1998 at 9:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds (pending a successful pricing on March 24) for its 1998 Series A Single Family Mortgage Bonds, in the amount of \$45,000,000*. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.

Maureen J. Rude

Maureen J. Rude
Executive Director

3/10/98

Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL MEETING 1998 SERIES A SINGLE FAMILY MORTGAGE BONDS MARCH 27, 1998, 9:00 A.M.

Notice having been given, the Montana board of Housing held a special meeting on the sale and awarding of its 1998 Series A Single Family Program Bonds. The meeting took place via teleconference to discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Tom Welch, and Ronda Carpenter.

MBOH Staff: Maureen Rude, Kelly Rusoff, Bob Morgan, Bruce Brensdal, Meredith Miller, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulroney

PaineWebber: Peter Nolden, and Roan Blacker

Orrick Herrington & Sutcliffe: Steve Spitz

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said the bonds went out with the precise scale that was approved Monday night with two exceptions. The rate was lowered on two of the maturities. The largest term bond 2030 was priced at 5.45% instead of a 5.50% and that particular term bond was broken into two pieces with both pieces at 5.45%. The second bond that was lowered was the non AMT bond due Dec. 2016 and it was lowered to a 5.15%. The 30 million of the lendable proceeds are at 5.875% or $5\frac{7}{8}$ mortgage rate and the 15 million dollars of existing set aside commitments is at 6%. The bond issue had the result of slightly increasing the profitability of the transaction over time to the Board of Housing.

John Wagner said Board members received a copy of the bond resolution as well as the Supplemental Trust Indenture draft. He summarized the documents saying they were the standard documents that go through the required legislative findings, approve the forms of the basic documents, approve the issuance of the bonds with the rates and maturities that have been provided and authorize the appropriate officers to execute the documents at closing.

Bill Oser made a motion to approve the resolution. The motion was seconded by Waneeta Farris.

Peter reported that bids were taken for a Guaranteed Investment Contract (GIC) on the proceeds. The high bid on the acquisition fund was awarded to the Republic Bank of New York. It is a collateralized agreement at 102% collateral. The investment rate on the investment contract exceeds the rate on the bonds. There is no negative arbitrage on the acquisition fund, but under federal law the interest earnings in excess of the bond yields must be rebated to the Federal Government. Five bids were received. They were: Republic National Bank, National Westminster Bank, Westdeisch Landesbank, Bayerische Landesbank, and Morgan Guarantee Trust Company.

The motion passed unanimously with a roll call vote.

Peter said that Fannie Mae did buy approximately nine million dollars of the bonds. That is the reason that the 2030 term bond maturity was split into two different bonds. Fannie Mae has a policy that they can be the only buyer of a particular maturity. So the nine million of the 2030 went to Fannie Mae and the other bond in 2027 went to other investors as well as PaineWebber's inventory because not all of those bonds were sold but PaineWebber underwrote them at a 5.45%.

Steve Spitz said Fannie Mae for regulatory reasons believes they need to buy bonds directly from the issuer as opposed to buying them through the underwriter. Fannie Mae requires that the purchase contract be set up so that the bonds they buy are sold directly to them. The bond purchase contract has all bonds except the Fannie Mae bonds sold to the Underwriters. The 2030 "placed bonds" are sold directly to Fannie Mae. This purchase contract does not look like the contract for 97 A, but does look like the contract for the 96 issue.

Peter said the issue with Fannie Mae is because Federal Tax Laws say you cannot both borrow money and deduct the interest on the money you borrow as well as take the money you borrow and use it to purchase municipal bonds on which interest is exempt. There is an exception to that rule called the DeMinimus Rule that allows investors to invest up to 2% of their asset base in municipal bonds and allows them to deduct the interest on those bonds but not have to go thru the test on whether or not they borrowed money to acquire them. It is referred to as the 2% DeMinimus Rule. Congress is considering repealing the rule in Federal Tax legislation. Fannie Mae has a private revenue ruling they believe requires them to contract directly with the issuer to take advantage of the rule. It is done as a tri party contract where Fannie Mae is contracting directly with the Board of Housing.

Tom Welch asked if there were any costs or savings to the Board of Housing in the underwriting fee. Peter responded that there is no savings in underwriting fees because Fannie Mae did not commit a month ago. Fannie Mae is passing on to PaineWebber the cost of their legal fees for a law firm in Chicago which PaineWebber is paying out of their share of the transaction. Steve said that from an economic standpoint, it is as if Fannie Mae were just another institutional purchaser who offered to buy the bonds at the best deal. Peter said that Freddie Mac uses the same

exception for buying municipal bonds.

Peter said the Board needs to hold a TEFRA hearing and Mike Mulroney has published notice of the meeting. Mike said the notice will be published on April 1, 1998 and the TEFRA hearing will be held on April 15, 1998. The governor will sign on April 15th and return it Mike.

Bruce reported that he will be on a town meeting show on public TV at 7:00 P.M. on March 30, 1998 regarding the Reverse Annuity Mortgage Program.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 9:30 a.m.

Bob Thomas

Bob Thomas, Chairman

3/27/88

Date

Maureen J. Rude

Maureen J. Rude

3/27/98

Date



**MONTANA
DEPARTMENT OF COMMERCE**

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on March 26, 1998 at 9:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds (pending a successful pricing on March 24) for its 1998 Series A Single Family Mortgage Bonds, in the amount of \$45,000,000*. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.



Maureen J. Rude
Executive Director

3/5/98
Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Please note change of Time

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on March 23, 1998 at 2:30 p.m. by teleconference. The meeting is for the Board to discuss the pricing of its proposed 1998 Series A Single Family Mortgage Bonds, in the amount of \$45,000,000*. The Board will discuss the market, pricing of the bonds, and potential sale on March 24. The Board will also discuss special program funds for the Cash Assistance Program. The meeting will take place in the conference room at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

3/10/98

Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MINUTES OF SPECIAL MEETING 1998 SINGLE FAMILY MORTGAGE BONDS MARCH 23, 1998, 2:30 P.M.

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Single Family Program Bonds Series 1998 A. The meeting took place via teleconference to discuss pre-pricing of the bonds. Present were:

Board members: Bob Savage, Barb Hamlin, Bill Oser, Tom Welch, and Ronda Carpenter.
MBOH Staff: Maureen Rude, Kelly Rusoff, Bob Morgan, Bruce Brensdal, Meredith Miller, Bev Murphy, and Diana Hall.
Bond Counsel: John Wagner
Legal Counsel: Mike Mulrone
PaineWebber: Peter Nolden, Roan Blacker, Mina Choo, Steve Pillar
US Bank: Sandra Shupe

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden asked Steve Pillar to give an update on the municipal market conditions. The 30-year treasury is yielding a 5.88% rate. The morning opened with several countries cutting back oil production in hopes that other countries would follow and cause the price of oil to increase. Mr. Pillar said the market is resilient and retailers are focused on the equity market. The municipal market has seen a fair amount of supply, although last week was down. There were some housing bond balances for some of the deals. Maureen should touch base with Peter in the morning to see if there is a fair tone in the market. Steve floated a scale for the rates of the bonds he believed was a little bit higher than could be marketed and he has received some responses, but a lot of people are sitting on their hands because they know a week down the line there will probably be a good deal. This week Idaho is the only other issuer in the housing sector and hopefully that could work to our favor.

Peter reported that Idaho's issue was \$30 million. Peter said the oil issue was to slow down the production of oil in hopes that other countries would follow. With lesser production, the countries could increase the price of oil. The concern was that the increase in the price of oil would be viewed as an inflationary phenomena. Buyers of securities would be concerned that the value of their bonds would drop and interest rates would follow along and be increased. At the opening of the market that is precisely what happened. The yield on the 30-year treasury went from 5.88 to 5.92 and as the day went on, it is back to a 5.88. Marketing is for an aggressive scale. The market is potentially uncertain because of the overseas market.

Peter said that if the bonds are worth 5.50 in 30 years, they are trying to premarket at 5.45 to lure in some investors at a lower yield. The market was off due to the price of oil and the market has come back. The municipal bond market has been relatively quiet today, very few issues price on Mondays. He is not sure what might happen in the European market overnight or in the Japanese market that could affect pricing tomorrow. Phone calls from both Moody's and Standard and Poor's have confirmed the ratings on the bonds. Moody's rating is Aa2 and Standard and Poor's is AA+. This structure means that of \$45 million of lendable proceeds based on the scale that Steve gave, \$15 million represents the set asides that have been committed to

various non profit groups at 6%. The \$30 million of new lendable proceeds would be at 5.875%. Based on the market right now, we cannot get a mortgage rate of 5³/₄%. Peter expects the bid on the reinvestment of the bond proceeds, if sold, would have no negative arbitrage on the acquisition fund. They would be reinvesting the lendable proceeds at a rate at least as high as the rate on the bonds and that would be for a period of approximately three years. The Board had a discussion on the rates. Barb reported that lenders would favor a rate less than 6%. Bill Oser made a motion to proceed with a bond issue for the \$30 million for the regular program subject to a rate of 5⁷/₈ or below, and \$15 million for set asides at 6%. Barbara Hamlin seconded the motion. The motion passed unanimously with a roll call vote.

John Wagner and Kelly Rusoff explained the refunding of optionally callable bonds and those callable from prepayments. These are refunded so that some of the new bonds can be exempt from the alternative minimum tax and thus get a lower interest rate.

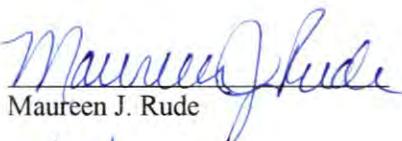
Peter said the bond pricing will be the 24th. A conference call is scheduled for Friday, March 27th at 9:00 A.M. Montana time.

Maureen reported that Montana Board of Housing (MBOH) received ½ million dollars in CAP loans in one week. MBOH is committed to continuous funding for the CAP Program. Reservations for \$200,000 beyond set aside funds have been received. Tom Welch pointed out that the increased demand could be from the Board increasing the maximum limit and the purchase price limits of the CAP Program, which was in response to input from the lenders. Bob Morgan said that the 87A, 87B, and 88A revenue account has \$1.5 million available that could be used for the CAP program. Bill Oser made a motion to ratify Maureen's action making available \$200,000 for the CAP Program and authorizing an additional \$800,000 for the CAP Program. The total to be withdrawn from the account is \$1,000,000. The motion was seconded by Tom Welch. The motion passed unanimously with a roll call vote.

There being no further business, the meeting adjourned at 3:15 p.m.


Bob Thomas, Chairman

3/23/98
Date


Maureen J. Rude

3/23/98
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on March 23, 1998 at 3:00 p.m. by teleconference. The meeting is for the Board to discuss the pricing of its proposed 1998 Series A Single Family Mortgage Bonds, in the amount of \$45,000,000*. The Board will discuss the market, pricing of the bonds, and potential sale on March 24. The Board will also discuss special program funds for the Cash Assistance Program. The meeting will take place in the conference room at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

3/5/98

Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT
February 18, 1998

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of January 16, 1998 Board Meeting
- II. SPECIAL PROGRAMS - Maureen Rude
- III. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Future Financings-Roan Blacker, PaineWebber; John Wagner, Kutak Rock
 - ◆ Recycled Funds Programs
 - ◆ Income Limits
 - ◆ Habitat for Humanity Program
- IV. LEGISLATIVE CONFERENCE - Information Preparation
- V. EXECUTIVE DIRECTOR'S UPDATE - Maureen Rude
 - ◆ Lender Meetings/Training
 - ◆ Budget Proposals
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule/Conference Call
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

836 Front Street
February 18, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Kelly Rusoff, Accounting & Finance Manager
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt
John Wagner, Kutak Rock
Roan Blacker, PaineWebber

OTHERS: Gene Huntington, Dain Rauscher
Steve Redinger, Intermountain Mortgage
Kreg Jones, DA Davidson & Co.
Mary Lou Falconer, USDA - Rural Development

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the January 16, 1997 Board meeting. The motion was seconded by Barb Hamlin. The motion passed unanimously.

REVERSE ANNUITY PROPOSED CHANGES UPDATE

Bruce Brensdal reported there were no comments for the changes for the Reverse Annuity Mortgage (RAM) program at the public hearing on February 17, 1998. Bruce received a written letter with questions from Representative Royal Johnson and he responded to that letter. Ronda made a motion to approve the changes for the RAM program. The motion was seconded by Bill Oser. The motion passed unanimously.

Bruce reported there are 29 outstanding loans, nine prepaid loans, and three loans in process for the RAM program.

SPECIAL PROGRAMS

Maureen Rude said the Special Reserve Fund is available for special projects. She proposed using the funds for a project called Samaritan House in Kalispell. Bruce presented an overview of the project. Board members expressed their consensus to use the Special Reserve Fund in this manner.

Bob Morgan presented a memo recommending setting aside \$1,000,000 for first mortgages for the Disabled Program and \$50,000 for down payment and closing cost loans for the Disabled Program from the Special Reserve Fund. This program serves home buyers with an average income of \$16,633 and an average purchase price of \$63,013. Barb Hamlin made a motion to set aside \$1,000,000 for first mortgages and \$50,000 for down payment and closing cost loans for the Disabled Program from the Special Reserve Fund. Bob Savage seconded the motion. The motion passed unanimously.

Maureen Rude presented a letter and photo from the loan closing for Habitat for Humanity in Miles City. She explained the family's situation and told about all the work they contributed to the project.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 67 loans reserved for \$4,778,318 and 412 loans have been purchased for \$29,938,622. The average purchase amount is \$72,677. The average reservation amount is \$71,318. The average income is \$32,596. The total balance remaining to be reserved is \$23,747,572 as of February 12, 1998. Bob said that conventional rates in Helena are currently around 7%. In 1996 Montana Board of Housing (MBOH) did one out of every six loans and in 1997 MBOH did one out of every 5.4 loans. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program.

Roan Blacker of PaineWebber presented a chart comparing the 30 - year Treasury Bonds with the Revenue Bond Index for the last 12 months. Mortgage rates in today's market would be 5⁷/₈ or

5¾ depending on maximizing the 1⅞ spread which is allowable to an issue under the tax laws. The current issue could be parked without losing money until April 2000 and bonds could be called. The cost of issuance for a new bond issue is about 1%. The Board discussed the options. Bill Oser presented a memo from the City of Billings which gave an update of the First Time Home Buyer Program. A spreadsheet showed the monthly payments for various purchase prices at 6.5%, 6%, and 5.5% interest rate. A chart showed that the purchase price of homes has been going up in Billings. Bill Oser made a motion to authorize the investment bankers to issue a \$30 million worth of mortgage revenue bonds with a window of 5½% to 5¾% interest rates on the mortgages. Barbara Hamlin seconded the motion. A roll call vote was taken with Bob Savage, Bill Oser, Waneeta Farris, Barbara Hamlin, Ronda Carpenter, and Bob Thomas voting in favor of the motion. Tom Welch voted against the motion.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$4,591,740. The total Single Family II set aside is \$8,825,579. The total of all set asides is \$13,417,019. Mary Lou Falconer of Rural Development proposed a loan leveraging program with the 184 program. Bill Oser made a motion to extend the City of Kalispell project to the end of May and requested that they come to the Board with an update. Bob Savage seconded the motion. The motion passed unanimously. All of the recycled funds have been committed and several projects are in the queue for funds when they are available. Bob has a scoring process in place to rank these projects.

Bob Morgan presented a form to compute the recapture tax on the sale of a home. Last year the Board did not raise the income limits to the maximum that is allowed. The IRS interpretation says the recapture tax can be figured on the maximum allowed for a year. Bob explained that the recapture tax applies if the home buyer sells their home within the first nine years. The most anyone would pay on recapture tax is 6¼% of the loan and that is if they make a profit and their income increases above the allowable limits.

Bob Morgan reported that a homeowner who lost the Mortgage Credit Certificate (MCC) can have the MCC reissued upon refinancing, provided that (1) the amount of the refi loan, for which the homeowner can receive a tax credit under the MCC, cannot exceed the balance of the loan (so the amount of the refi loan subject to the MCC cannot include closing cost or other items), and (2) the term of the refi loan is not extended past the original maturity date.

Bob Morgan presented the income limits for 1997 and the maximum allowed income limits for 1998. Bob Savage made a motion to adopt the Federally Imposed Maximum Income Limits by Area. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan reported MBOH is working with Kalispell, Libby, Great Falls, and Livingston on Habitat for Humanity projects.

Bob Morgan presented the Internet address and the home page for Commerce. The Housing Division includes the MBOH meeting agenda and time, current status of funds, program updates, Single Family income limits, and the purchase price limits.

LEGISLATIVE CONFERENCE

Maureen Rude asked Board members to give her input on the kind of information they needed to take to the Legislative Conference for NCSHA in Washington, D.C. Ronda asked for information on Bond Caps and how they are used and their historical background. Bob Savage asked for a narrative on why the bond cap bill and the credit cap bill are advantageous to housing and how it affects Montana. The main thrust of the conference will be the Volume Cap Bill. Ronda Carpenter said the Board has the opportunity to receive an invitation letter to match them up with the Republican people they need to speak with.

Ronda Carpenter asked Maureen for her input in the form of a memo regarding Housing and Urban Development's changes and Maureen's comfort level with these changes.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude reported that she and Bob had a meeting in Missoula in January which was attended by seven lenders. Bob and Maureen will go to Butte and Dillon in February. Their goal is to visit one community per month. Maureen said that MBOH, Rural Development, and FHA are planning some training sessions together. The sessions will be certified and will take place in Polson, Fairmont, and Miles City.

Maureen said MBOH is working on budget proposals. She is working on a proposal for a new person in the Single Family Program who will focus training, education, and presentations for lenders, Realtors, and home buyers. She said the network server needs to be replaced and the Single Family Program is considering some online software. MBOH is planning on replacing 3-4 computers per year.

Chairman Bob Thomas asked for input for out of town meeting sites during the summer and for topics for work sessions. Mr. Thomas would like the Auditors and Kelly Rusoff to give presentations. Board members expressed an interest in going to Gallatin County, Great Falls, and Red Lodge, Billings or Laurel.

Steve Redinger of Intermountain Mortgage said MBOH received nice coverage in the Billings Sunday Real Estate section. The article told about an 18-year-old girl using money she had saved for college (which she determined was not for her) to purchase her first home. She has already paid off the Cash Assistance part of her loan.

Mary Lou Falconer reported the guaranteed loan program has 40 more loans this year than it had at this time last year. The rural designations have been reevaluated to go to the city limits. Mary Lou received a report stating that Rural Development in Montana has zero delinquent loans for the first 12 months and a total of approximately 400 loans.

Maureen presented several articles for the Board members' information. She also informed the Board of staffing classifications and the new position status. Bob Savage presented an article regarding President Clinton's budget plan for tax credits. Ronda Carpenter reported Realtors,

lenders, and tax credit people have reiterated that the staff at MBOH is very helpful and provides good service.

The March meeting will be via a conference call. The Board agreed to meet April 17, 1998 in Helena at 8:30 A.M. in the conference room at MBOH. The meeting adjourned at 12:00 P.M.

Bill Oser

Bill Oser, Secretary

4-17-98

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Please note meeting start time change for this meeting!

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT
January 16, 1998

- I. **8:00 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of December 15, 1997 Board Meeting
- II. QUARTERLY FINANCIAL REPORT - Kelly Rusoff, Accounting and Finance Manager
- III. INVESTMENT POLICY REVIEW - Maureen & Kelly
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1997 Series A
 - ◆ Future Financings-Roan Blacker, PaineWebber; John Wagner, Kutak Rock
 - ◆ Recycled Funds Programs
 - ◆ Delinquency Report
- V. EXECUTIVE DIRECTOR'S UPDATE - Maureen Rude
 - ◆ Federal Home Loan Bank Grant - Preservation Project
 - ◆ Travel
 - ◆ Lender Meetings/Training
- VI. PROGRAM PRESENTATION - Single Family Program Specialists
- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/5/97



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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Conference Room
836 Front Street
January 16, 1998

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Absent)
Barbara Hamlin (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Kelly Rusoff, Accounting & Finance Manager
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt
John Wagner, Kutak Rock
Roan Blacker, PaineWebber

OTHERS: Dick Brinck, HUD
Jerry Boone, HUD/FHA

CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Chairman Bob Thomas.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the minutes from the December 15, 1997 Board meeting. The motion was seconded by Tom Welch. The motion passed unanimously.

QUARTERLY FINANCIAL REPORT

Kelly Rusoff presented the quarterly financial report. She went through the balance sheet and the income statement. Maureen pointed out that the balance sheet shows a fund balance, but Montana Board of Housing (MBOH) is working that money by calling bonds or investing in new mortgages.

INVESTMENT POLICY

Chairman Bob Thomas appointed Tom Welch as Chairman of the Investment Committee. Maureen Rude presented the current investment policy to the Board. Kelly gave a summary of the investments in all of the indentures by investment type. She presented investment portfolios listed by indenture/series. Maureen asked the Board to review the function of the investment policy for potential enhancement. Roan Blacker of PaineWebber gave a handout that showed the bidders and the rate given for the last bond issue. Board members discussed and reviewed the Investment Policy and said it works well as it is and offered no changes. Tom Welch made a motion to accept the Investment Policy without changes. The motion was seconded by Bill Oser. The motion passed unanimously.

REVERSE ANNUITY PROPOSED CHANGES UPDATE

Bruce Brensda presented the announcement of the changes submitted for the Reverse Annuity Mortgage (RAM) program. A public hearing will be February 17, 1998 at 9:00 a.m. Written comments and verbal comments (at the meeting) will be accepted, then the amended rules will be presented to the Board.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan reported that cancellations of the 1996 A & B series totaled about \$1.5 million. The funds were used to originate more mortgages. Bob Morgan gave an update on the 1997 A Program. The total funds available for the 1997A bond issue were \$60,000,000. There have been 126 loans reserved for \$9,064,147 and 347 loans have been purchased for \$25,307,904. The average purchase amount is \$72,933. The average reservation amount is \$71,938. The total balance remaining to be reserved is \$24,083,308 as of January 14, 1998. Bob presented the Statewide Housing Profile report which showed the number of loans, the average amount of the loans, and the average income for the various counties. Bob presented a report that listed the most active lenders in the program. Bob presented the new maximum mortgage limits from FHA. The state rate changed from \$81,548 to \$86,317. Montana Board of Housing follows the FHA mortgage limits up to \$100,000. Bob presented a chart showing the number of reservations received each day for the 1997 Series A bond issue. Another chart showed a comparison of the reservations received per week for the years 1996 and 1997. Bob said the current 30 year rate according to several participating lenders is 7-7¼%.

Maureen Rude said that Aaron Rudio from D.A. Davidson was planning on attending the meeting to provide a local bankers perspective, but sent his apologies because he could not attend.

Roan Blacker of PaineWebber presented a chart comparing the 30 - year Treasury Bonds with the Revenue Bond Index for the last 12 months. The market is attractive at this point and MBOH is in a good position with the current bond issue. Maureen reported that staff prefers to use the Single Family II trust indenture with First Trust. The Board members discussed possible options and received input from John Wagner of Kutak Rock and Roan Blacker of PaineWebber.

Bill Oser made a motion to pursue putting the documents together for a \$30 million bond issue subject to rates that are acceptable. The motion was seconded by Tom Welch. Bill Oser, Tom Welch, Barb Hamlin, and Ronda Carpenter approved the motion and Bob Savage opposed the motion. The motion passed.

Bob presented a summary of the recycled mortgage program set asides. The total Single Family I set aside is \$5,196,324. The total Single Family II set aside is \$10,655,928. The total of all set asides is \$15,862,252. All of the recycled funds have been committed and several projects are in the queue for funds when they are available.

Bob Morgan presented the quarterly delinquency reports showing MBOH at a delinquency rate of 3.45% compared to 3.30% in Montana and 3.70% in the Mountain Region and 4.39% nationally. Montana Board of Housing has .43% in foreclosure compared to .47% in foreclosure for Montana. Bob also presented a report showing the percentage of delinquencies, the number of loans and the percentage in foreclosure for each servicer. A delinquency analysis reported the delinquencies by servicer, county, set aside, and loan type. Another report showed the bankruptcy filings state by state and compared 1996 and 1997.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude reported that Standard & Poor's reaffirmed the rating of AA+ for the Single Family II. Standard & Poor's raised the rating to AA+ on the Goldman deals from 1989 through 1990 C.

The Federal Home Loan Bank has given firm approval on the Preservation Grant. They sent the regulatory agreement to be signed in order to begin to draw the money. Bob Savage made a motion to give Maureen the authority to sign the agreement. Bill Oser seconded the motion. Tom Welch abstained from voting due to his involvement in the application process. The motion passed unanimously.

Maureen reported that personal car mileage for state business has increased from 31 cents to 31.5 cents commencing January 1, 1998.

Maureen presented the agenda for the NCSHA conference in Washington, D.C. in March. She also presented the Calendar of events for 1998. The Government Finance Officers Association (GFOA) conference will meet in San Francisco in June. Tom Welch made a motion to authorize travel to Maureen Rude and Bob Morgan to attend the Spring Workshop in Baltimore in May, for Bruce Brensdaal to attend the Housing Credit Conference in San Diego in June, and for Kelly Rusoff to attend the GFOA conference. Bob Savage seconded the motion.

Maureen reported to the Board that she has been invited to speaking engagements around the state to talk about Montana Board of Housing. She presented the plaques for the Partnership Agreement to groups that have participated with Montana Board of Housing. Maureen and Bob Morgan will be meeting with lenders in various communities once a month.

Maureen presented several articles for the Board members' information. She also informed the Board of staffing classifications and the new position status.

Meredith Miller, Lore Perrina, and Diana Hoy of the Board of Housing Single Family Program informed the Board of the functions and responsibilities of their positions.

Ronda Carpenter presented the Board with some questions that clients for her research for the Landlords Association have asked her.

The Board agreed the next regular Board meeting would be February 18, 1998 in Helena at 8:30 A.M. in the conference room at MBOH. The March meeting will be via a conference call. The meeting adjourned at 11:40 A.M.



Bill Oser, Secretary

2-18-98
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 Front Street
Helena, MT 59620
June 28, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER** - Chairman Bob Thomas
 - Minutes of May 21, 1999 Board Meeting
- II. **FINANCE MANAGER UPDATE** – Kelly Rusoff, Accounting & Finance Manager
 - Third Quarter Financial Statements
 - Investment Update
 - Budget Report
- III. **LOW INCOME HOUSING TAX CREDITS, SECOND ROUND** – Bruce Brensda, Multifamily Program Manager

NOTE: THE MEETING WILL ADJOURN AT 10:00 A.M. FOR BOARD PICTURES AND A THANK YOU PRESENTATION TO BARBARA HAMLIN FOR HER SERVICE ON THE BOARD. THE MEETING WILL RECONVENE AFTER THE PICTURES AND PRESENTATION.

- IV. **REVERSE ANNUITY MORTGAGE PROGRAM** - Bruce Brensda, Multifamily Program Manager
 - Maximum Loan Amount
 - Town Meeting Ideas
- V. **SINGLE FAMILY PROGRAM UPDATE** - Bob Morgan, Single Family Program Manager
 - 1998 Series B –Update, 1997 Series A Update
 - New Bond Issue Discussion
 - Recycled Funds Programs
- VI. **EXECUTIVE DIRECTOR'S UPDATE**- Maureen Rude
 - Underwriter Selection Process
 - Volume Cap and Tax Credit Cap Bills/Governor Letter
- VII. **OTHER BUSINESS**
 - Next Meeting Date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/12/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing

836 Front Street

Helena, MT 59620-0528

MBOH Conference Room

836 Front Street

June 28, 1999

Phone: (406) 444-3040

TDD: (406) 444-2978

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Wanda Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Mary Bair, Multifamily Program Specialist
Diana Hall, Administrative Assistant

BOND COUNSEL: John Wagner, Kutak Rock

UNDERWRITER: Peter Nolden, Paine Webber

COUNSEL: Mike Mulrone, Luxan & Murfitt

OTHERS: Dick Brinck, HUD/FHA
Jerry Boone, HUD/FHA
Larry Gallagher, HUD/FHA
Craig Hildreth, Rural Development
Jim Lackey, NW MT Human Resources
Todd Prescott, Whitewater Creek, Inc.
Caleb Roope, Koa Development, Inc.
Rico Brazil, Koa Development, Inc.
Tom Mannschreck, Thomas Development

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the May 21, 1999 minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

FINANCE MANAGER UPDATE

Kelly Rusoff presented a balance sheet comparing March of 99 with March of 98. She went through balance reconciliations from March of 1998 - March of 1999. Kelly presented the income statement that compared the income and expenses from March of 1998 to March of 1999. The budget report showed 71% of the budget spent for 92% of the year elapsed. The quarterly investment report showed the type of investment and the average yield. Kelly presented a report showing the diversification of investments. She also presented reports on the long-term investments and discount notes as of 3/31/98 and 3/31/99. Kelly presented the status of rebates.

LOW INCOME HOUSING TAX CREDITS

Bruce Brensdal presented the ranking criteria for tax credit scoring. Bruce went through the small project pool and then the general pool of applications (see the attached summary sheet which lists all the applications and the scoring recommendations from staff). The developers were each given an opportunity to comment on their projects. The total tax credits available for the year were \$1,100,566.

Small Project Pool:

The Arlee Elder Home Project is a new construction project in Arlee sponsored by Salish Kootenai Housing Authority. The project would be 10 units under 50% of area median income. The project scored 112 points with a minimum threshold of 60 out of 118 points. Other funding includes a Tribe Loan. Staff recommended approving the project for \$49,999 of tax credits.

The Westgate Senior Apartments project is a new construction project in Kalispell sponsored by Koa Development. The project would be 24 units with 15 units under 50% of area median income and 8 units under 60% area median income and one manager unit. The project scored 110 points with a minimum threshold of 60 out of 118 points. Other funding includes a mortgage, Rural Development, HOME, Ronald Pack, Wells Fargo, and deferred developer fees. Staff recommended approving the project for \$49,999 of tax credits.

The Maxwell Senior Apartments project is an acquisition/rehab project in Ronan sponsored by Lake County CHDO. The project would be 21 units with 10 units under 50% of area median income and 11 units under 60% area median income. The project scored 106 points with a minimum threshold of 60 out of 118 points. Other funding includes Rural Development, Ronan State Bank, and deferred developer fees. Staff recommended approving the project for \$31,000 of tax credits.

The Maxwell Senior Apartments project is an acquisition/rehab project in St. Ignatius sponsored by Lake County CHDO. The project would be 9 units with 5 units under 50% of area median

income and 4 units under 60% area median income. The project scored 104 points with a minimum threshold of 60 out of 118 points. Other funding includes Rural Development, Ronan State Bank, and deferred developer fees. Staff recommended approving the project for \$11,000 of tax credits.

The Teakettle Vista Apartments project is a new construction project in Columbia Falls sponsored by NW MT Human Resources. The project would be 20 units with 5 units under 50% of area median income and 14 units under 60% area median income and one manager unit. The project scored 88 points with a minimum threshold of 60 out of 118 points. Bruce indicated there were some market concerns based on the market study, but all of the units would receive rental assistance through Rural Development. Craig Hildreth answered some questions from the Board. Other funding includes Rural Development, Wells Fargo, City match and deferred developer fees. Staff recommended approving the project for \$31,000 of tax credits.

Ronda Carpenter made a motion to approve the Arlee, Ronan, and St. Ignatius projects for tax credits. The motion failed for lack of a second to the motion. Bob Savage made a motion to approve the small project pool per staff recommendation. The motion passed on a roll call vote with Bob Savage, Bill Oser, Teresa Lightbody, and Bob Thomas voting in favor of the motion and Tom Welch, Waneeta Farris, and Ronda Carpenter voting against the motion.

The General Pool:

The St. Andrews Apartments project is a new construction project in Anaconda sponsored by Thomas Mannschreck. The project would be 53 units with 33 units under 50% of area median income and 19 units under 60% of area median income. The project scored 105 points with a minimum threshold of 60 out of 118 points. Other funding includes Bank of America and deferred developer fees. Staff recommended approving the project for \$81,115 of tax credits.

The Mountain Apartments is a new construction project in Whitefish sponsored by Whitefish Mountain Assoc., Inc. The project would be 15 units under 50% of area median income. The project scored 92 points with a minimum threshold of 60 out of 119 points. Funding includes Bank of America, FHLB-AHP, and deferred developer fees.

Tom Welch made a motion to allocate the remaining \$81,115 to the St. Andrews Apartments in Anaconda if it complies with submission of a revised proposal scaling back the project, it continues to meet all conditions, and the project is feasible. Bill Oser seconded the motion. The motion passed unanimously.

Maureen Rude introduced Mary Bair who is the Multi-family Program Specialist.

REVERSE ANNUITY MORTGAGE PROGRAM

Bruce Brensda presented a request to change the maximum loan limit for the Reverse Annuity Mortgage Program (RAM) from \$50,000 to \$70,000 so that the amount of the monthly payment can be increased. Bob Savage made a motion to change the maximum loan limit from \$50,000 to \$70,000. Bill Oser seconded the motion. The motion passed unanimously.

Bruce presented a RAM exception request for a cash advance \$42,501 to pay off a mortgage. Bob Savage made a motion to grant the exception. Tom Welch seconded the motion. The motion passed unanimously.

Bruce said the television program out of Bozeman called the Town Meeting program deals with aging issues and seniors in Montana. They are looking for ideas on housing issues that could be used for a program. Maureen suggested asking senior citizens what they would like for amenities. Teresa suggested having testimonials from seniors who have used the Reverse Annuity program. Tom suggested giving specific examples of the RAM program

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan reported on the Miles City Housing Fair for National Homeownership Week. He presented photos taken of the awards presented to First Interstate Bank for having the lowest rate of delinquencies, Streeter Brothers Mortgage for their foreclosure prevention, Intermountain Mortgage for their correspondent lending program, and Stockman Bank for the first and most Habitat for Humanity loans.

Bob said all the 1997 A and 1998 B funds have been reserved and reservations are being taken at 6.5%. Bob gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There has been \$24,471,294 reserved and \$36,614,837 has been purchased, leaving \$13,869 as the balance. The average purchase amount was \$70,549. The average reservation amount was \$73,570. The average income was \$31,414. Bob presented the statewide housing profile that showed the most active lenders and the zip code report showed the number of loans in each city.

Peter Nolden passed out a chart comparing the 30-Year Treasury Bonds with the Revenue Bond Index for the past 12 months. The conventional market rate is 7¾ % to 8%. Rates in general have gone up. Peter presented a chart of the Montana Municipal Redemption scheduled for the year of 1999. The schedule is for a pre-pricing conference call on July 6, 1999 at 2 p.m. and a conference call on July 9, 1999 at 9 a.m. to award bonds. Peter suggested the Board consider timing bond issues for replacement refunding opportunities. The Board expressed interest in a total bond issue of \$60 million. John Wagner presented a draft of the resolution to be passed on July 9, 1999. Tom Welch and Chairman Thomas thanked Peter and John for the information and services they provide.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$17,945,964 remaining to be reserved.

Bob presented a letter from Rural Development on funding and requirements. Rural Development stressed that they do not underwrite guaranteed loans.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude expressed concern about the reorganization of some of the underwriting firms and its effects on the co-managers presence and interest in the Board. Maureen said MBOH should consider doing the underwriter selection process again since it has been six years. None of the co-managers were present even though the bond issue was being discussed, as was the selection process. She said the responsibilities for co-managers should include: having a Montana presence with a feel of the market in Montana, knowing what Montana investors are looking for and what will target them, and an understanding of what MBOH is doing. Maureen said having Montana offices is important to look at what the Montana market is doing and what the underwriting process is. MBOH pays underwriters a management fee, expenses, and a take down. Some states only have a selling group. Board members said MBOH should do the selection process again.

Maureen presented letters written by the Governor to Montana's congressmen regarding Senate Bill 459 that would increase the state private activity bond cap from \$50 to \$75 per capita.

Maureen presented the building codes administrative rules proposal that implements the model construction plans.

Maureen is on a steering committee for the Affordable Housing Conference in Great Falls in October 19-20, 1999. There will be a lender track, a development track, an economic development track, a special issues track, homeownership education and down payment track, and a beginners track.

Maureen will attend the Fannie Mae roundtables in Billing on July 6, 1999.

Ronda suggested establishing a tax credit policy for projects that are in non-compliance.

The board discussed tax credit scoring and funding.

The next meeting will be July 26, 1999 in Libby. The meeting adjourned at 1:25 P.M.

Bill Oser

Bill Oser, Secretary

7-6-99

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MONTANA BOARD OF HOUSING HOLIDAY INN BOZEMAN 5 BAXTER LANE BOZEMAN, MT May 21, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - Minutes of April 22, 1999 Board Meeting
- II. **SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager**
 - 1998 Series B –Update
 - New Bond Issue Discussion
 - Recycled Funds Programs
 - City of Billings Set-Aside Request
 - New Lender Application – Montana First National Bank
 - Quarterly Delinquency Report
 - Update on Foreclosure Prevention, RD and FHA
- III. **MULTIFAMILY LOAN PROJECTS – Maureen Rude, Bruce Brensdal, Peter Nolden**
 - Five Preservation Projects – Preliminary Loan Commitments, Tax Credits
- IV. **MOODY'S INVESTOR SERVICES PRESENTATION**
- V. **PURCHASE PRICE STUDY – Bob Morgan**
- VI. **EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude**
- VII. **OTHER BUSINESS**
 - Next Meeting Date
 - Oser's Motion
- VIII. **ADJOURN UNTIL 1:30 PM**
- X. **CONVENE AT 1:30 PM FOR PUBLIC INVITATION MEETING**

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/12/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Holiday Inn
5 Baxter Lane
May 21, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Dolly Snyder, Assistant Accounting & Finance Manager
Charlie Brown, Single Family Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulrone, Luxan & Murfitt

UNDERWRITERS: Peter Nolden, Paine Webber Inc.

OTHERS: Jerry Boone, HUD/FHA
Joe Burst, City of Billings
Mary Lou Affleck, Rural Development
Amy Pace, Rural Development
Denise Green, Rural Development
Eric Bresnahan, Moody's Investors Service
Ansel Duvivier, Moody's Investors Service
Barb Clarke, Norwest Mortgage
Caren Roberty, HRDC

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Ronda Carpenter made a correction on some wording. Bill Oser made a motion to approve the April 22, 1999 minutes as corrected. Waneeta Farris seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There have been 79 loans reserved for \$9,415,273 and 465 loans have been purchased for \$35,415,323. The average purchase amount is \$69,710. The average reservation amount is \$76,574. The average income is \$31,428. The total balance remaining to be reserved is \$14,935,831 as of May 20, 1999. Bob presented the series allocation analysis that shows the most active lenders. The statewide profile showed the areas with the most purchases and the average loan size and income. Bob presented the zip code report showing the number of loans purchased in cities throughout the state. Bob presented a chart that compared the amount of loans purchased for bond issues that originated in September.

Peter Nolden of Paine Webber presented a chart comparing interest rates on the 30-year Treasury Bonds and the Revenue Bond Index for the past 12 months. The 30-year high-grade municipal revenue bonds yielded more than the US Treasury Bonds shortly after the bonds were sold. The mortgage market didn't follow. The market improved and the rate was 5.8% in the previous week. Paine Webber is preparing for bonds to be issued under the Single Family I Indenture. The Single Family I indenture is rate Aa2/AA by Moody's and Standard and Poors respectively. Based on current market conditions, the estimated rate of a new bond issue would be approximately 6¼%. The current interest rate in Helena is 7¾% and 7¼ for FHA. Bill Oser made a motion to give preliminary approval to proceed with a bond issue of \$75,000,000. Bob Savage seconded the motion. The motion passed unanimously.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$16,482,094 remaining to be reserved. The rebate liability for the 1994 bonds could be used for Habitat for Humanity loans. Waneeta Farris made a motion to move the rebate funds to the Habitat for Humanity setaside. Bill Oser seconded the motion. The motion passed unanimously.

Bob Morgan said the City of Kalispell would like to extend their setaside for a year. Twelve units have been purchased and five units have reservations. Bill Oser made a motion to extend the City of Kalispell setaside for one year to 5/31/2000. Waneeta Farris seconded the motion. Bob Savage, Waneeta Farris, Ronda Carpenter and Tom Welch voted against the motion. The motion failed with Bill Oser and Teresa Lightbody voting in favor of the motion. Waneeta Farris made a motion to extend the City of Kalispell setaside for 3 months and ask them to come the meeting in July. Tom Welch seconded the motion. The motion passed unanimously.

Maureen said that comments have been made to other department staff about the Board's \$500 minimum requirement for borrowers, saying the Montana Board of Housing's (MBOH) out of pocket requirement is the reason grant money is difficult to get out.

Bob Morgan presented information on the Glacier Affordable Housing Foundation. He said that 56% of the loans they have done were less than 60% of income and 28% were less than 70% of income, and 16% were less than 80% of income. The FHA loans had a delinquency rate of 8.67% nationally and the Montana FHA had an average loan delinquency of 5.03% and Glacier Affordable had an average of .5% and is now at 0%. The borrowers pay a down payment.

Bob Morgan presented a request from the City of Billings for \$2,000,000 setaside at 6%. Joe Burst from the City of Billings gave an explanation of the program. The program requires \$750 homeowner equity. The proposal ranked 85 points out of 105 points. Bob Savage made a motion to commit \$2 million at 6% with a .25% reservation fee to the Billings Affordable First-Time Homebuyer Program IV. Bill Oser seconded the motion. The motion passed unanimously.

Bob presented an application from Montana First National Bank in Kalispell to be an approved lender. They provided the information required in the Administrative Rules. Bob Savage made a motion that the application be approved. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob presented the quarterly delinquency report from December 31, 1998. MBOH delinquencies are at 3.02% compared to 3.29% in Montana and 4.59% nationally. Bob presented a delinquency analysis comparison report listing delinquencies by servicer, county, setaside, and loan type.

Bob presented the status of Real Estate Owned property as of April 30, 1999.

Mary Lou Affleck and Amy Pace gave a presentation on foreclosure prevention for Rural Development and Jerry Boone gave the FHA loss mitigation approaches and incentives and rewards for utilizing loss mitigation.

Mary Lou gave information on the Miles City Housing Fair on June 10, 1999 in honor of National Homeownership Week.

MULTIFAMILY LOAN PROJECTS

Maureen presented a memo to Department of Commerce budget office regarding making one of the multi-family assistant positions full-time.

Maureen gave an explanation and overview of five of the original nine preservation projects. MBOH would do loans to the projects to underwrite the loans for FHA risk-sharing insurance. MBOH would sell bonds now to put into an escrow and guaranteed investment contract and the developer would get a construction loan, tax credit equity, Federal Home Loan Bank money, etc. to acquire the property and do rehabilitation. MBOH would use bond funds to make the first mortgage after the work is done. By doing the bond issue up front, the rate would be determined and the construction lender has a guarantee from MBOH that it would purchase the loan from them if the projects meet the underwriting requirements at the end. Paine Webber did preliminary research for a bond issue for \$7,910,000 at 4.3% all-in mortgage rate, using the Interest Reduction Payments from HUD to bring down the overall rate. The 4.3% includes a .5% Mortgage Insurance Premium (which is required under the risk-sharing program) and 100 basis

points to MBOH. Maureen said MBOH is eligible for up to 150 basis points under the tax law. Maureen said MBOH should receive 100 basis points because MBOH will pay the cost of issuance, servicing (which will be contracted out), the trustee, and MBOH staff costs for regulatory authority.

All the projects are acquisition/rehabilitation projects and are for-profit/non-profit joint ventures developed by Hampstead partners. The Columbia Villa Project has 36 units which includes: 13 two-bedroom units at 50% area median income (AMI), 11 two-bedroom units at 60% AMI, 6 three-bedroom units at 50% AMI, and 5 three-bedroom units at 60% AMI. The project scored 95 points out of a maximum threshold of 118.

The Darlington Manor Project has 100 units which includes: 19 zero-bedroom units at 50% AMI, 10 zero-bedroom units at 60% AMI, 3 zero-bedroom units at market rate, 40 one-bedroom units at 50% AMI, 20 one-bedroom units at 60% AMI, 7 one-bedroom units at market rate, and one manager unit. The project scored 95 points out of a maximum threshold of 118.

The Parkside Village Project has 104 units which includes: 9 zero-bedroom units at 50% AMI, 5 zero-bedroom units at 60% AMI, 1 zero-bedroom unit at market rate, 12 one-bedroom units at 50% AMI, 7 one-bedroom units at 60% AMI, 1 one-bedroom unit at market rate, 40 two-bedroom units at 50% AMI, 24 two-bedroom units at 60% AMI, 3 two-bedroom units at market rate, one two-bedroom manager unit, and 1 three-bedroom unit at 60% AMI. The project scored 89 points out of a maximum threshold of 118.

The LaVatta Villa Project has 24 units which includes: 5 zero-bedroom units at 50% AMI, 2 zero-bedroom units at 60% AMI, 1 zero-bedroom unit at market rate, 7 one-bedroom units at 50% AMI, 2 one-bedroom units at 60% AMI, 2 one-bedroom units at market rate, 2 two-bedroom units at 50% AMI, 2 two-bedroom units at 60% AMI, and two two-bedroom units at market rate. The project scored 86 points out of a maximum threshold of 118.

The Valley View Project has 52 units which includes: 8 one-bedroom units at 50% AMI, 8 one-bedroom units at 60% AMI, 11 two-bedroom units at 50% AMI, 11 two-bedroom units at 60% AMI, 7 three-bedroom units at 50% AMI, and 6 three-bedroom units at 60% AMI. The project scored 96 points out of a maximum threshold of 118.

Bob Savage made a motion to give preliminary approval to all five projects and authorize staff to proceed on the bond side and the risk-sharing side of the project and to take all necessary steps to effectuate completing the projects if they can be completed. Tom Welch seconded the motion. The motion passed unanimously. Tom Welch emphasized that MBOH needs to be paid 1% for being involved.

Bruce and Maureen explained that the financing options for the other two projects have been exhausted, therefore, MBOH would like to help with taxable bonds. Bob Savage made a motion to proceed with an analysis of taxable bonds for the other two remaining preservation projects and also for risk-sharing. Ronda Carpenter seconded the motion. The motion passed unanimously.

MOODY'S INVESTOR SERVICES PRESENTATION

Eric Breshnahan and Ansel Duvivier of the Moody's Investor Services gave a presentation on Moody's role as a rating agency in the capital markets.

EXECUTIVE DIRECTORS UPDATE

Maureen presented the information on the NCSHB educational & development workshop in Snowbird, Utah from August 15-17, 1999. Bill Oser and Bob Savage will attend the workshop.

Tom Welch asked for an update on the US Bank service as a trustee. Maureen reported US Bank cut down on James' workload and extended Sandy Shupe to the end of June and added another processor to MBOH's account and staff is watching the situation closely.

Ronda said Senator Christiaens talked to the Department of Health and Human Services. The Department of Health and Human Services thinks there will be up to \$2 million to put into the account. However, it may have some strings attached to it.

The next meeting will be June 28, 1999 in Helena and the July meeting is tentatively scheduled for July 26, 1999 in Libby. The meeting dismissed at 12:00 P.M. for lunch and the public meeting.

The meeting reconvened after the public meeting to discuss purchase price limits. Bob Morgan said the MBOH history has been to follow FHA maximum mortgage limits up to \$100,000. The tax code sets safe harbor limits for existing and new construction. The purchase price limit is for 90% of the average purchase price of the area for the last 12 months except in targeted areas, which can be 110% of the average purchase price. Teresa Lightbody presented two letters supporting increasing the purchase price limits. Ronda Carpenter expressed concern about driving the market up. Bob discussed the results of the study done by MSU Billings and the impact that has on the Board's ability to set purchase price limits.

Bob Savage made a motion to raise the purchase price limits as reflected in Bob Morgan's document (see attachment A) and do a yearly study. Waneeta Farris seconded the motion. The motion passed with Ronda Carpenter opposing the motion.

The meeting adjourned at 2:35 P.M.

Bill Oser

Bill Oser, Secretary

6-28-99

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT 59620
APRIL 22, 1999

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - Minutes of March 15, 1999 Board Meeting
- II. LEGISLATIVE AUDIT UPDATE, FY 1998-99 AUDIT – Legislative Audit Division
- III. U.S. BANK CORPORATE TRUST – Debbie Kuykendall
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - 1998 Series B -Update
 - Recycled Funds Programs
 - REO Update
 - New Lender Application – Mann Financial, Inc.
 - Purchase Price Study
- V. LOW INCOME HOUSING TAX CREDITS – Bruce Brensdal
 - Round One
- VI. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - June Tax Credit Conference
 - Legislative Update
- VII. OTHER BUSINESS
 - Next Meeting Date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made.
4/15/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MBOH Conference Room
836 Front Street
April 22, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF:

Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Charlie Brown, Single Family Program Specialist
Val Deininger, Multifamily Program Specialist
Diana Hall, Administrative Assistant

COUNSEL:

Mike Mulroney, Luxan & Murfitt

OTHERS:

Dick Brinck, HUD/FHA
Jerry Boone, HUD/FHA
Gordon Hoven, US Bancorp Piper Jaffray
Deborah Kuykendall, US Bank-Corporate Trust
Jim Manning, Legislative Audit Division
Lorry Parriman, Legislative Audit Division
Tom Mannschreck, Thomas Development
Eric Kjeldgaard, Opportunity Builders
Tim German, The Sparrow Group
Mike Wornath, The Sparrow Group
Julie Krause, Mann Mortgage
Steve Paulson, Mann Mortgage
Jason Mann, Mann Mortgage
Chris Foster, Hampstead Partners
Jay Wentz, Hampstead Partners
Ren Essene, HomeWORD

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to approve the March 15, 1999 minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

LEGISLATIVE AUDIT UPDATE, FY 1998-99 AUDIT

Jim Manning and Lorry Parriman said they will start the annual financial audit after fiscal year end. A formal entrance conference will take place when they start the audit. The Board would like to know of any issues that might arise during the audit so that they could be corrected immediately. The Auditors will also do servicer reviews.

US BANK CORPORATE TRUST

Maureen presented a letter written to US Bank regarding compensation for the interest lost during the time period when wires and ACHs coming from Montana Board of Housing (MBOH) servicers were not being posted. Debbie Kuykendall from the US Bank Trust MT gave an update on the transition US Bank is making. Montana Board of Housing's staff went to St. Paul to meet with US Bank staff. Debbie said US Bank is working to accomplish 3 things for smooth transition of the account: 1. US Bank will have weekly reviews with staff. 2. The account analyst now has fewer accounts and a full-time processor has been put on. 3. Sandy Shupe, the previous administrator, has been extended to train staff with hands on training for US Bank. The staff handling the accounts will come to Montana to meet MBOH staff.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. An additional \$10 million was allocated from the Single Family II series 1998A funds. Of the \$10 million allocated from series 98A, there have been \$6,731,734 reserved and \$191,290 have been purchased, leaving \$4,061,599 to be reserved. In the 1998B Program, there have been 64 loans reserved for \$4,789,683 and 426 loans have been purchased for \$29,503,713. The average purchase amount is \$69,257. The average reservation amount is \$74,838. The average income is \$31,397. The total balance remaining to be reserved is \$25,876,918 as of April 19, 1999.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$16,825,946 remaining to be reserved. The Richland County setaside is complete with \$54,450 remaining which will be returned to the pool.

Maureen Rude reported on the Real Estate Owned (REO) properties. Sue Mannix, Single Family Program Specialist, is working on getting property managers statewide. The balance outstanding

for the two REO properties is \$110,497. The properties are guaranteed by Rural Development who covers 100% of the first 35% of loss.

Bob presented a new lender application from Mann Financial Inc. Julie Krause, Steve Paulson, and Jason Mann were present to answer any questions that Board members might have. Streeter Brothers Mortgage Company would service the loans that Mann Financial Inc. originates. Ronda Carpenter made a motion to accept the application. Teresa Lightbody seconded the motion. The motion passed unanimously.

Bob gave an update on the purchase price analysis. MSU has completed analyzing the data and Bob said there are nine counties that could have the purchase price limits raised above the current level. In the past the purchase price limit allowed was the lesser of FHA limit or the Safe Harbor limit. The Safe Harbor limit was statewide. The Board tabled the discussion until the next meeting.

LOW INCOME HOUSING TAX CREDITS

Maureen Rude read the Federal regulations for the selection criteria. Bruce Brensdal presented the ranking criteria. Bruce went through the small project pool, then the non-profit pool, and then the general pool of applications (see the attached summary sheet which lists all the applications and the scoring recommendations from staff). The developers were each given an opportunity to comment on their projects. The total tax credits available is \$1,100,566.

Small Project Pool:

The Timberline Apartments is a new construction project in Livingston sponsored by Bosley/Ryan Construction. The project would be 18 units under 50% of area median income. The project scored 87 points with a minimum threshold of 60 out of 118 points. Other funding includes Rural Development 515 Program. The tenants will pay only 30% of their income. Staff recommended approving the project for \$39,000 of tax credits. Bill Oser made a motion to accept the Timberline Apartments application for tax credits. Bob Savage seconded the motion. The motion passed unanimously

Non-profit Pool:

The Lenox Flats project is an Acquisition/Rehab project in Missoula sponsored by homeWORD. The project would be 10 units under 50% of area median income. The project scored 88 points with a minimum threshold of 60 out of 118 points. Other funding includes a mortgage, HUD grant, AHP, HOME, Missoula Re-development Grant, and Historic Tax Credits. Staff recommended approving the project for \$104,100 of tax credits, contingent on HOME funds being awarded.

The Pemberton Heights project is a new construction project in Billings sponsored by Opportunity Builders. The project would be 41 units with 26 units under 50% of area median income and 14 units under 60% area median income. The project scored 83 points with a minimum threshold of 60 out of 118 points. Other funding includes KBMH Capital, Inc.,

Opportunity Builders, and City of Billings HOME funds. The developer requested \$274,174 of tax credits. Bruce explained there were not enough credits in the non-profit pool for both projects, and therefore only one project could be funded. The other project would need to compete in the general pool.

Tom Welch made a motion to fund the Lenox Flats in Missoula out the non-profit pool for \$104,000 contingent on HOME funding and architectural documents. Bob Savage seconded the motion. The motion passed unanimously.

The General Pool:

The Big Sky Manor Apartments is an Acquisition/Rehab project in Kalispell sponsored by Hampstead Partners and North West Montana Human Resources (NWMHR). The project would be 60 units with 36 units under 50% of area median income and 24 units under 60% of area median income. The project scored 99 points with a minimum threshold of 60 out of 118 points. Other funding includes a mortgage, reserves, Rehab income, FHLB, City Loan, and Deferred Developer Fee. Staff recommended approving the project for \$115,000 of tax credits.

The Green Meadow Apartments is an Acquisition/Rehab project in Libby sponsored by Hampstead Partners and NWMHR. The project would be 34 units with 22 units under 50% of area median income and 12 units under 60% of area median income. The project scored 98 points with a minimum threshold of 60 out of 119 points. Funding includes a mortgage, reserves, Rehab income, FHLB, City Loan, and Deferred Developer Fee. Staff recommended approving the project for \$70,000 of tax credits.

Tom Welch conferred with legal counsel to determine if he had a conflict of interest due to preservation funds coming from the Federal Home Loan Grant. Mike Mulrone determined that because none of Tom's funds are involved there is not a conflict. Ronda disclosed that during the past she was not involved in decisions regarding the preservation projects because someone who directly votes on whether she continues her job managed the projects. That person has stepped off the board and has no control over Ronda's employment. Maureen said Montana Board of Housing had stepped back from advising the developers on the preservation projects because of the role required with tax credits.

Bill Oser made a motion to accept the Green Meadow Apartments for \$70,000 and the Big Sky Manor project for \$115,000. Bob Savage seconded the motion. Tom Welch said he would vote against the motion until all the applications were presented. Bill Oser withdrew his motion and Bob Savage agreed.

The Central Court Village is a new construction project in Billings sponsored by The Sparrow Group. The project would be 50 units with 31 units under 50% of area median income and 19 units under 60% of area median income. The project scored 107 points with a minimum threshold of 60 out of 118 points. This project is the second phase of the project approved last year. Other funding includes SunAmerica. Staff recommended approving the project for \$275,000 of tax credits.

The Cheyenne Homes Phase II project is a new construction project in Lame Deer sponsored by the Northern Cheyenne Housing Authority. The project would be 20 units with 14 units under 50% of area median income and 6 units under 60% of area median income. The project scored 105 points with a minimum threshold of 60 out of 118 points. Funding includes a Northern Cheyenne Tribe loan funded by HUD Indian housing funds. Staff recommended approving the project for \$230,850 of tax credits.

The St Andrews Apartments is a new construction project in Anaconda sponsored by Thomas Development. The project would be 53 units with 13 senior units and 20 family units under 50% of area median income and 4 senior units and 12 family units under 60% of area median income. The project scored 94 points with a minimum threshold of 60 out of 118 points. Other funding includes Bank of America and Deferred Developer Fee. The developer requested \$274,704 of tax credits.

The Russell Square Apartments is a new construction project in Missoula sponsored by Farmhouse Partners. The project would be 56 units with 24 units under 50% of area median income and 31 units under 60% of area median income. The project scored 91 points with a minimum threshold of 60 out of 119 points. Funding includes Norwest Bank, Seller financing and Deferred Developer Fee. The developer requested \$270,000 of tax credits.

The Cottonwood Apartments is a new construction project in Billings sponsored by Palisades Development Group. The project would be 50 units with 11 units under 50% of area median income and 39 units under 60% of area median income. The project scored 79 points with a minimum threshold of 60 out of 119 points. Funding includes SunAmerica. The developer requested \$272,430 of tax credits.

Tom Welch made a motion to approve the Central Court project for \$275,000, the Big Sky Manor for \$115,000, and the Green Meadow project for \$70,000 under the general pool. Ronda Carpenter seconded the motion. The motion passed unanimously.

Bill Oser made a motion to accept the Lame Deer Cheyenne Homes II project for \$230,850. Tom Welch seconded the motion. The motion passed with Waneeta Farris voting against the motion. Waneeta said that she talked to members of the tribe and members of BIA regarding the issue of electric heat. She said that it is a great project and badly needed.

Bruce said that there is \$79,546 left in the general pool.

Bruce said the Miles Building in Libby received firm approval from HUD for the risk-sharing loan. Bob Savage made a motion for firm approval of the risk-sharing loan. Waneeta Farris seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented a brochure on the NCSHA Tax Credit conference in San Francisco on June 22-25. She presented information on the NCSHB Workshop Utah on August 15-17 in

Snowbird Utah. Waneeta Farris made a motion for Ronda, Bruce, and Teresa to attend the Tax Credit conference in San Francisco. Tom Welch seconded the motion.

Maureen presented the information on the Executive Director's conference in Estes Park, Colorado in July. Chairman Thomas told her to go to the conference.

Maureen gave an update on bills that MBOH has been watching. She reported that she disclosed the fiscal impact of SB 167 on the fiscal note that was submitted to the Governor's Budget Office. However, the Budget Office determined there was no fiscal impact and issued a zero impact fiscal note. Maureen said she gave the same fiscal information submitted to the Governor's Office, to each committee who heard SB 167. She presented a copy of the bill that confirmed the Governor's appointment of Teresa Lightbody, Waneeta Farris and Bob Thomas to the Board. Ronda said she has been told the Department of Health and Human Services has \$1 million in funds allocated to help low income people which they inquired about possibly depositing into the Housing Revolving Loan Fund. Maureen said the money paid back from the Federal Home Loan Bank would be deposited in the Housing Revolving Loan Fund.

The next meeting will be May 21, 1999 in Bozeman. The meeting adjourned at 12:00 P.M.



Bill Oser, Secretary

5-27-99

Date

Available Credit Calculation:

Resident Population	880,453	
Factor	1.25	
Credit Ceiling Available	<u>\$1,100,566</u>	
1998 Carryover Available	\$0	
Total Credits Available	<u>\$1,100,566</u>	
Maximum Credit per Developer (25% of total)		\$275,142

Allocations:

	<u>Round</u>	<u>Non-Profit</u>	<u>Amount Requested</u>	<u>Approved Allocation</u>	<u>Section Criteria Points</u>
Small Project (20%)					
<i>(projects requesting \$50,000 credits or less)</i>					
Livingston - Timberline Apts	2/26/99		\$44,044	\$39,000	87
Sub-Total			<u>\$44,044</u>	<u>\$39,000</u>	
Non-Profit Pool (10%) (at least \$110,057 must be allocated to qualifying non-profits)					
General Pool (remainder)					
Missoula - Lenox Flats	2/26/99	Yes	\$104,098	\$104,100	88
Billings - Pemberton Heights	2/26/99	Yes	\$274,174		83
Billings - Central Court Village Ph II	2/26/99		\$274,688	\$275,000	107
Lame Deer - Cheyenne Homes II	2/26/99		\$230,850	\$230,850	105
Kalispell - Big Sky Manor	2/26/99		\$114,251	\$115,000	99
Libby - Green Meadow Apts	2/26/99		\$67,181	\$70,000	98
Anaconda - St Andrews Apts	2/26/99		\$274,704		94
Missoula - Russell Square	2/26/99		\$270,000		91
Billings - Cottonwood Apts	2/26/99		\$272,430		79
Sub - Total			<u>\$1,882,376</u>	<u>\$794,950</u>	
Grand - Total			<u>\$1,926,420</u>	<u>\$833,950</u>	
Summary					
Set-a-side			<u>Small Project</u>	<u>Non-Profit & General</u>	
1st Round Allocations			\$220,113.25	\$880,453	
Remaining Balance			<u>\$39,000</u>	<u>\$794,950</u>	
			<u>\$181,113</u>	<u>\$85,503</u>	
Applications not Ranked					
Kalispell - Westgate Senior Apts	2/26/99	late	\$49,884	\$5,957	Non-Profit
Ronan - Hanson & Granley Apts	2/26/99	late	\$11,850	\$79,546	General
Ronan - Maxwell Senior Apts	2/26/99	late	\$30,810		
St Ignatius - Maxwell Senior Apts	2/26/99	late	\$12,615		
Belgrade - Cedar Springs	2/26/99	late	\$224,688		
Helena - Harrington Park	2/26/99	incomplete	\$266,278		
Lame Deer - Cheyenne Homes I	2/26/99	withdrawn	\$131,508		
Whitefish - East Lake Apts	2/26/99	not sound	\$257,300		
Total Applications not Funded			<u>\$984,933</u>		
Grand Total Credits Requested			<u>\$2,911,353</u>		

LIHTC APPLICATIONS RECEIVED
February 26, 1999 Round

1. Did applications meet completeness and soundness criteria?
2. Were applications deemed eligible, based on the allocation plan and its selection criteria?
3. Did the project score adequate points to qualify for tax credits this round?
4. Did the chief executive officer and local housing provider respond to the MBOH request for comments on the appropriateness of project for community?
5. Did the initial evaluation of the credit needed for financial feasibility support the amount of credits requested?

	Qu #1 Complete & Sound	Qu #2 Preliminary Eligible	Qu #3 Points	Qu #4 Local Response	Qu #5 Support Credit
- Small Project (20%) (projects requesting \$50,000 credits or less)					
Livingston - Timberline Apts	YES	YES	87	YES	NO
- General Pool (remainder)					
Billings - Central Court Village Ph II	YES	YES	107	YES	YES
Lame Deer - Cheyenne Homes II	YES	YES	105	YES	YES
Kalispell - Big Sky Manor	YES	YES	99	YES	YES
Libby - Green Meadow Apts	YES	YES	98	YES	YES
Anaconda - St Andrews Apts	YES	YES	94	YES	YES
Missoula - Russell Square	YES	YES	91	YES	YES
Missoula - Lenox Flats	YES	YES	88	YES	YES
Billings - Pemberton Heights	YES	YES	83	YES	YES
Billings - Cottonwood Apts	YES	YES	79	YES	YES

- **Applications not Ranked**
- Kalispell - Westgate Senior Apts
- Ronan - Hanson & Granley Apts
- Ronan - Maxwell Senior Apts
- St Ignatius - Maxwell Senior Apts
- Belgrade - Cedar Springs
- Helena - Harrington Park
- Lame Deer - Cheyenne Homes I
- Whitefish - East Lake Apts
- Application received after the deadline.
- Application was incomplete.
- Application was withdrawn.
- Application did not show adequate cash flow to be considered sound.



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MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT
March 15, 1999

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of February 22, 1999 Board Meeting
- II. QUARTERLY REPORTS - Kelly Rusoff, Accounting and Finance Manager
 - ◆ Financial Statement
 - ◆ Budget Report
- III. RAM Update- Bruce Brensdal, Multifamily Program Manager
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series B -Update
 - ◆ Recycled Funds Programs/Updates
 - ◆ Purchase Price Limits Analysis Update
 - ◆ New Lender Application - Ruby Valley National Bank
 - ◆ Correspondent Lending Policy
- V. TRUSTEE RESTRUCTURING - U.S. Bank Corporate Trust
- VI. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date
 - ◆ Oser's Motion

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MONTANA BOARD OF HOUSING SINGLE FAMILY PROGRAM

CORRESPONDENT LENDER POLICY

Mortgage Lenders approved by the Montana Board of Housing (MBOH) to participate in the MBOH's Single Family Programs may enter into "Correspondent Lending" relationships with "Correspondent" mortgage lenders not approved by the MBOH, pursuant to which the Correspondent takes mortgage loan applications and handles other ministerial matters for the MBOH approved "Sponsor" Mortgage Lender, but only if the following conditions are satisfied:

1. The Sponsor is fully responsible to the MBOH for the underwriting of the mortgage loan, even though it may have delegated a portion of the application process to the Correspondent.
2. The Sponsor is responsible for and handles all contacts with the MBOH.
3. The loan is closed and funded by the Sponsor. The Sponsor is responsible for all final documentation and obtaining FHA insurance, or RD or VA guarantee.
4. The Sponsor is responsible to HUD, VA, USDA/RD, and MBOH for any deficiencies in the mortgage loan if required by the MBOH's program documentation.
5. The Sponsor is responsible for all servicing of the mortgage loan.
6. Fees charged the mortgagor and home seller shall not exceed those permitted by the MBOH in cases where a single Mortgage Lender is involved.
7. MBOH shall have no obligation to deal with the correspondent, but shall look only to the Sponsor.
8. The Sponsor-Correspondent relationship shall meet all HUD(FHA) requirements and/or appropriate requirements of VA and USDA/RD for a Sponsor-Correspondent relationship.



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MBOH Conference Room
836 Front Street
March 15, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Bill Oser, Secretary (Present)
Waneeta Farris (Absent)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Charlie Brown, Single Family Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD/FHA
Gordon Hoven, US Bancorp Piper Jaffray
Dennis Egan, US Bank-Corporate Trust
Deborah Kuykendall, US Bank-Corporate Trust
Sherrie Pantle, US Bank-Corporate Trust
Mary Lou Affleck, USDA Rural Development

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Tom Welch made a motion to approve the February 22, 1999 minutes. Bill Oser seconded the motion. The motion passed unanimously.

QUARTERLY FINANCIAL REPORTS

Kelly Rusoff presented the Financial Statement comparing December 1997 with December 1998. She explained the balance sheet and the income statement. The budget report showed 54% of the budget spent for 67% of the year elapsed.

MULTIFAMILY HOUSING PROJECTS

Bruce Brensdal presented a report on the status of the Reverse Annuity Mortgage (RAM) allocation of loan funds. The amount of allocation available for RAM loans is \$836,043.33.

Bruce presented a letter to the City of Miles City from Chairman Bob Thomas disclosing the concerns the Board has with the underwriting assumptions of the Custer Villa Apartments project.

Bruce gave an update on the Low Income Housing Tax Credits applications received.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There have been 142 loans reserved for \$10,349,503 and 315 loans have been purchased for \$21,586,260. The average purchase amount is \$68,527. The average reservation amount is \$72,883. The average income is \$31,374. The total balance remaining to be reserved is \$28,222,641 as of March 9, 1999. Bob presented a report that listed the most active lenders in the 1998 B program. He presented a report that showed the number of loans, the amount of the loans, and the average income for the 1998 B program. The zip code report showed all the towns that have reserved, purchased, or are processing loans with Montana Board of Housing (MBOH).

Bob reported on an REO in the Kalispell area.

Bob presented a memo on the Rebate Liability on the 1983 Series A bonds, that were refunded by 1994 Series A, of \$787,474.46. MBOH could pay the Rebate Liability to the IRS or blend \$1,500,00 of 0% loans or equivalent yield reduction to attain yield compliance. Bob discussed moving approximately \$750,000 from the 1994 Series A bonds to the 1998 Series B and blending it to achieve about half of the yield reduction.

In addition, Bob discussed setting up a special program for projects (1-4 units) developed by non-profit organizations that serve a population who are in dire need of housing at low rents. Maureen proposed moving the \$10 million from the special program account in 98A for loans in the 98B account. Bill Oser made a motion to transfer \$10 million from the special program to the Series 98B program. Tom Welch seconded the motion. The motion passed unanimously.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$17,741,471 remaining to be reserved. The Habitat for Humanity programs in Red Lodge and also in Livingston are requesting permission to do another project in their cities. Tom Welch made a motion to allow the Single Family Program to adjust the Habitat for Humanity program as seems best to use the funds. Bill Oser seconded the motion. The motion passed unanimously. Bob presented a letter from Joe Burst of the City of Billings program requesting an extension on the 203(k) program. Bill Oser made a motion to extend the City of Billings 203K program until March 31, 2000. Maureen asked how fast the Cash Assistance Program is going out? Bob said the interest rate is higher than the regular program, therefore, the demand is a little less than usual.

Bob gave an update on the purchase price analysis. MSU has completed analyzing the data and Bob will go through the report and send it to the Board.

Bob presented a new lender application from Ruby Valley National Bank in Twin Bridges and Sheridan. Tom Welch made a motion to accept the application subject to getting what is needed on the Errors and Omissions Insurance. Bill Oser seconded the motion. The motion passed unanimously.

Bob presented the Correspondent Lender Policy to the Board. Tom said he would like the program reviewed after a year. Bill Oser made a motion to accept the policy as stated. Teresa Lightbody seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented a memo that was sent to all lenders on the income limits.

Maureen presented a flyer on the Neighborhood Reinvestment Training Institute in Chicago from June 28-July 2, 1999. Bill Oser made a motion to send Charles Brown to the Training Institute. Tom Welch seconded the motion. The motion passed unanimously.

Maureen presented information from the National Governors Association stating their policy on economic and community development programs. The Governors support increasing the volume cap on "private-activity" bonds. The information included a part on the Governor's policy on affordable housing. Maureen presented a copy of bills introduced for Volume Cap and the Tax Credit Cap increases. MBOH appreciates Rick Hill for being a Cosponsor for the bill.

Maureen presented a letter from a borrower thanking Sue Mannix for her help in getting a MCC Certificate renewed. Maureen said that Roan Blacker has left Paine Webber to start his own business.

US Bank gave a presentation on the trustee restructuring they are doing. Debbie Kuykendall, Dennis Egan, and Sherrie Pantle were the representatives present to answer the Board's questions.

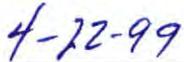
Mary Lou Affleck of Rural Development presented some statistics on Rural Development loans and thanked MBOH for their partnership.

Maureen gave an update on bills that MBOH has been watching. Bill Oser reported that funding has been approved for the Plan Book.

The next meeting will be April 22, 1999 in Helena. The meeting adjourned at 11:35 A.M.



Bill Oser, Secretary



Date



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HELENA, MT
February 22, 1999

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of January 22, 1998 Board Meeting
- II. INVESTMENT POLICY - Kelly Rusoff, Accounting and Finance Manager
- III. MULTIFAMILY HOUSING PROJECTS - Bruce Brensdaal, Multifamily Program Manager
 - ◆ Miles City - Bond/Tax Credit Allocation
 - ◆ Livingston, Risk Sharing/Restructuring
- IV. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series B -Update
 - ◆ Correspondent Lenders
 - ◆ Income Limits
 - ◆ Recycled Funds Programs
 - ◆ Request for Proposal, Red Lodge
- V. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Legislative Conference
 - ◆ Legislation Update
 - ◆ Spring Workshops, Training
 - ◆ Staffing and Training
- VI. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule for Legislative Session
 - ◆ Oser's Motion
- VII. Adjourn until **2:30 p.m.** - **BOARD WORKSESSION**
 - ◆ Bond Issuance Process - John Wagner, PaineWebber
 - ◆ New Board Member Orientation - John Wagner, Mike Mulroney

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February 22, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Absent)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulrone, Luxan & Murfitt

UNDERWRITERS Mina Choo, Paine Webber

OTHERS: Dick Brinck, HUD/FHA
Jerry Boone, HUD/FHA
Caren Roberty, Bozeman HRDC
Steve Redinger, Intermountain Mortgage
Steve Walton, Intermountain Mortgage
Jeff Rupp, Bozeman HRDC
LaVonne Peck, District 7 HRDC

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Tom Welch made a motion to approve the January 22, 1999 minutes. Ronda Carpenter seconded the motion. The motion passed unanimously.

INVESTMENT POLICY REVIEW AND UPDATE

Kelly Rusoff presented the new and improved investment policy that included the changes recommended by the Board. The changes included designating those in authority and internal controls, reporting the status of rebate earnings, sales of securities, investment policies, conflicts of interest, and responsibilities of the Finance manager. Kelly presented an exhibit that spelled out the investment strategy for the agency. Tom Welch made a motion to adopt the Investment Policy. Bob Savage seconded the motion. The motion passed unanimously.

MULTIFAMILY HOUSING PROJECTS

Bruce presented an application for the Custer Villa Apartments in Miles City sponsored by Birchwood Properties of Fargo ND. The City of Miles City is going to issue tax-exempt bonds to fund the permanent financing. Therefore, the project is eligible to receive tax credits outside of the normal tax credit pool for Montana. Montana Board of Housing's (MBOH) role is to determine if the project meets the Qualified Allocation Plan. The project is an acquisition rehab project. The project has a project based Section 8 contract that is being renewed annually but there is no guarantee that it will be renewed for the term of the proposed loan. The rents proposed are above the fair market rents in Miles City; however, they compare with Billings because there are no comparable units in Miles City. HUD may review the annual contract rents at that level, but the project is not financially feasible if the contract rent is dropped to fair market rent. Bruce presented documentation from their underwriters and the bond underwriters confirming they are willing to finance the project at the proposed levels and that the underwriting method is acceptable. The project scored 74 points, which meets the minimum criteria of the Qualified Allocation Plan. John Wagner of Kutak Rock explained the legal precedence and liability for MBOH on the 4% programs. The Board recommended sending a letter to the City of Miles City explaining the underwriting concerns. Waneeta Farris made a motion to accept the Custer Villa Project with a letter expressing concerns to involved parties. Bob Savage seconded the motion. The motion passed with Ronda Carpenter abstaining.

Bruce asked to present the Livingston project application later on the agenda to give HRDC staff time to arrive.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan presented a graph that showed a comparison of the loans purchased for the months of October through February for bonds that were issued in September of various years.

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There have been 136 loans reserved for \$9,219,598 and 271 loans have been purchased for \$18,720,714. The average purchase amount is \$69,080. The average reservation amount is \$67,791. The average income is \$30,913. The total balance remaining to be reserved is \$32,198,115 as of February 16, 1999. Bob presented a report that listed the most active lenders in the 1998 B program. He presented a report which showed the number of loans, the amount of the loans, and the average income for the 1998 B program. The zip code report showed all the towns that have reserved, purchased, or are processing loans with MBOH.

Bob Morgan presented a letter from Intermountain Mortgage requesting authority to be a Correspondent Lender. Bob introduced Steve Redinger and Steve Walton from Intermountain Mortgage. Intermountain Mortgage would contract with rural banks to do FHA loans. Mr. Redinger explained the process involved. Jerry Boone of HUD presented a list of FHA requirements for a Sponsor vs. Loan Correspondent program. Ronda Carpenter made a motion to direct the staff to prepare a policy for Correspondent lending. Bob Savage seconded the motion. The motion passed unanimously.

Bob presented a chart with the new federal maximum income limits and the current limits. Bob said the new limits must be used when calculating recapture tax. Waneeta Farris made a motion to increase the new HUD income limits. Teresa Lightbody seconded the motion. The motion failed with Waneeta and Teresa approving the motion and Bob Savage, Tom Welch, and Ronda Carpenter voting against the motion.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$17,426,834 remaining to be reserved. Maureen said MBOH received a Social Compact award as an honoree for their setaside with Neighborhood Housing Services. Glacier Affordable Housing was a finalist for the Social Compact Award.

MULTIFAMILY HOUSING PROJECTS

Bruce presented a revised application for the Miles Building Apartments in Miles City sponsored by Bozeman HRDC. The developers are requesting a bridge loan from the special reserve fund at 5% for \$250,000 for the gap in financing, until they could apply for a HOME grant. The project has a project based Section 8 contract that is being renewed annually but there is no guarantee that it will be renewed for the term of the proposed loan. Karen Roberty and Jeff Rupp from HRDC were present to answer Board questions. The project is an acquisition project. The project has no zoning issues and there is a memorandum of understanding for purchase. Amenities include a community room, laundry room, and tenant storage. The rents for tenants are \$300 for five efficiency apartments for tenants at 50% of area median income, \$400 for 34 one-bedroom units for tenants at 60% area median income, and \$500 for one two-bedroom unit. Staff recommended approval of the second loan with a list of conditions. Ronda Carpenter made a motion to approve the second loan for \$250,000 at 5% from the special reserve fund subject to the proposed conditions. Waneeta Farris seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM

Bob Morgan presented a request for a setaside from the City of Red Lodge. Bob introduced LaVonne Peck from District 7 HRDC. The HRDC is requesting \$700,000 for 8 houses. The project scored 90 points with a minimum threshold of 50 points. Tom Welch made a motion to approve a setaside for the City of Red Lodge Home Buyer Program for 8 homes for \$700,000 at 6% with a .25% reservation fee with no duplication of funds until December of 2000. Bob Savage seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude gave the Board packets to give to the Congressmen when they attend the Legislative Conference in Washington DC from February 28-March 3, 1999.

Maureen presented information for the workshop in the afternoon.

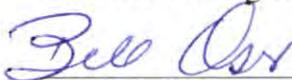
Maureen presented a newsletter from NCSHA regarding bills in the Congress. Maureen went through a list of bills in the state legislature that might affect housing.

Maureen presented a calendar of NCSHA events. Bob Savage made a motion to send a staff person from each program (3) and Maureen to the spring Workshops in Portland from May 16-18, 1999. Waneeta seconded the motion. The motion passed unanimously.

Maureen presented several articles for the Board's information.

The regular meeting dismissed for an executive session on staffing and training.

The next meeting will be March 15, 1999 in Helena. The meeting adjourned at 11:25 P.M.



Bill Oser, Secretary

3-15-99

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
836 FRONT STREET
HELENA, MT
January 22, 1999

- I. **8:30 a.m.** -CALL MEETING TO ORDER - Chairman Bob Thomas
 - ◆ Minutes of December 14, 1998 Board Meeting
- II. INVESTMENT POLICY REVIEW AND UPDATE - Kelly Rusoff, Accounting and Finance Manager
- III. BOND CALLS - Kelly Rusoff, Accounting and Finance Manager
- IV. MULTIFAMILY HOUSING PROJECTS - Bruce Brensdal, Multifamily Program Manager
 - ◆ Request for Project Change - Pablo
 - ◆ Request for Preliminary Commitment, Risk Sharing
- V. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - ◆ 1998 Series B -Update
 - ◆ Hazard Insurance Research
 - ◆ MBOH Purchase Price Limit Update
 - ◆ Recycled Funds Programs
 - ◆ Set-aside Program Updates
 - ◆ HUD Section 184
 - ◆ Delinquency Statistics
- VI. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - ◆ Legislative Conference
- VII. OTHER BUSINESS
 - ◆ Next Meeting Date/Schedule for Legislative Session
 - ◆ Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 11/12/98



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MBOH Conference Room
836 Front Street
January 22, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Absent)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Kelly Rusoff, Accounting & Finance Manager
Sue Mannix, Accountant
Diana Hall, Administrative Assistant

COUNSEL: Mike Mulroney, Luxan & Murfitt

OTHERS: Dick Brinck, HUD
Caren Roberty, HRDC District 9
Nick Fluehr, Salomon Smith Barney
Bob Gauthier, Salish Kootenai Tribes

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:35 a.m..

APPROVAL OF MINUTES

Bill Oser made a motion to approve the December 14, 1998 minutes. Tom Welch seconded the motion. The motion passed unanimously.

INVESTMENT POLICY REVIEW AND UPDATE

Kelly Rusoff presented the current investment policy and some changes she recommended to that policy. She went through each point and asked the Board for input to proposed changes. Kelly

will update the policy and present it to the Board. Maureen praised Kelly for the time and effort put into improving the Investment policy.

BOND CALLS

Kelly Rusoff presented a chart showing the series, rate, amount of call and the source of bond calls. She also presented the investment portfolio listed by institution, a report on the diversification of investments, and a listing of the long-term investments and discount notes.

MULTIFAMILY HOUSING PROJECTS

Bruce Brensda presented a letter from the Salish Kootenai Housing Authority requesting the Felseman Addition Tax Credit Project be allowed to rent 50% of the units at 50% of AMI and the remaining 50% of the units at 60% of AMI. Bob Gauthier was present to answer questions from the Board. The project has 20 homes and the need for the change has been demonstrated. The application was rescored to 81 points. Bob Savage made a motion to approve the change for the Felseman Addition project. Bill Oser seconded the motion. The motion passed unanimously.

Bruce presented an application for the Miles Building Apartment in Livingston sponsored by Bozeman HRDC. Karen Roberty from HRDC was present to answer Board questions. The project would be a permanent loan through the risk-sharing program. The project is an acquisition project. The project has no zoning issues and there is a memorandum of understanding for purchase. Amenities include a community room, laundry room, and tenant storage. The rents for tenants are \$300 for five efficiency apartments for tenants at 50% of area median income, \$400 for 34 one-bedroom units for tenants at 60% area median income, and \$500 for one two-bedroom unit. The project has a project based Section 8 contract that is being renewed annually but there is no guarantee that it will be renewed for the term of the proposed loan. Staff recommended approval with a list of conditions. The project would be funded from the issuance of bonds or from excess funds within the indenture or funded with excess funds and then issuing bonds to reimburse MBOH. Bob Savage made a motion to accept staff recommendations subject to the proposed conditions. Tom Welch seconded the motion. The motion passed unanimously.

Bruce presented a letter from Scott Sanders, which thanked Bruce and Maureen for supporting a duplex project. He listed the advantages of smaller projects.

Maureen presented an article from the Housing Development Reporter that had quotations from Bruce.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There have been 164 loans reserved for \$11,672,193 and 181 loans have been purchased for \$12,145,763. The average purchase amount is \$67,103. The average reservation amount is \$71,171. The average income is \$30,916. The total balance remaining to be reserved is \$36,300,109 as of January 15, 1999. Bob presented a report that listed the most

active lenders in the 1998 B program. He presented a report, which showed the number of loans, the amount of the loans, and the average income for the 1998 B program.

Bob presented a letter giving information on hazard insurance deductible limits for other state agencies. The Board did not want to change MBOH policy for insurance.

Bob presented a new release stating that Tennessee Housing Development Agency's Board of Directors approved higher home acquisition cost limits for its mortgage program. He presented the new FHA maximum mortgage limits for various areas of the state. Bob presented a letter from First Interstate Bank in Bozeman stating that the new impact fees are raising the market price for homes in that area and they would like to have MBOH raise the maximum mortgage limits. The lenders and Realtors sent plenty of data to be sent to Montana State University, Billings, for analysis.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$17,912,177 remaining to be reserved. MBOH purchases approximately \$2 million per month from the setaside programs. Maureen said a Realtor in Hamilton thanked the Board for all their help in getting their program set up. Bob Gauthier of the Salish Kootenai praised the Board for their technically competent and professional staff. Mr. Gauthier said the 184 program was an amendment to the Federal Housing Bill and he gave an update on the program.

Bob Morgan presented the quarterly Delinquency report for quarter that ended September 30, 1998. The report compares MBOH with delinquencies in Montana, the mountain region, and the nation. MBOH has a delinquency rate of 3.09% compared to 2.96% in Montana and 3.79% in the Mountain Region and 4.49% nationally. He also presented a servicer comparison report. A delinquency analysis reported the delinquencies by servicer, county, set aside, and loan type..

Maureen and Bob gave an update on a loan that involved an eviction.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude gave the Board information for the Legislative Conference in Washington DC from February 28-March 3, 1999.

Maureen presented a news release and copies of several bills in the Legislature that might affect housing.

Maureen said there are two bills to establish a housing trust fund in Montana. Ronda Carpenter made a motion to endorse Senator Christiaens Housing Revolving Loan Fund. Tom Welch seconded the motion. The motion passed with Bill Oser abstaining.

Maureen presented a letter from the Social Compact Award stating the MBOH and NHS partnership was singled out as an Honoree for Partnership Achievement.

Maureen presented thank you letters sent to staff from the people they work with. She also presented several new articles, the Consolidated Plan resource directories, and the final economic

benefits analysis of all the Montana Department of Commerce housing, infrastructure and economic development program activities.

Maureen presented a resolution from the Federal Home Loan Bank reaffirming authorization for nonmember mortgage advances, security, and deposit agreements and authorizing signatures. Tom Welch made a motion to approve the Federal Home Loan Bank resolution #99-0122-G1. Bob Savage seconded the motion. The motion passed unanimously.

The next meeting will be February 22, 1999 in Helena. The meeting adjourned at 12:00 P.M.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing

PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING

Mountain West Bank Building, Downstairs Conference Room
2021 North Montana
December 6, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - Minutes of November 4, 1999 Board Meeting
- II. TRUSTEE FUNCTIONS – Kelly Rusoff and Dolly Snyder, Accounting
- III. QUARTERLY INVESTMENT AND BUDGET REPORTS – Kelly Rusoff, Accounting and Finance Manager
- IV. MULTIFAMILY PROGRAM AND LOW INCOME HOUSING TAX CREDIT UPDATE – Bruce Brensdal, Multifamily Program Manager
 - Aspen Meadows Apartments-Bozeman
- V. SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager
 - 1999 Series A
 - Bridge Program
 - Planning for New Bond Issue
 - Purchase Price Limits (Data from Lenders and Realtors)
 - Recycled Funds Programs
 - Quarterly Delinquency Report
 - REO Report
- VI. HOUSING AGENCY ORGANIZATION IN OTHER STATES – Bob Savage
- VII. EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude
 - Legislative Conference
- VIII. OTHER BUSINESS
 - Next Meeting Date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 9/27/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing

PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Mountain West Bank Building
2021 North Montana
December 6, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Absent)
Thomas Welch (Absent)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Kelly Rusoff, Accounting and Finance Manager
Dolly Snyder, Assistant Accounting and Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan and Murfitt

OTHERS: Gordon Hoven, US Bankcorp Piper Jaffray
Jerry Boone, HUD/FHA
LeAnn Lundberg, US Bank Corporate Trust
Debbie Kuykendall, US Bank Corporate Trust
Mike Hickey, US Bank Montana
Phil Rotherham, Gerrard Co/Rotherham Cooper Inc.

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the November 4 meeting minutes. Waneeta Farris seconded the motion. The motion passed unanimously. Due to circumstances, agenda items were moved around to accommodate Board members.

QUARTERLY INVESTMENT AND BUDGET REPORTS

Kelly Rusoff presented the quarterly investment report. She presented a report on the diversification of investments. Kelly gave a report on the cost to market long-term investments and discount notes. The budget report through September 30, 1999, which was 25% of the year elapsed, showed 10.81% of the budget has been spent.

MULTIFAMILY PROGRAM AND LOW INCOME HOUSING TAX CREDIT UPDATE

Bruce Brensda presented a request for a project change for the Aspen Meadows in Bozeman. Phil Rotherham explained the cost increases and their request to reduce the number of units for the project from 48 to 44. Waneeta Farris made a motion to approve the change to reduce the number of units from 48 to 44. Teresa Lightbody seconded the motion. The motion passed unanimously.

Bruce presented a letter from Thomas Development announcing the Atherton Apartments received a design award for civic improvement. An article from the HDR Current Developments discussed the proposed tax credit allocation plan changes.

SINGLE FAMILY PROGRAM UPDATE

Bob gave an update on the 1999 A Program. The total funds available for the 1999 A bond issue was \$52,721,444. Additional funds from the 89A were \$574,952 and reservations fees to be collected are \$167,395. There have been 208 loans reserved for \$16,306,583 and 445 loans have been purchased for \$33,620,620. \$3,500,000 has been set aside to blend with the new bond issue leaving the total balance remaining to be reserved at \$36,588 as of November 22, 1999. The average reservation amount is \$77,979. The average purchase amount is \$75,552. The average income is \$32,115.

Bob said that funds available from cancellations in previous series were used to purchase some loans. The bridge program started December 1, 1999 and \$1,371,000 has been reserved. Bob projected that \$16,000,000 would be reserved between now and the new bond issue. The Board discussed a program to bridge the gap between bond issues (Bridge Program). Bob said there are funds that MBOH sets aside for special programs, that could be used for the interim. The zip code report shows the number of loans, the loan amount, and the average income for each city in Montana. A reservation activity report compared December 1997-November 98 with December 1998-November 99 for total reservations and average daily reservations. Bob noted a 39% increase in reservations this year over last year. The recycled report shows a balance of \$16,877,768 to be reserved.

Maureen presented a schedule from PaineWebber that would maximize Montana Board of Housing's (MBOH) ability to "current refund" outstanding single family mortgage revenue bonds in order to minimize the need for "private activity cap" for the next bond issue. The report from the internet showed conventional interest rates around Billings on December 3, 1999. Another report showed the 30 year fixed mortgage rate. A report from Merrill Lynch showed the

rate on comparative recent financing in other states. Maureen said she applied for \$75,000,000 of volume cap. MBOH currently has \$37,000,000 in carry over and MBOH receives \$43,000,000 after the first of the year under state law. Therefore, theoretically, MBOH has \$155 million total volume cap. Bill Oser suggested \$75,000,000 of lendable proceeds be the target for the new bond issue with a consensus from the Board members.

Bob presented a report showing an additional 42 loans were made because of increased purchase price limits. Bob discussed getting the appropriate information from the realtors and lenders to determine purchase price limits in the future. The Board concurred with doing the study again. Bob presented the recycled report. The Livingston Land Trust requested an additional 120 days for their setaside. Bill Oser made a motion to extend the Livingston Land Trust setaside to May 1, 2000. Waneeta Farris seconded the motion. The motion passed unanimously. Bob presented a demographic report of the Habitat for Humanity Program. Bill Oser made a motion to extend the Habitat for Humanity program to December 31, 2000. Waneeta Farris seconded the motion. The motion passed unanimously. Bob presented a demographic report on the HUD Section 184 program. Bill Oser made a motion to extend the HUD Section 184 program to January 1, 2001. Teresa Lightbody seconded the motion. The motion passed unanimously. Bob presented a request for an extension from the Glacier Affordable Housing Program. Waneeta Farris made a motion to extend the program for one year. Bill Oser seconded the motion. The motion passed unanimously. Bob presented a fax from the Ronan Housing Authority. Bill Oser made a motion to extend the Ronan Housing Authority setaside for nine months to October 1, 2000. Waneeta Farris seconded the motion. The motion passed unanimously. Bob presented a letter from Double-Tree on behalf of the City of Lewistown and the City of Glendive requesting an extension for one year. Bill Oser made a motion to extend the City of Glendive setaside to June 1, 2000 and then receive a report from them. Teresa Lightbody seconded the motion. The motion passed unanimously. Bill Oser made a motion to extend the City of Lewistown setaside to June 1, 2000. Teresa Lightbody seconded the motion. The motion passed unanimously.

TRUSTEE FUNCTIONS

Waneeta Farris asked to be excused from this segment of the meeting. Kelly Rusoff presented the comments she received from other housing agencies that used US Bank and also Norwest as trustee. Kelly reported on meeting with Norwest staff on November 22, 1999. The staff recommended that the Board adopt a resolution to move the Single Family II Indenture to Norwest and keep the Goldman Issues and Multifamily with US Bank. Bill Oser made a motion to follow staff recommendations. Bob Savage seconded the motion. Comments were received from Debbie Kuykendall, LeAnn Lundberg, and Michael Hickey of US Bank. Bill Oser withdrew the original motion. Bill Oser made a motion to adopt resolution #99-1206-T1 to be executed by the Executive Director and the Chairman. Teresa Lightbody seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE (CONTINUED)

Bob Morgan presented the quarterly delinquency report for the end of June that compared MBOH's 2.65% with Montana's 2.74%, the mountain region's 3.32%, and the nation's 4.13%. Bob said MBOH's servicers are doing extremely well because they are being compared with all

loans. Bob presented the loan delinquency analysis that shows delinquencies by servicer, county, setaside, and loan type. Bob reported on the REO status.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude said she has conferred with Neighborhood Housing Services regarding expanding areas for homebuyer education.

The National Council of State Housing Agencies annual Legislative Conference will be March 13-15, 2000 in Washington DC.

Maureen said she met with representatives from Senator Burns office and expressed her appreciation for the relationship MBOH has with that office.

Maureen said the Annual Reports have been completed, but can not be distributed until the Legislative Auditors give the final approval of the audit report in December.

The next meeting will be January 10, 2000 in Helena. The meeting adjourned at 11:20 A.M.

Bill Oser

Bill Oser, Secretary

1-13-2000

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING 836 Front Street, Helena, MT November 4, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER** - Chairman Bob Thomas
 - Minutes of October 4, 1999, Board Meeting
- II. **CHANGES TO US BANK TRUSTEE OPERATIONS** - Debbie Kuykendall, Dennis Egan, LeAnn Lundberg, US Bank
- III. **SINGLE FAMILY PROGRAM UPDATE** - Bob Morgan, Single Family Program Manager
 - 1999 Series A
 - Recycled Funds Programs
- IV. **LOW INCOME HOUSING TAX CREDIT 2000 ALLOCATION PLAN** – Bruce Brensdal, Multifamily Program Manager
- V. **INVESTMENT UPDATE, BOND CALLS** – Kelly Rusoff, Accounting and Finance Manager
- VI. **HOUSING AGENCY ORGANIZATION IN OTHER STATES** – Bob Savage
- VII. **EXECUTIVE DIRECTOR'S UPDATE**- Maureen Rude
 - NCSHA Board Appointment, NCSHB Officer Appointment
 - Winter Workshops for Staff
- VIII. **OTHER BUSINESS**
 - Next Meeting Date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 9/27/1999



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Montana Board of Housing

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MBOH Conference Room
836 Front Street
November 4, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present via teleconference)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Charles Brown, Training and Development Specialist
Kelly Rusoff, Accounting and Finance Manager
Dolly Snyder, Assistant Accounting and Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan and Murfitt

OTHERS: Gordon Hoven, US Bankcorp Piper Jaffray
Dennis Egan, US Bank Corporate Trust
LeAnn Lundberg, US Bank Corporate Trust
Diane Thormodsgard, US Bank Corporate Trust
Debbie Kuykendall, US Bank Corporate Trust
Jay Morton, Norwest Mortgage

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

88 NOV
Rogers
5th Bridge

APPROVAL OF MINUTES

Bill Oser made a motion to accept the October 4 meeting minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

CHANGES TO US BANK TRUSTEE OPERATIONS

Debbie Kuykendall, relationship specialist for US Bank, discussed the importance of Montana Board of Housing (MBOH) as a customer, where US Bank is today with delivery of services, and what is being done to make immediate changes to the way US Bank is delivering services. Debbie handed out a copy of a letter sent to Maureen, an executive summary, a list of key players assigned to MBOH's account, and an organizational chart. Kelly Rusoff expressed her concerns to US Bank. The staff will make a final recommendation to the Board at the December 6, 1999 Board meeting.

SINGLE FAMILY PROGRAM UPDATE

Bob gave an update on the 1999 A Program. The total funds available for the 1999 A bond issue was \$52,721,444. There have been 297 loans reserved for \$22,998,610 and 286 loans have been purchased for \$21,121,941. The total balance remaining to be reserved is \$5,675,845 as of September 29, 1999. The average reservation amount is \$77,436. The average purchase amount is \$73,853. The average income is \$32,163. The balance to be reserved is \$5,675,845. The Board discussed a program to bridge the gap between bond issues (Bridge Program). Bob said there are funds that MBOH sets aside for special programs, that could be used for the interim. The Bridge Program would be considered, for tax purposes, as an investment of such funds. The new bond issue would be structured to purchase the loans originated in the Bridge Program, thus reimbursing the special program funds. The timetable for the new bond issue would be to start on the paper work the first of January, price the bond the first of February, and close the first of March. This schedule will have the closing within 90-days of the next bond call, and all amounts of the bond call can be considered a refunding and thus conserve volume cap. Bob projected that 1999A funds would cover loan purchases through the first of January, and since most loans have lag time between reservation and purchase of one to two months, that an estimated \$5 to 10 million would be the projected use of special program funds. He also presented a report that showed the reservations activity history comparing 1997-98 with 1998-99. Kelly reported on money from pre-payments (pre-Ullman funds) and that the cash flows show about \$30 million available. Maureen talked about the interest rate and its effect on the Volume Cap. Bill Oser made a motion to leave the interest rate at 6.5% and see which way it goes. Teresa Lightbody seconded the motion. The Board discussed when rates should be changed. Bill withdrew the motion. Bill made a motion to leave the interest rates at 6.5% and if the FHA interest rate goes above 8 1/8%, the Board will have a conference call to see if the interest rate needs to be adjusted. Teresa Lightbody seconded the motion. The motion passed unanimously. Bob presented the 1999A Allocation Analysis that showed the most active lenders.

Bob presented a letter from Norwest Mortgage regarding its consolidation of the originating function. Bob presented a report on the REOs status. The zip code report shows the number of

loans, the loan amount, and the average income for each city in Montana. The recycled report shows a balance of \$16,877,768 to be reserved.

LOW INCOME HOUSING TAX CREDIT UPDATE

Bruce Brensda presented the proposed changes for the Qualified Allocation Plan, the meeting minutes for the hearing on November 1, 1999, and the written comments that were submitted. Ronda Carpenter made a motion to approve the proposed Qualified Allocation Plan. Bill Oser seconded the motion. The motion passed unanimously.

Bruce said the transfer of multifamily servicing to Streeter Brothers has gone well. He presented an article on the Reverse Annuity mortgages to help seniors. Maureen gave an update on the Libby project that had the fire. Most of the tenants have been placed and the developers are planning to rebuild.

INVESTMENT UPDATE, BOND CALLS

Kelly Rusoff presented the June investment portfolio listing by investment type. She also presented a report on the diversification of investments and reports comparing the cost to market from the previous quarter to the current quarter. Kelly presented the Status of Rebate report and a report on the bond call from excess revenues and reserves.

EXECUTIVE DIRECTORS UPDATE

Maureen said Bob Savage was elected as the First Vice-President of National Conference of State Housing Boards and Maureen was elected to be a Board Member of the National Council of State Housing Agencies board. Maureen said the National Council is having a tax credit conference in January and would like Bruce and Mary Bair to attend. Bill Oser made a motion to approve Bruce and Mary's trip to the Tax Credit Conference. Tom Welch seconded the motion. The motion passed unanimously.

Jay Morton of Norwest Mortgage explained the changes of job functions around the state and the consolidation of the origination function to Omaha.

Bill Oser gave an update on the Plan Book. Maureen gave an update on the annual report. Maureen asked legal counsel to do a paper on the difference between MBOH organization and other state housing agencies.

The next meeting will be December 6, 1999 in Helena. The meeting adjourned at 11:50 A.M.



Bill Oser, Secretary

12-6-99
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
The University of Montana Conference Center at Salmon Lake*
October 4, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - Minutes of August 30, 1999 Board Meeting
- II. **SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager**
 - 1999 Series A
 - Recycled Funds Programs
 - Requests for Additional Funds
 - City of Billings
 - Neighborhood Housing Services
 - First Time Homebuyer Savings Account
 - Requests for Set-Aside-Opportunity Resources Inc.
 - Presentation on Ravalli County Homebuyer Assistance Program
- III. **FISCAL YEAR 1998-99 FINANCIAL STATEMENTS – Kelly Rusoff, Accounting and Finance Manager**
- IV. **FISCAL YEAR 1998-99 AUDIT – Emy Neuman-Javornik and Wayne Guazzo, Legislative Audit Division**
- V. **MULTIFAMILY PROGRAM UPDATE – Bruce Brensdal, Multifamily Program Manager**
- VI. **EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude**
- VII. **OTHER BUSINESS**
 - Next Meeting Date
 - Oser's Motion

*** To attend the meeting, follow the attached instructions to get to the conference center, then blow the horn at the building on the shore and someone will come pick you up.**

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 9/27/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing

PO Box 200528
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

The University of Montana Conference Center
Salmon Lake, Montana
October 4, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Charles Brown, Training and Development Specialist
Kelly Rusoff, Accounting and Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulrone, Luxan and Murfitt

OTHERS: Peter Nolden, Paine Webber
Gordon Hoven, US Bankcorp Piper Jaffray
Ian Parker, Merrill Lynch
Jerry Boone, HUD/FHA
Dick Brinck, HUD
Ken Brown, Opportunity Resources, Inc.
Jack Chambers, Opportunity Resources, Inc.
Jim Morton, Human Resource Council
Rand Kennedy, Human Resource Council
Wayne Guazzo, Legislative Audit Division
Emlyn Neuman-Javornik, Legislative Audit Division

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the August 30 meeting minutes. Waneeta Farris seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob gave an update on the 1999 A Program. The total funds available for the 1999 A bond issue was \$52,721,444. There have been 306 loans reserved for \$23,268,962 and 115 loans have been purchased for \$8,487,358. The total balance remaining to be reserved is \$20,965,123 as of September 29, 1999. The average reservation amount is \$76,042. The average purchase amount is \$73,803. The average income is \$32,106. Bob presented a memo from Mina Choo regarding adjustments needed in the 1999A bond issue for yield compliance and other issues. The adjustments would reduce the balance to \$18,459,018. He also presented a report that showed the amount of reservations that came to Montana Board of Housing (MBOH) and the average daily reservations for 1997-98 compared to 1998-99. The Board discussed options for the next bond issue. Maureen and Peter Nolden of Paine Webber discussed the volume cap issue. Bob presented the statewide housing profile that showed the most active lenders and the zip code report that showed the number of loans in each city for each series.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$14,778,513 remaining to be reserved. The City of Billings requested an additional \$121,436 to close two more loans. Tom Welch made a motion to authorize an additional \$121,436 to the City of Billings setaside. Bob Savage seconded the motion. The motion passed unanimously.

Bob Morgan presented a letter from Rural Development stating the results of the lender review of MBOH. Bob said 20% of MBOH new loans are guaranteed by Rural Development.

Bob presented a request from Neighborhood Housing Services (NHS) for an additional \$2 million setaside. Tom Welch made a motion to authorize an additional \$2 million for the NHS setaside with the \$500 requirement from borrows. Bob Savage seconded the motion. The motion passed unanimously.

Bob presented a memo on the First-Time Homebuyer Savings Account Setaside Program. Western Security Bank has 25-30 customers who have first-time homebuyer savings accounts. Bill Oser made a motion to add \$2 million to the First-Time Homebuyer Savings Account setaside. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob presented a request from Opportunites Resources, Inc. for a loan for \$147,408 to assist in the development of a duplex group home facility for the disabled in Missoula. Jack Chambers and Ken Brown of Opportunites Resources, Inc. explained the project. Bob Savage made a motion to approve the application for Opportunites Resources, Inc. contingent on receiving a HOME Grant. Bill Oser seconded the motion. The motion passed unanimously.

Rand Kennedy and Jim Morton of the Human Resource Council gave an update on the Ravalli County Homebuyer Assistance Program. They requested to reduce the setaside by \$350,000

because the program housing costs came in less than anticipated. Bob Savage made a motion to reduce the Ravalli County Homebuyer Assistance Program setaside by \$350,000. Bill Oser seconded the motion. The motion passed.

Bob said the Habitat for Humanity Program has 5 loans in process and they are celebrating their 100th home being built.

FISCAL YEAR 1998-99 FINANCIAL STATEMENTS

Kelly Rusoff presented the financial report for the year ending June 30, 1999. She explained the balance sheet, expenses, and cash flows comparing 1999 with 1998.

FISCAL YEAR 1998-99 AUDIT

Emy Neuman-Javornik and Wayne Guazzo from the Legislative Audit Division reported on the audit for the 1998-99 fiscal year. The three main areas they audited were Mortgages, Bonds, and Investments. In the Mortgage area the auditors tested the servicer reconciliations and reporting process and calculated the servicer fee. In the Bond area the auditors tested that new bond issues were appropriately recorded on financial statements and that any debt service paid during the year was appropriately recorded. In the investment area the auditors looked at the investments that were made and if they met the requirements of the investment policy and that the investments were valued appropriately. Emy said the staff was outstanding and well versed in what they do. The auditors gave an unqualified opinion, meaning the financial statements can be relied upon to be materially correct.

MULTIFAMILY PROGRAM UPDATE

Bruce Brensdaal gave an update on the Cut Bank Hotel project. The project has had cash flow concerns and it has a boiler having serious problems. They have requested a deferral. Bruce has referred them to HUD to make sure the insurance issue is covered.

Bruce said the servicing agreement with Streeter Brothers is almost finalized. The first payments to go to Streeter Brothers will be December 1st. Bruce said he has completed permanent financing on the Pond Row project and Edna Court project. The Parkside Apartments in Hamilton received the loan to install an elevator.

Bruce said the construction contract for the preservation projects closed. The projects are finalizing the rehab plans.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented an article from the Wall Street Journal saying U.S. banks are ready for Y2K.

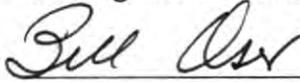
Mike Mulrone advised the Board that no official business of the Board can be conducted or discussed during dinner, breaks, and social activities.

Maureen presented an Economic and Demographic analysis for the Board's information. The maps show the rate of growth of the population and the charts show areas with increased growth. Montana's population is less than the birth and death rate suggests it should be. Therefore, there is a net out migration in Montana for the past two years. Rent and housing prices for every county are included in the analysis.

Bob Morgan presented an article that dealt with Mortgage Insurance Premiums. Jerry Boone explained some of the confusion on the FHA appraisal guidelines.

Maureen said there will be an Affordable Housing Conference October 19-20, 1999 in Great Falls.

The next meeting will be November 4, 1999 in Helena. The tentative date for the December meeting is December 6, 1999. The meeting adjourned at 11:45 A.M.



Bill Oser, Secretary

11-4-99

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING

Buck's T-4, US 191

Big Sky, MT

August 30, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - Minutes of July 26, 1999 Board Meeting & Public Invitation Meeting
 - Minutes of Conference Calls for 1999A Multifamily Bonds

- II. **MULTIFAMILY PROJECTS– Bruce Brensdal, Multifamily Program Manager**
 - Parkside Apartments Elevator, Loan Request
 - Multifamily Loan Servicing Agreement

- III. **SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager**
 - 1999 Series A
 - Recycled Funds Programs
 - Requests for Set-Asides- Western Montana Mental Health
 - CAP Program

- IV. **UPDATE ON MULTIFAMILY PRESERVATION PROJECT – Maureen, Bruce, Finance Team**

- IV. **EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude**
 - Strategic Planning – Agenda, Schedule for October 4 and 5
 - AOD Conference, Staff Attendance

- V. **OTHER BUSINESS**
 - Next Meeting Date, October 4 and 5
 - NCSHA Conference
 - Oser's Motion

2:00 P.M. TOUR OF LOW INCOME HOUSING TAX CREDIT PROJECTS IN BIG SKY

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/12/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Buck's T-4 Lodge
Big Sky, Montana
August 30, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Present)
Bill Oser, Secretary (Present)
Waneeta Farris (Present)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensdaal, Multifamily Program Manager
Charles Brown, Training and Development Specialist
Mary Bair, Multifamily Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: John Wagner, Kutak Rock
Mike Mulroney, Luxan and Murfitt

OTHERS: Gordon Hoven, US Bankcorp Piper Jaffray
Nick Fluehr, Salomon Smith Barney
Patty Kent, Western MT Mental Health Center
John Hedge, Merrill Lynch
Greg Anderson, Merrill Lynch

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the July 26 meeting minutes, the Libby public meeting minutes, and the conference calls minutes for the 1999A multifamily bonds. Ronda Carpenter seconded the motion. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDITS

Bruce Brensda presented a request from the Parkside Apartments in Hamilton for a \$95,000 loan for 30 years at 1%, be funded from special program monies, for permanent financing to install an elevator. Ronda Carpenter made a motion to approve the request. Bill Oser seconded the motion. The motion passed unanimously.

Bruce said he received three applications for servicers for the multifamily program. Streeter Brothers submitted the lowest bid. Streeter Brothers will do the inspections that are required. Bill Oser made a motion to enter into a servicing agreement with Streeter Brothers. Waneeta Farris seconded the motion. The motion passed unanimously. Bruce said that Connie Boyer is currently tracking the servicing and she will work with Streeter Brothers and do the compliance aspect of the projects, but will be freed up from the servicing details.

Bruce presented a Reverse Annuity Mortgage Program (RAM) exception request for a lump sum payment over the \$2500 limit to make the required repairs needed on the house for a widow with a grown disabled daughter. Teresa Lightbody made a motion to authorize the request to exceed the \$2500 cash limit. Tom Welch seconded the motion. The motion passed unanimously.

Bruce gave an update on the Columbia Falls Teakettle Vistas project. He said he has requested a copy of the minutes of the meeting at Columbia Falls where the conditional use permit was approved. Bruce said the developer might request an extension.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan presented a chart showing the mortgage purchases for one year. The chart showed the yearly cycle with January typically being the slow time and June being the busy time. The volume this year has been higher than it was last year and is the second highest year in MBOH history. Bob said the conventional rate around Helena was 7⁵/₈%. He reported that MBOH made a policy change starting August 23 to deduct the reservation fee at the time of purchase. Application Oriented Designs (AOD), which is the loan software, gave a demonstration of their lender online services to the staff on the 24th.

Bob gave an update on the 1999 A Program. The total funds available for the 1999 A bond issue was \$57,721,444. There have been 226 loans reserved for \$16,927,856 and 18 loans have been purchased for \$1,265,692. The total balance remaining to be reserved is \$34,527,896. The average purchase amount is \$70,316. The average reservation amount is \$74,902. The average income is \$31,839. Bob presented the statewide housing profile that showed the most active lenders and the zip code report that showed the number of loans in each city for each series. Bob presented the summary report for the 1997 A program at 6.5%. All the funds for the 1997 A program have been reserved.

Bob announced that Maureen Rude and Charles Brown were nominated for the Governor's Award.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$18,130,700 remaining to be reserved. Bob Morgan said that MBOH has reserved \$2.5 million for the recycled program for the month of August which shows a greater demand in the program since the interest rate on the regular program has gone up. Bob Savage made a motion to extend the City of Lewistown setaside until the end of the year. Waneeta Farris seconded the motion. The motion passed unanimously.

Bob Morgan presented a request from Patty Kent of the Western Montana Mental Health Center for a Group Home and Studio Apartment in Butte. She requested a long term, low interest loan for \$75,000 to fill the gap for construction for the group home and apartments for persons with mental illness. The

proposal scored 95 points out of a possible 105 points. The loan would be for 20 years at 3/8% interest rate to cover the servicing charge and would be made from special program funds. Patty gave an update on the project. Bob Savage made a motion to approve the request from the Western Montana Mental Health Center for a setaside for \$75,000 for 20 years at 3/8%. Tom Welch seconded the motion. The motion passed unanimously.

Bob Morgan reported that the funds for the Cash Assistance Program (CAP) are low. He recommended adding \$2 million from the 95B pre-Ullman funds to the CAP first mortgage funds at 6%. Bill Oser made a motion to add \$2 million to the CAP first mortgage funds. Tom Welch seconded the motion. The motion passed unanimously.

Bob presented a report on the MBOH real estate owned (REO) properties. The three properties are in Havre, Kalispell, and Three Forks. Bob said MBOH has buy-sell agreements on two of the properties. Bob said that Teresa Lightbody has worked hard to help staff update the REO guide and to get property managers for these properties.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude presented a letter from AOD on the conference in Miami on November 9-11, 1999. She requested that Mary Bair who uses the tax credit software, Debbie Blossom who uses the software for the Single Family program, Vikki Gredyk who works with the debt service and investment software, Charlie Brown who will work with the lender online system, and Dolly Snyder who works with all the accounting packages attend the conference. Tom Welch made a motion to approve up to five staff members to attend the AOD conference. Teresa Lightbody seconded the motion. The motion passed unanimously.

Maureen and Bruce Brensdaal gave an update on the Multi-family preservation projects. The bond issue was completed last week. John Wagner explained the resolution for participation in the HUD 236 Interest Reduction Payment Program. Maureen explained interest reduction payments. Bob Savage made a motion to adopt the proposed resolution 99-0830-M2. Waneeta Farris seconded the motion. The motion passed unanimously. John said the bond closing is planned for September 7 & 8 in Helena. Maureen said developers would pay the cost of issuance on the taxable bonds if they found a better deal and did not use the taxable bond monies. Maureen thanked John Wagner for all his help with the projects.

Maureen asked for input on issues to discuss at the planning session in October.

Tom Welch reported the Legislative Auditors met with staff on August 9, 1999. The Auditors gave their schedule and answered questions from the staff. Maureen said the Auditors should be finished by the end of September.

Nick Fluehr of Salomon Smith Barney commented on market conditions.

The next meeting will be October 4, 1999 at Salmon Lake. The meeting adjourned at 11:00 A.M.



Bill Oser, Secretary

10-4-99
Date

RESOLUTION NO. 99-0830-M2

A RESOLUTION OF THE MONTANA BOARD OF HOUSING CONFIRMING AND RATIFYING PARTICIPATION IN THE HUD/FHA SECTION 236 INTEREST REDUCTION PAYMENT PROGRAM 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 enter into agreements with the federal government, to enter into agreements with mortgagors for the purpose of regulating the development and management of housing developments financed by the Board, to issue its revenue bonds and to make or purchase mortgage loans in order to provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana; and

WHEREAS, the Board has previously implemented a mortgage purchase/loan program in order to finance multi-family housing in the State for families and persons of lower income by making mortgage loans that are insured by the Federal Housing Administration ("FHA"); and

WHEREAS, the Board has been approved to participate in the FHA Risk-Sharing Program pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, and has developed policies and procedures previously approved by the Board (the "Program") for housing sponsors desiring to participate in that Program; and

WHEREAS, the Board has authorized the issuance of its Multi-Family Mortgage Bonds, 1999 Series A, the proceeds of which will be used to provide moneys to finance, *inter alia*, five mortgage loans (which include assignments of the related HUD/FHA Section 236 Interest Reduction Payments) under the Program to preserve five low income multi-family housing projects (the "Projects") located throughout Montana; and

WHEREAS, the Board intends to regulate the management of the Projects pursuant to the HUD/FHA Section 236 Program (the "236 Program"), in part to maintain the continuation of the Section 236 Interest Reduction Payments;

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

Section 1. Reconfirmation and Ratification. The Board hereby reconfirms its interest in participating in the 236 Program with respect to the Projects, including the regulation of the Projects as required thereby.

Section 2. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the 236 Program is hereby approved, confirmed and ratified.

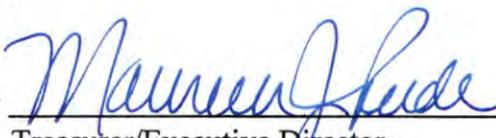
Section 3. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, the Executive Director and Treasurer, and the Multifamily Program Manager, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required in connection with and to implement the 236 Program, or to provide for the confirmation of the Section 236 Interest Reduction Payments and the Board's financing of the Projects, 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 Officers for such purposes.

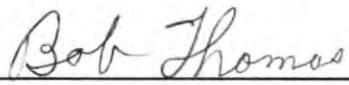
Section 4. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 30th day of August, 1999.

MONTANA BOARD OF HOUSING

Attest:

By 
Treasurer/Executive Director

By 
Chairman



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING
Venture Motor Inn-443 U.S. 2 West
Libby, MT
July 26, 1999

- I. **8:30 a.m. -CALL MEETING TO ORDER - Chairman Bob Thomas**
 - Minutes of June 28, 1999 Board Meeting
 - Minutes of Conference Calls for 1999A Single Family Bonds
- II. **POLICY FOR LOW INCOME HOUSING TAX CREDIT COMPLIANCE MONITORING – Bruce Brensdaal, Multifamily Program Manager**
- III. **SINGLE FAMILY PROGRAM UPDATE - Bob Morgan, Single Family Program Manager**
 - 1998 Series B –Update, 1997 Series A Update
 - 1999 Series A (bond issue scheduled to close August 4, 1999)
 - Quarterly Delinquency Report
 - Recycled Funds Programs
 - Requests for Set-Asides- NHS, Western Montana Mental Health
 - Update on City of Kalispell Program
- IV. **EXECUTIVE DIRECTOR'S UPDATE- Maureen Rude**
 - Underwriter Selection Process
 - Strategic Planning
 - Multifamily Preservation Project
- V. **OTHER BUSINESS**
 - Next Meeting Date
 - Oser's Motion

Any persons needing reasonable accommodations to attend the Board meeting must notify the Board of Housing as soon as possible prior to the scheduled meeting to allow arrangements to be made. 5/12/1999



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

Venture Motor Inn
Libby, Montana
July 26, 1999

ROLL CALL OF

BOARD MEMBERS: Bob Thomas, Chairman (Present)
Bob Savage, Vice Chairman (Absent)
Bill Oser, Secretary (Present)
Wanceta Farris (Absent)
Teresa Lightbody (Present)
Ronda Carpenter (Present)
Thomas Welch (Present)

STAFF: Maureen Rude, Executive Director
Bob Morgan, Single Family Program Manager
Bruce Brensda, Multifamily Program Manager

OTHERS: Gordon Hoven, US Bankcorp Piper Jaffray
Amy Bartoletti, Salmon Smith Barney
Patty Kent, Western MT Mental Health Center
Kerry Finley, Kalispell
Rebecca Edgar, Kalispell
Susan Moyer, City of Kalispell
Carol Grigg, City of Kalispell

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

Bill Oser made a motion to accept the June 28 meeting minutes and the July 6 and July 9 conference call minutes as corrected. Ronda Carpenter seconded the motion. The motion passed unanimously.

LOW INCOME HOUSING TAX CREDITS

Bruce Brensda presented the proposed multi-family policy for any instances of major non-compliance. The staff would report any major instances to the board, but not minor instances that can be corrected within a reasonable amount of time. Ronda Carpenter made a motion to approve the compliance policy change. Teresa Lightbody seconded the motion. The motion passed unanimously.

Bruce reported that the Columbia Falls Teakettle Vistas project was approved for the LIHTC by the Board, but the City Commission has rejected its conditional use permit. Rural Development has not pulled their funding at this time. A project has 90 days to show they are moving forward according to the Board's allocation plan. The developers are planning on appealing the rejection from the City Commission. Bruce asked for the Board's direction on tax credits if the project didn't go through. Teresa made a motion to pull the tax credits from the Teakettle project if it loses Rural Development funding and reallocate the tax credits to the Anaconda project. Tom Welch seconded the motion. The motion passed unanimously.

SINGLE FAMILY PROGRAM UPDATE

Bob Morgan said there was a cancellation in the 1998 B series, therefore the balance is \$52,656. Bob gave an update on the 1998 B Program. The total funds available for the 1998 B bond issue was \$60,000,000. There has been \$15,059,537 reserved and \$45,684,807 has been purchased, leaving \$52,656 as the balance. Bob presented the statewide housing profile that showed the most active lenders and the zip code report showed the number of loans in each city for each series. Bob presented the summary report for the 1997 A program at 6.5%. All the funds for the 1997 A program have been reserved.

Bob presented a letter from Standard & Poor's rating the 1999 A bond issue as AA+. Maureen discussed the upgrade of the whole Indenture from AA to AA+. Moody's rated the 1999 A bond issue as Aa2.

Bob presented an update on the 1999 A bond issue. The total funds available for the 1999 A bond issue was \$52,700,000. There has been \$6,422,292 reserved. The zip code report showed all that has been reserved and is in the process of being reserved. Bob said Montana Board of Housing (MBOH) is receiving applications for approximately \$.5 million per day.

Bob presented the quarterly delinquency report for the end of March that compared MBOH's 2.69% with Montana's 2.78%, the mountain region's 3.23%, and the nation's 4.13%. Bob said MBOH's servicers are doing extremely well because they are being compared with all loans. Bob presented the loan delinquency analysis that shows delinquencies by servicer, county, setaside, and loan type. Sue works closing with the lenders and sponsors. Bob reported on the REO status.

Bob gave a summary of the Recycled Mortgage Program. The recycled setasides have \$17,670,364 remaining to be reserved.

Susan Moyer gave an update on the City of Kalispell program. She ran through the income levels and types of people who are purchasing the homes. Susan said the city has made some concessions that will make the homes easier to sell. The city is doing landscaping and sprinkler systems. The program has 22 homes left to build. Susan requested \$1.2 million for one year. Tom Welch made a motion to revise the setaside amount to \$1.2 million and extend for one year to 7/31/2000. Bill Oser seconded the motion. The motion passed unanimously.

Maureen said the Neighborhood Housing Services (NHS) Owners in Partnership V (OIP) program expires this month. Bill Oser made a motion to extend the NHS OIP V for one year. Ronda Carpenter seconded the motion. The motion passed unanimously.

Nancy O'Brien of NHS reviewed the existing NHS setaside programs. Bob presented a letter from NHS requesting an additional \$2,000,000 for the Affordable Housing Program IV (AHP) with downpayment and closing costs program. Bill Oser made a motion to authorize \$2 million for one year for the NHS AHP IV program for one year. Teresa Lightbody seconded the motion. Bill Oser and Teresa voted to accept the motion. Ronda Carpenter, Tom Welch, and Bob Thomas voted against the motion. The motion failed. Tom

Welch made a motion to allocate \$1million for the NHS AHP IV program with a \$500 downpayment and see what happens with the program because more can be allocated later. Ronda Carpenter seconded the motion. Tom Welch, Ronda Carpenter, and Bob Thomas voted in favor of the motion. Bill Oser and Teresa Lightbody voted against the motion. The motion passed.

Nancy O'Brien did a presentation on predatory lending and showed a video.

Maureen Rude did an overview of the use of special program monies.

Patty Kent of the Western Montana Mental Health Center did an overview of the Butte Group Home and Studio Apartments. She requested a long term, low interest loan for \$150,000 to fill the gap for construction for a group home and apartments for persons with mental illness.

Maureen discussed the Missoula Human Resource Council (HRC) request for \$95,000 for a new elevator for Parkside Apartments. Bill Oser made a motion to request staff to further analyze applications and come back with recommendations as to term and interest rate for both projects. Tom Welch seconded the motion. The motion passed unanimously.

EXECUTIVE DIRECTORS UPDATE

Maureen Rude reported on the NSCHA conference in Estes Park. The underwriting selection process was discussed at the conference and planning for programs was part of the criteria. Maureen proposed having a planning session to determine goals for the next five years.

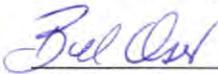
Maureen said the Multi-family preservation projects could go to market in mid-August.

Maureen said the Legislative Auditors will have the entrance conference in August.

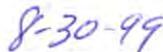
Maureen presented a letter to Senator Burns thanking him for cosponsoring the volume cap and the tax credit bills. She said the Federal Home Loan Bank gave an award to lenders from Missoula area. Maureen presented a thank you note that Bob Morgan received from a loan officer.

Maureen discussed the annual NCSHA conference in Chicago.

The next meeting will be August 30, 1999 in Big Sky. The meeting adjourned at 12:00 P.M.



Bill Oser, Secretary



Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

MONTANA BOARD OF HOUSING PUBLIC INVITATION MEETING

VENTURE MOTOR INN- 443 U.S. 2 WEST
LIBBY, MONTANA
JULY 26, 1999

1:30 P.M. PUBLIC INVITATION MEETING STARTS
PROGRAM OVERVIEWS
QUESTIONS, COMMENTS, PUBLIC INPUT FOLLOWS

**Libby Venture Motor Inn
Public Information Session
July 26, 1999**

The July 26, 1999 public information meeting in Libby was called to order at 1:30 P. M. Guests were Rebecca Edgar, Karry Finley-Kalispell, Jim and Betty Challinor-Indigent Services, Sherry Woll-Three Rivers Bank, Steve Grimshaw-Grimshaw Investments, Carol Grigg-City of Kalispell, Susan Moyer-City of Kalispell, Rita Windom-Lincoln Co. Commissioner, Jan Richardson-FIB Whitefish, Jim Racicot-Pipe Creek, Marianne Roose-Lincoln Co. Commissioner Dist #3, Lance Staub-Kalispell, Dale Kenneburgh-Libby, Jim Pierce-Libby,

Bob Thomas introduced the Board members and staff and explained the purpose of Montana Board of Housing (MBOH) and emphasized that MBOH does not use tax payers' money, but receives funding through the sale of tax-exempt bonds. In 1999 MBOH had homeowners in every county in the state. There are 186 banks and mortgage companies that participate in doing MBOH loans. Last year MBOH financed one out of every 5.4 homes sold in Montana. The Tax Credit Program has assisted in the development of 60% of the new construction of rental housing in Montana. The Board issued \$60,000,000 in bonds in August of 1999. MBOH programs provided \$1.4 billion to the state's economy, provided basic and non-basic income and employment for 1,425 Montanans who paid \$1,000,000 in state income taxes, and the new construction financed provided an additional \$1.5 million in local property taxes.

Bill Oser said the Reverse Annuity Mortgage Program (RAM) helps keep the elderly in their home by using the equity to have extra income for 10 years. The RAM program has gross income limits with a deduction for medical expenses allowed. Loans can be up to \$70,000. Closing costs are the only expense on the loans that are at 5% interest rate. The borrower may continue to live in the home after the ten years are up. The loan is paid back when the home is sold.

Maureen said MBOH is a small-staffed agency located in Helena that relies on the input of local people for the various project reviews. MBOH works with lenders, underwriters, investors, servicers, and developers. MBOH loans money and partners with entities that make grants.

Bob Morgan explained the Single Family Mortgage Program and the set asides in the Recycled Program. He explained how the program works and said many partnerships with private enterprise make these loans possible. The loans are financed through the sale of tax exempt bonds; therefore, some eligibility requirements must be met. These requirements include being a first-time homeowner, purchase price and income limits, the property should not be used for investments, and a recapture tax. Historically, the recapture tax only applies to 5% of the homeowners. Bob said the average loan life is eight years. MBOH uses the money from paid off loans to recycle into new mortgages. Typically, recycled funds do not have as many restrictions

as new bond issues. Last year \$19 million was financed for mortgages in the recycled programs.

Bruce Brensdal talked about the multi-family programs. Funding comes through the issuance of tax-exempt bonds with some requirements. These requirements are rents at a reduced rate and renting to people on limited incomes. The Risk-sharing Program provides permanent financing for multifamily projects and is a partnership with HUD. The General Obligation Program helps with projects that have grant funding. Bruce reported on the Low-Income Housing Tax Credit (LIHTC) program that offers tax credits for developing rental housing. The tax credits are for 10 years. MBOH has about \$1.1 million to allocate each year.

Tom Welch talked about the money that the bond issues are putting into the Montana industry. He said the Habitat for Humanity program helps the local chapter by purchasing the loan so they can get two houses for the price of one.

Lance asked a question regarding ethics. He said other lenders who are not participating in the programs are badmouthing MBOH. They emphasize the recapture tax and rental restriction. Lenders do not make as much money on MBOH deals, therefore, they try to get borrowers to use other programs, and especially RD guaranteed loans. Lance suggested a code of ethics be established for lenders to truly represent MBOH's programs to potential borrowers. Lance said he has observed some intentional deception. More education and information might be helpful. Bob Morgan said only about 5% of the borrowers are affected by the recapture tax. The recapture tax may apply if the homebuyer sells the home within the first nine years. This tax paid to the IRS is triggered if a profit is being made on the sale of the home and the borrower's income increased substantially. The maximum recapture tax that the borrower would ever pay is 6.25% of the loan.

Maureen said MBOH is working on training Realtors and lenders. MBOH allows the lender to collect a 1% origination fee, and 1% discount fee. MBOH has a training and development specialist on staff now.

Teresa said many lenders have not applied to participate in MBOH programs. Many lenders erroneously think the recapture tax is paid to MBOH at the time of closing.

Tom Welch said small lenders don't deal with MBOH loans enough do be comfortable with the paperwork involved in a MBOH loan. Lenders need to make their staff comfortable with MBOH loans and know that the staff at MBOH is willing to walk them through the process. Tom said the delinquency rate for MBOH loans is no worse than for any other loan, even though, lower income people are targeted. This low rate shows that homebuyers appreciate the homes they get.

Bob Thomas praised the staff at MBOH for being well versed and doing a great job. He said the Board is super and is dedicated, educated, and giving of themselves. The Board and staff work very well together.

A guest asked: "How do the tax credits get allocated for each year?" Bruce said they are based on the population of each state. The credits are from a federal program through Congress. Two to three times the amount of credits available for this year were requested. Bruce explained the

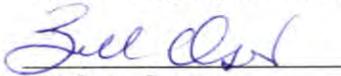
tax credit process and that the projects need to be in compliance with the guidelines for 15 years. The tax credit program has provided approximately 500 units this year. Communities are asked for input on the housing needs in their area.

Maureen and Bruce gave information on the Housing Conference in Great Falls in October. They discussed the various tracks that will be presented at the conference. Maureen said there are application workshops each year.

Susan Moyer said she would like some priority points for in-state developers. Maureen said MBOH established a small development pool to encourage local developers. Susan asked about using tax credits for multiple use buildings.

Steve Grimshaw from Wyoming commented that training and a certification program is necessary for developers to know the risks involved.

The meeting adjourned at 3:45 P.M.


Bill Oser, Secretary

9-7-99
Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on August 16, 1999 at 2:00 p.m. by teleconference. The meeting is for the Board to discuss the pricing of its proposed 1999 Series A Multi-Family Mortgage Bonds (Montana Preservation Projects), in the amount of up to \$10,000,000*. The Board will discuss the market, pricing of the bonds, and potential sale on August 17. The meeting will take place in the conference room at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

8/9/99
Dated

*Subject to change.

**MINUTES OF SPECIAL MEETING
1999 A MULTI-FAMILY MORTGAGE BONDS
AUGUST 16, 1999, 2:00 P.M.**

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Multi-Family Program Bonds Series 1999 A. The meeting took place via teleconference to discuss pre-pricing of the bonds. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Tom Welch, and Teresa Lightbody.

MBOH Staff: Maureen Rude, Bruce Brensdal, and Diana Hall.

Bond Counsel: John Wagner

Paine Webber: Peter Nolden, Mina Choo, John Feery

Developer: Chris Foster

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden asked John Feery to give an update on the municipal market conditions. John said the market was changing rapidly. Relative to MBOH's particular transaction, Paine Webber has been pre-marketing on the tax-exempt portion with a 5 term bond tranch approach, a term bond in 2005, one in 2010, one in 2016, one in 2030, and one in 2041. The market has roughly 1 million bonds sold on a retail basis already, which Paine Webber knew would be one of the important factors. But the key thing is what it is going to take to sell the balance of the bonds and who Paine Webber will need to court for those bonds. For the taxable bonds they are focusing on state investment, Board of Investments, or Fannie Mae or the federal home loan bank. They are pre-marketing the deal quite aggressively to a number of taxable buyers. The issue is the \$11 billion corporate calendar, most investors will buy back corporates because they are much more liquid. John gave estimates of the rate for each term bond. A comparable rate was the Maine Housing last week. This deal is about 5 cheaper than that. North Dakota was looking to put out a retail scale tomorrow at about 5 cheaper than the scale being read. Maryland CD and another state will price tomorrow in a 2030 and is looking at a 5.95 for those bonds. For the bonds that are taxable, Paine Webber believes, based upon different trends in the secondary market, that these bonds will be worth somewhere between 275 and 300 basis points over the old treasury. Paine Webber continues working the process. John recommends to continue working the transaction until hear they have the necessary signed documents. The biggest challenge on the tax-exempt pieces is going to be the sale of the 2041. That is really dealing with only one or two buyers. Paine Webber will lock that piece in and then price the balance of the deal on Wednesday. The taxable bonds are the same situation, except needing documents from HUD, then getting it locked in. Part of the reason Paine Webber wants to lock because they see the taxable market weakening through the course of the week. He recommended pricing sooner versus later because of high interest rates over the next several weeks.

Peter said the tax-exempt mortgages would be 5.25% to get the 100 basis points ongoing fee and the 40-year fixed rate mortgage. The mortgage rate is below the cost of funds because the project also has the interest rate reduction payment flowing into the project from the 236 contracts. On the taxable side, it is premature to quote a rate. Peter gave the schedule.

Maureen went through what she has received and what was still outstanding. She said word has

been received that the HUD 236 has been signed. She received a letter from Fannie Mae they are opening the door to sell their loans. The Mood's rating is AA2. The construction loan commitment is through First Interstate Bank. HUD is providing the risk-sharing firm approval, but staff has not received documentation. The tax credit syndicator goes to committee tomorrow to approve the deal. Maureen and Bruce have completed the underwriting and John Wagner's office is working on the real estate documents for the Federal Home Loan Bank loans. MBOH is working on getting the draw down from the Federal Home Loan Bank. A servicing contract has been pursued with Streeter Brothers. Maureen would be comfortable to bring the spread down a little with the trustee fee and servicing quotes. Moody's is requiring the bond issue to be structured assuming earning 22% on the investments on this bond issue. Even on a worse case scenerio, the lowest earnings ever received was 3 to 33% range. So MBOH will be getting some income from the float funds as they are invested at higher rates. Maureen said now that we know what our servicing fees and trustee fees are going to be, we can bring the 100 basis points down some. Bob Savage made a motion that Maureen and the staff could go forward with making the AHP loans subject to the AHP grant and the risk-sharing loan subject to meeting the loan underwriting criteria and subject to receiving all the documents necessary. Waneeta Farris seconded the motion. The motion passed unanimously with a roll call vote. Bill Oser made a motion for Maureen to proceed with the pricing of the bonds. Bob Savage seconded the motion. The motion passed unanimously.

Maureen asked for input regarding the spread MBOH will take. Whenever financing is done, MBOH should look at what it will cost to administer a program and charge a fee according to that cost. Board input helps with the underwriting criteria. Costs from the spread include: costs of issuance, the servicing fee, trustee fee, and cost to MBOH to operate the program. Bill Oser made a motion to accept down to 80 basis points. Bob Savage seconded the motion. The motion passed unanimously.

Peter said the bond pricing will be the 18th. A conference call is scheduled for Friday, August 20th at 9:00 a.m. Montana time.

There being no further business, the meeting adjourned at 2:45 p.m.



Bob Thomas, Chairman

8/30/99

Date



Maureen J. Rude

8/30/99

Date



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on August 20, 1999 at 9:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds (pending a successful pricing on August 16) for its 1999 Series A Multi-Family Mortgage Bonds (Montana Preservation Projects), in the amount of up to \$10,000,000*. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

8/9/99
Dated

*Subject to change.

**MINUTES OF SPECIAL MEETING
1999 SERIES A MULTI-FAMILY MORTGAGE BONDS
AUGUST 20, 1999, 9:00 A.M.**

Notice having been given, the Montana board of Housing held a special meeting on the sale and awarding of its 1999 Series A Multi-Family Program Bonds. The meeting took place via teleconference to discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser, Waneeta Farris, Teresa Lightbody, and Tom Welch.

MBOH Staff: Maureen Rude, Bruce Brensdal, and Diana Hall.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulrone

PaineWebber: Peter Nolden, and Mina Choo

US Bank: Debbie Kuykendall

Bob Thomas convened the meeting after a roll call was taken and a quorum was established.

Peter Nolden said the pricing of the bonds was a difficult sale. The bonds were cut up into seven term bonds on the tax-exempt side. The highest coupon interest rate was 6%. The 6% bonds were offered on an original discount to yield more than 6%. Two of the larger term bonds which were tax-exempt were sold to Fannie Mae. On the taxable bonds, which was the \$1,270,000, the interest rate was 8.45%. All of those bonds were sold to the Board of Investments of the State of Montana.

Mina Choo discussed the mortgage rates on the bonds. Mina said the five bonds on the tax-exempt side, including the interest reduction payments that are flowing in, have a preliminary mortgage rate of 5.09% with a loan amount of \$8 million. The taxable bonds match investor's requirement of buying bonds under 40 years. Paine Webber cut the maturity from the 2041 to 2039. Mina and Maureen discussed whether they should change the maturity on the loan to 39 years which would affect the interest rate. It would be in the range of 10.25% or 10.30%. John said that includes the 50 basis points FHA premium, therefore, before the premium the rate is 9.75%-9.80%. Maureen said the 5.09% on the tax-exempt bonds is the all in rate. The note rate will actually be 4.59% with a 50-basis point mortgage insurance premium. Mina explained why the mortgage rate on the taxable bonds is so high when the bonds were sold at 8.45%. The difference between the taxable bond and taxable mortgage rate is because of the basis points for the FHA premium as well as the 80 basis points going to MBOH. In addition, as the mortgage payments come in on a monthly basis they are put in an account that rating agencies assume is earning 2.5% interest. The taxable bonds are accruing at 8.45% with the difference adding up over the years. The reserve fund investments, which are assumed to be 2.5% interest, and the bonds to fund the reserve are also accruing at an 8.45% interest rate.

Maureen said normally the mortgage rate is something close to difference of the spread of the bond rate. MBOH is paying out 8.45% but only earning 2.5% and the difference on the interest has to be made up through the mortgage rate. John said this is called negative arbitrage. Peter said that to the extent that MBOH earns more than 2.5%, which is what the rating agencies make us assume, MBOH will build that surplus up within the indenture. Maureen said Kelly is planning on getting a float fund guaranteed investment contract or repurchase agreement for the multi-family indenture which should earn more than 2.5%. Some of the negatives would be made up through investments. Therefore, Maureen is leaning toward doing the 39-year loan at 10.25%. Bill Oser asked which rate would apply to the developer. Peter said the tax-exempt bonds would all have the same lower tax-exempt mortgage rate. Those projects have 4% tax credits, where as the two projects financed with the taxable bonds will have the 10.25% mortgage rate and benefit from the 9% tax credit. Maureen said the taxable and tax-exempt cannot be blended. Maureen said the five with the low rate are benefiting from the interest reduction payments. Bob Thomas asked if the two projects at the higher rate will work. Maureen responded that they will have to defer a little bit more of their developer fees. They are approved to continue to receive project-based assistance because they were already at about Fair Market Rent (FMR) and are in areas where there is virtually no other elderly housing that is comparable. They have existing FMR and Section 8 contracts.

Tom asked for the discount on the bonds to get them sold and the yields. Maureen said Paine Webber worked hard with a hard deal and chose to underwrite with a lot of unsold bonds. She thanked them for all their hard work.

John Wagner suggested passing the bond resolution. He explained that it is the usual form of bond resolution which approves the issuance of bonds in the amount of \$9,860,000 of which \$8,590,000 are tax-exempt and \$1,270,000 are taxable and approves the various bond documents including a form of the bond purchase contract. Bob Savage made a motion to pass the resolution. Waneeta Farris seconded the motion. The motion passed unanimously.

John Wagner said Board members received a copy of the bond resolution as well as the Supplemental Trust Indenture draft. He summarized the documents saying they were the standard documents that go through the required legislative findings, approve the forms of the basic documents, approve the issuance of the bonds with the rates and maturities that have been provided and authorize the appropriate officers to execute the documents at closing.

Bob Savage made a motion to approve the resolution. The motion was seconded by Bill Oser. The motion passed unanimously by roll call vote.

Maureen gave the status of the origination of the loans and the schedule.

Peter reported that bids were taken for a Guaranteed Investment Contract (GIC) on the proceeds. The high bid on the investment contract was awarded to the Beyerische Landesbank. It is collateralized with the collateral held by a third party with the banks being rated AAA. Seven bids were received and the interest rate was 5.71%.

Bill Oser said he would like a synopsis of how things are working and asked what was done and would this model be used again. Maureen said these are the only projects in Montana with the interest reduction payment stream still coming to them that would be eligible for this type of refinancing. John Wagner said MBOH is the prototype for structuring for others.

Bill Oser made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 9:30 a.m.

Bob Thomas

Bob Thomas, Chairman

8/30/99

Date

Maureen J. Rude

Maureen J. Rude

8/30/99

Date

RESOLUTION NO. 99-0820-M1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; AUTHORIZING THE ISSUANCE OF \$9,860,000 AGGREGATE PRINCIPAL AMOUNT OF MULTI-FAMILY MORTGAGE BONDS, 1999 SERIES A TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT AND OTHER 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 issue its revenue bonds and to make or purchase mortgage loans in order to provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana; and

WHEREAS, the Board has previously implemented a mortgage purchase/loan program in order to finance multi-family housing in the State for families and persons of lower income by making mortgage loans that are insured by the Federal Housing Administration ("FHA"); and

WHEREAS, the Board has been approved to participate in the FHA Risk-Sharing Program pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, and has developed policies and procedures previously approved by the Board (the "Program") for housing sponsors desiring to participate in the Program; and

WHEREAS, the Board intends to issue its Multi-Family Mortgage Bonds, 1999 Series A in the aggregate principal amount of \$9,860,000 (the "1999 Series A Bonds"), consisting of \$8,590,000 aggregate principal amount of its Multi-Family Mortgage Bonds, 1999 Series A-1 (the "1999 Series A-1 Bonds") and \$1,270,000 aggregate principal amount of its Multi-Family Mortgage Bonds, 1999 Series A-2 (the "1999 Series A-2 Bonds"), which will be used to provide moneys to finance seven FHA-insured mortgage loans (which include assignments of the related Section 236 Interest Reduction Payments on five mortgage loans) (collectively, the "Mortgages") under the Program to preserve seven low income multi-family housing projects (the "Projects") located throughout Montana; and

WHEREAS, a 1999 Series A Supplemental Trust Indenture dated as of August 15, 1999 (the "Supplemental Indenture") (together with the Trust Indenture dated as of February 23, 1978,

as amended and restated as of December 29, 1992, which it supplements, the "Trust Indenture"), between the Board and U.S. Bank Trust National Association MT, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1999 Series A Bonds subject to the terms, conditions and limitations established in the Trust Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated August 9, 1999, has been presented to the Board, containing certain information relating to the Board, the Trust Indenture and the 1999 Series A Bonds, and which has been distributed to the potential purchasers of the 1999 Series A Bonds and others by PaineWebber Incorporated (the "Underwriter"); and

WHEREAS, a Purchase Contract (the "Purchase Contract"), dated the date of adoption hereof, between the Board and the Underwriter and Fannie Mae has been presented to the Board pursuant to which the Board would agree to sell and the Underwriter and Fannie Mae would agree to purchase the 1999 Series A Bonds at the price 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 project to be financed through the issuance of 1996 Series A Bonds constitutes a "housing development" within the meaning of Section 90-6-103(8) of the Act; and

(ii) that the housing market area to be served by such project to be financed as aforesaid consists of the urban area in which such project is located and the surrounding rural area in the 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 by the Project;

(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 housing developments for occupancy by persons or families of lower income;

(iii) that the conditions, restrictions and limitations contained in the Trust Indenture and the Program documents 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 sponsor" (as defined in Section 90-6-103(10) of the Act) is financially responsible;

(iv) that the Project 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 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 the findings required by Section 90-6-109(1)(f) of the Act are inapplicable because the project does not involve a direct loan but rather the purchase of an existing loan with the execution of restated mortgage documents in the form previously approved for the Program; nevertheless, the Mortgages are necessary to enable the Projects to qualify for various federal tax credits and other federal funding.

Section 2. Approval of Supplemental Indenture. The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. Authorization of Bonds. The issuance, sale and delivery of the Board's Multi-Family Mortgage Bonds, 1999 Series A Bonds is hereby authorized and approved. The 1999 Series A Bonds shall mature, bear interest, be subject to optional, special and mandatory sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Supplemental Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1999 Series A Bonds shall be executed and delivered substantially in the form set forth in the Supplemental Indenture, with such additions, omissions and changes as are required or permitted by the Trust Indenture. The 1999 Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 1999 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1999 Series A 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. The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, 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. The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. Ratification of Prior Actions. All action previously taken by the officers, members or staff of the Board with respect to the Trust Indenture, the Preliminary Official Statement, the Purchase Contract and the 1999 Series A Bonds is hereby approved, confirmed and ratified.

Section 7. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 8. Execution of No-Arbitrage Certificate. The Chairman, the Vice Chairman 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 1999 Series A Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 9. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 the Purchase Contract, including an agreement to provide continuing disclosure about the 1999 Series A Bonds, 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 Officers for such purposes.

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

ADOPTED by the Montana Board of Housing this 20th day of August, 1999.

MONTANA BOARD OF HOUSING

Attest:

By Maurice Rude
Treasurer/Executive Director

By Bob Thomas
Chairman



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on July 9, 1999 at 9:00 a.m. by teleconference. The meeting is for the Board to discuss the sale and awarding of bonds (pending a successful pricing on July 7) for its 1999 Series B Single Family Mortgage Bonds, in the amount of \$60,000,000*. The Board will discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. The meeting will take place at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

6/29/99
Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
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MINUTES OF SPECIAL MEETING 1999 SERIES A SINGLE FAMILY MORTGAGE BONDS JULY 9, 1999 9:00 A.M.

Notice having been given, the Montana Board of Housing held a special meeting on the sale and awarding of its 1999 Series A Single Family Program Bonds. The meeting took place via teleconference to discuss the Bond Resolution, awarding of the bonds, final pricing, and the Purchase Contract. Present were:

Board Members: Bob Thomas, Bob Savage, Bill Oser, Ronda Carpenter, Waneeta Farris, Teresa Lightbody and Tom Welch.

MBOH Staff: Maureen Rude, Bruce Brensdal, Bob Morgan, Debbie Blossom, Sue Mannix, Charles Brown and Amy Mares.

Bond Counsel: John Wagner

Legal Counsel: Mike Mulrone

PaineWebber: Peter Nolden, Mina Choo and Laura Billings

Orrick Herrington & Sutcliffe: Steve Spitz

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said that PaineWebber had what they consider a very successful sale of the bonds on Wednesday. He gave an overview of the sale.

Peter said that there was a good demand for the issue with in-state retails. PaineWebber gave a priority in allocating bonds to in-state Montana retails before anything else. The serial bonds and shorter-term bonds were all allocated to Montana retails. There were virtually no Montana retail orders on the long bonds. There was no one investor who dominated the deal and a number of institutional investors who were buyers. Fannie Mae purchased \$5 million for 40 of the longest bonds. Peter said they took investment agreement bids in two different categories. The first being the acquisition fund and the second being the monthly investments, or the float and debt service reserve fund. There were eight firms that bid on the various investment contracts. The acquisition fund was won by Nat West (National Westminster Bank), and the acquisition rate was 5.34% which is about 12 basis points below the average coupon on the bond. However, with refunding, there are approximately \$4 million of 8% plus mortgage loans being transferred over with the end result being virtually no or just a slight negative arbitrage. The debt service reserve fund, at approximately \$1.8 million in monthly float earnings, was won by Westdeutsche Landesbank at an interest rate of 6.11%. This was on both the reserve fund and the float which is well in excess of the bond yield. Both of the investment contracts are collateralized agreements. They are with the US branches of these two respective foreign banks. The collateral would be held by a third party and the investment contracts are well within MBOH's investment guidelines. Peter said they are scheduled to close the bond issue on August 4, 1999 when the funds will be made available.

Peter said that with respect to the mortgage rate, there are two options PaineWebber can show at this time. The first option would be the first half of the mortgage loans originating at 6.50% and

the second half would be originated at 6.00%. The second option would be to originate all loans at 6.25%. Maureen Rude asked if we also had the option to reserve approximately \$20 million of the loans at 6.50% and then based on the current rate, drop the rate at that time. Peter said that there are many combinations of what MBOH could choose to do as far as allocating funds to a particular rate. However, these rates are the maximum interest rates MBOH can charge under tax regulations. Maureen recommended that we not go back and change the rate on the \$4 million that we have already reserved. She said that it would result in a lot of technical changes staff would have to make to reservations already reserved at 6.50%. John Wagner asked if the funds were going out at the 6.50% rate. Bob Morgan confirmed that we already have about \$4 million reserved thus far going out at an average rate. Peter said that if the market will bear 6.50% today, every loan that the Board purchases at 6.50% in effect provides a hedge against falling interest rates. This hedge would allow MBOH to reserve funds at a lower rate in the future should interest rates fall. Current conventional rates are at 7.85% today.

Bill Oser made a motion to approve resolution #990709-S1 as written. The motion was seconded by Waneeta Farris. The motion passed unanimously with a roll call vote.

Bill Oser said that he would not want to reserve funds at 6.50% to a small block of people and then drop the rate to 6.25% reserving the remainder of the funds at that rate. He said potential buyers would be upset, and with some justification. Maureen stated that we have already reserved \$8 million at 6.50%. Waneeta said that a lot of the buyers who work with real estate agents are informed that with each issue the rate can vary. Bill then suggested that we keep the rate of the first half of the bonds at 6.5% and then drop the rate for the second half of the funds to 6.0%. Peter Nolden then said that if funds are moving at an average rate at 6.50%, then MBOH might want to continue to lend at this rate. Later, the Board could give some discretion to staff to adjust the rate in the future if demand is falling off because the interest rate is too high. Peter said another option would be to continue lending at 6.50% and on a monthly basis the Board could evaluate the rate and possibly adjust it at that time.

Bill Oser moved that the Board instruct staff to issue the funds at 6.50% and the Board will review the rate on a monthly basis. Ronda Carpenter seconded the motion. The motion passed unanimously with a roll call vote.

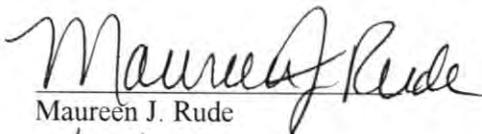
There being no further business, the meeting adjourned at 9:30 a.m.



Bob Thomas, Chairman

7-26-99

Date



Maureen J. Rude

7/26/99

Date

RESOLUTION NO. 99-0708-S1

A RESOLUTION OF THE MONTANA BOARD OF HOUSING MAKING FINDINGS WITH RESPECT TO HOUSING NEEDS WITHIN MONTANA; APPROVING A REFUNDING OF PRIOR SINGLE FAMILY MORTGAGE BONDS; AUTHORIZING THE ISSUANCE OF \$60,000,000 AGGREGATE PRINCIPAL AMOUNT OF SINGLE FAMILY MORTGAGE BONDS, 1999 SERIES A TO CARRY OUT SAID PURPOSES; APPROVING THE SALE OF SAID BONDS PURSUANT TO A PURCHASE CONTRACT; APPROVING THE SUPPLEMENTAL TRUST INDENTURE, PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND OTHER 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 issue its bonds, to refund its outstanding bonds and to purchase mortgage loans 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; 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 has previously issued its Single Family Mortgage Senior Bonds, 1989 Series A (FHA Insured or VA Guaranteed Mortgage Loans) and Single Family Mortgage Subordinate Bonds, 1989 Series A (FHA Insured or VA Guaranteed Mortgage Loans) (the "Prior Issues") to carry out such program; and

WHEREAS, the Board intends to issue its Single Family Mortgage Bonds, 1999 Series A in the aggregate principal amount of \$60,000,000 (the "1999 Series A Bonds"), consisting of \$2,270,000 aggregate principal amount of its Single Family Mortgage Bonds, 1999 Series A-1 (the "1999 Series A-1 Bonds") which will be used to refund a portion of the bonds of the Prior Issues and \$57,730,000 aggregate principal amount of its Single Family Mortgage Bonds, 1999 Series A-2 (the "1999 Series A-2 Bonds"), a portion of which will be used to refund the remainder of the bonds of the Prior Issues and the remaining portion of which, together with the transferred proceeds from the refunding of the Prior Issues, will be used to provide additional moneys to finance single family dwellings in the State pursuant to the Mortgage Purchase and Servicing Guide previously approved by the Board and the forms of the Invitation to Participate and Notice of Acceptance presented to the Board, and to fund certain reserve funds; and

WHEREAS, a 1999 Series A Supplemental Trust Indenture dated as of July 1, 1999 (the "Supplemental Indenture") (together with the Trust Indenture dated as of March 10, 1977, as amended and restated as of May 1, 1997, which it supplements, the "Indenture"), between the

Board and Norwest Bank Minnesota, National Association, as Trustee, has been presented to the Board, whereby the Board would be authorized to issue the 1999 Series A Bonds subject to the terms, conditions and limitations established in the Indenture; and

WHEREAS, a Preliminary Official Statement (the "Preliminary Official Statement"), dated June 25, 1999, has been presented to the Board, containing certain information relating to the Board, the Indenture and the 1999 Series A Bonds, and which has been distributed to the purchasers of the 1999 Series A Bonds and others by a group of investment dealers and brokers represented by PaineWebber Incorporated (the "Underwriters"); and

WHEREAS, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to be delivered concurrently with the delivery of the 1999 Series A Bonds and in the form described in the Preliminary Official Statement, has been presented to the Board, 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"), dated the date of adoption hereof, between the Board and the Underwriters, and the Board and the Federal National Mortgage Association ("Fannie Mae"), has been presented to the Board pursuant to which the Board would agree to sell and the Underwriters would agree to purchase the 1999 Series A-1 Bonds and the 1999 Series A-2 Bonds (except the 1999 Series A Bonds maturing December 1, 2031), and the Board would agree to sell and Fannie Mae would agree to purchase the 1999 Series A Bonds maturing December 1, 2031, 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 financed through the issuance of the Prior Issues and to be financed through the issuance of the 1999 Series A Bonds, and the purchase by the Board from proceeds thereof of mortgage loans as contemplated by the 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 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 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 1999 Series A 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 Prior Issues and the 1999 Series A Bonds do not involve direct loans.

Section 2. Approval of Supplemental Indenture. The Supplemental Indenture is hereby approved in the form submitted at this meeting and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, such approval to be evidenced conclusively by such execution of the Supplemental Indenture, and the Treasurer, the Secretary or any other member of the Board is hereby authorized and directed to attest thereto.

Section 3. Authorization of Bonds. The issuance, sale and delivery of the Board's 1999 Series A Bonds is hereby authorized and approved. The 1999 Series A Bonds shall mature, bear interest, be subject to optional, special optional, mandatory and sinking fund redemption and have the other terms and provisions as described to the Board and definitively set forth in the Indenture upon execution and delivery as aforesaid in Section 2 hereof. The 1999 Series A Bonds shall be executed and delivered substantially in the form set forth in the Indenture, with such additions, omissions and changes as are required or permitted by the Indenture. The 1999

Series A Bonds shall be executed in the name of the Board by the Chairman or the Vice Chairman 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 Indenture) for purposes of executing and attesting the 1999 Series A Bonds. Such signatures may be in facsimile, provided, however, that such 1999 Series A 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. The Preliminary Official Statement is hereby approved in the form submitted at this meeting, and the Chairman or the Vice Chairman 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 Chairman or Vice Chairman, 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. The Purchase Contract is hereby approved in the form submitted at this meeting and the execution of the Purchase Contract by the Chairman, the Vice Chairman or Executive Director of the Board is hereby authorized and directed.

Section 6. Approval of Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in the form submitted at this meeting, and the Chairman or Vice Chairman 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 7. Approval of Invitation to Participate and Notice of Acceptance. The Invitation to Participate and Notice of Acceptance are hereby approved in the forms submitted at this meeting, and the Executive Director and Single Family Program Manager are authorized to execute and deliver the same, in conjunction with the previously approved Mortgage Purchase and Servicing Guide, with such changes, insertions or omissions therein as may be approved by such person, to implement the Single Family Program.

Section 8. Ratification of Prior Actions. All actions previously taken by the officers, members or staff of the Board with respect to the Indenture, the Preliminary Official Statement, the Purchase Contract and the 1999 Series A Bonds is hereby approved, confirmed and ratified.

Section 9. Execution of Documents. In the event of the absence or disability of the Chairman, the Vice Chairman 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, with the same effect as if done by the Chairman, the Vice Chairman 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 10. Execution of No-Arbitrage Certificate. The Chairman, the Vice Chairman 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 1999 Series A Bonds as described in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 11. Additional Actions Authorized. The Chairman of the Board, the Vice Chairman of the Board, the Secretary of the Board or any other member of the Board, and the Executive Director and Treasurer, 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 Indenture and the Purchase Contract, including the redemption of Prior Issues as contemplated thereby and the execution and delivery of repurchase agreements constituting Authorized Investments, 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 Officers for such purposes.

Section 12. Effective Date. This Resolution shall become effective immediately.

ADOPTED by the Montana Board of Housing this 8th day of July, 1999.

MONTANA BOARD OF HOUSING

By Bob Thomas
Chairman

Attest:

By Maurice J. Rude
Treasurer/Executive Director



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

Phone: (406) 444-3040
TDD: (406) 444-2978

NOTICE OF SPECIAL MEETING

The Montana Board of Housing will have a special meeting on July 6th, 1999 at 2:00 p.m. by teleconference. The meeting is for the Board to discuss the pricing of its proposed 1999 Series A Single Family Mortgage Bonds, in the amount of \$60,000,000*. The Board will discuss the market, pricing of the bonds, and potential sale on July 7. The meeting will take place in the conference room at the Board's office at 836 Front Street.

A handwritten signature in blue ink that reads "Maureen J. Rude".

Maureen J. Rude
Executive Director

6/29/99

Dated

*Subject to change.



MONTANA DEPARTMENT OF COMMERCE

Montana Board of Housing
836 Front Street
Helena, MT 59620-0528

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MINUTES OF SPECIAL MEETING 1999 A SINGLE FAMILY MORTGAGE BONDS JULY 6, 1999 2:00 P.M.

Notice having been given, the Montana Board of Housing held a special meeting on the issuance of its Single Family Program Bond Series 1999 A. The meeting took place via teleconference to discuss pre-pricing of the bonds. Present were:

Board members: Bob Thomas, Bob Savage, Bill Oser and Tom Welch
MBOH Staff: Maureen Rude, Bob Morgan, Bruce Brensdal, Charles Brown and Amy Mares
Bond Counsel: John Wagner
Paine Webber: Peter Nolden, Mina Choo, Laura Billings and John Feery

Bob Thomas convened the meeting after a role call was taken and a quorum was established.

Peter Nolden said the Preliminary Official Statement was mailed June 25, 1999. The rating on the bonds has been upgraded by Standard and Poor's. Previously the bonds were rated AA and are now rated AA+. Moody's Investor Service confirmed their rating of AA2. The pricing will be on July 9, 1999.

Peter asked John Feery to give an update on the municipal market conditions. John said that he would give an update of where the market is currently, the major factors going into the market tomorrow and the recommended scale to try. The 10-year US Treasury is currently yielding 5.86 which is 8/32 weaker and the 30-year at 6.03 which is 9/32 weaker closing on Friday at 6.01. The Treasury market may have a problem both this week and next week with pressure in their market due to the amount of corporate sales that are going to come into the marketplace. It is anticipated this week that there could be as much as \$13 billion in corporate sales. As a result of last week's Federal Reserve action of tightening rates 25 basis points, many corporate issuers think that this is a very positive rate environment. Many investors sell Treasuries to pay for their corporate positions or hedge their positions which puts pressure on the Treasuries themselves. As a result of that amount of supply coming in which is considered very high, it places pressure on the Treasury market which they expect will continue for the next two weeks.

John said on the municipal side, the supply calendar is a different story. The overall calendar is \$3.3 billion which is considered light and of the \$3.3 billion only \$1 billion is considered interest rate sensitive. From this standpoint, this is a positive and considered a very light market. From a timing standpoint, July 1 redemption money is starting up. July 1 is a time in which the largest amount of redemption dollars of the year hit at \$32 billion dollars coming due. PaineWebber has over \$500 million in redemptions that are hitting retail accounts. As a result, it is an opportune time for this money to be hitting accounts. Other technicals PaineWebber is reviewing are tomorrow in which there will be a 10-year auction for the inflation index bonds by the Treasury Department and later in the week there will be some economic news. At this point in time, this should be a non-event in the marketplace. As far as the housing calendar, this week there are two other housing deals scheduled. The first, New Hampshire Housing, which is AA3, is approximately \$40 million. The second, Ohio Housing, which is AAA Ginnie Mae collateralized

and is at \$300 million. Montana will be the first housing deal in the market this week ahead of those transactions. Relative to what has occurred so far, there has been fine-tuning of the structure to help lower the overall cost of the borrowing. Relative to any comparable deals that occurred last week which were New Mexico, which is AAA rated, and Idaho, which is also AAA rated this scale is anywhere from 5-10 basis points lower in yield. Our rating of Standard and Poor's AA+ combined with the timing, structure and rating would define a very aggressive scale given the amount of potential demand.

Peter Nolden explained what PAC or Planned Amortization Class bonds are. There are \$12 million in bonds maturing December 1, 2030 which are PAC bonds. They have a lower interest rate than other long bonds. The investor in this bond will be promised a particular level of prepayments up to 65% of the PSA prepayment speed. This will first be applied to this bond and then treated like all other bondholders. The Board has used PAC bonds in the past.

Given this scale, and yield restrictions under the arbitrage regulations, MBOH has a number of options. One option would be to reserve the first half of loans at 6.50% and reserve the second half at 6.05%. A second option would be to reserve all of the loans at 6.25%. Peter said they will also be expecting to take investment bids tomorrow morning on the investment of the bond proceeds.

Bob Savage made a motion to proceed at a \$60 million level. Bob Oser seconded the motion. The motion passed unanimously with a roll call vote.

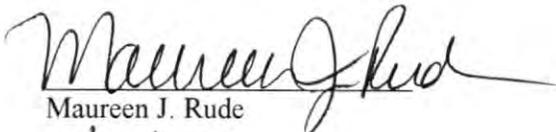
Peter asked if there were any questions before PaineWebber proceeded with the sale. Bob Morgan said that we currently have \$3.5 million reserved at 6.5%. Bob said that the money is being reserved at an average rate. Tom Welch said he got the same numbers about the scale and rate from a Montana Regional Brokerage firm about a half an hour prior to the conference call. Peter said in terms of allocating bonds, they will be giving first priority to Montana real retail orders.

Peter said the bond pricing will be the 7th. A conference call is scheduled for Friday, July 9, 1999 at 9:00 a.m. Montana time.

There being no further business, the meeting adjourned at 2:35 p.m.


Bob Thomas, Chairman

7-26-99
Date


Maureen J. Rude
7/26/99
Date