**MONTANA BOARD OF HOUSING**  
301 S Park Ave., Room 228 - Helena MT  59601  
(406) 841-2840

You may listen or participate from your office or home via GoToWebinar. You will be provided a toll free access number.  
Register for webinar at:  [https://www1.gotomeeting.com/register/390923217](https://www1.gotomeeting.com/register/390923217)

**Monday, November 15, 2010:**

I.  **8:30 A.M. CALL 2011 QUALIFIED ALLOCATION PLAN PUBLIC HEARING TO ORDER**

II.  **ADJOURN HEARING**

III.  **CALL REGULAR MEETING TO ORDER – Chairman JP Crowley**

IV.  **PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY**

V.  **AGENDA ITEMS**

Minutes  
› Approval of Prior Board Meeting Minutes

Multifamily Program (Gerald Watne)  
› Multifamily Update  
› Amendments to 2011 QAP  
› RAM – Waiver Request

Finance Program (Chuck Nemec)  
› Finance Update  
› Refunding Opportunity/Resolution  
› Financial Statement Audit  
› Servicer Audit

Homeownership Program (Nancy Leifer)  
› New Issue Bond Program Update  
› Homeownership Program Update  
  a. Continue 1% lender fee payment  
› Set-Aside Program  
  a. Reauthorization for Lot Refinance  
  b. Reauthorization for RD loan leverage  
  c. New allocation for Disabled Access Affordable Housing Program

Executive Director (Bruce Brensdal)  
› Executive Directors Update  
  a. Marketing Update (Penny Cope)  
  b. Miscellaneous  
› Future Meeting Dates & Locations: (subject to change)

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VI.  **Adjournment**

VII.  **Board Training (Financing tax credit projects on reservations and financial statements)  
Lunch provided with training to conclude no later than 3:00 PM**

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

We make an effort to ensure that our meetings are held at facilities that are fully accessible to persons with disabilities. Any persons needing reasonable accommodations must notify the Housing Division at 406-841-2840 or TDD 406-841-2702 before the scheduled meeting to allow for arrangements.
ROLL CALL OF BOARD
 MEMBERS:  J.P. Crowley, Chairman (Present)
           Betsy Scanlin, Vice Chairman (Present)
           Bob Gauthier (Present)
           Jeanette McKee (Present)
           Jeff Rupp (Present)
           Audrey Black Eagle (Present)
           Sheila Rice (Present)

 STAFF:    Bruce Brensdal, Executive Director
           Chuck Nemic, Finance Program
           Gerald Watne, Multifamily Program
           Nancy Leifer, Homeownership Program
           Paula Loving, Administrative Assistant
           Penny Cope, Web & Marketing Specialist
           Vicki Bauer, Accounting Program
           Mary Bair, Multifamily Program
           Charlie Brown, Homeownership Program
           Julie Hope, Homeownership Program

 COUNSEL:  Greg Gould, Luxan and Murfitt
           John Wagner, Kutak Rock

 UNDERWRITERS:  Gordon Hoven, Piper Jaffray
                 Peter Nolden, RBC Capital Markets

 OTHERS:    Jared Hawskins, Edward Jones Investments
            Kreg Jones, D.A. Davidson
            Scott Fitzpatrick, Mountain Plains Equity Group
            Gene Leuwer, Rocky Mountain Development Council
            Cindy Donnell, USDA Rural Development
            Jay Phillips, Legislative Audit Division
            Mark Alldredge, Legislative Audit Division
CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:35 A.M. Introductions were made. The Chairman suspended the Board meeting in order to conduct the proposed amendments to the approved 2011 Qualified Allocation Plan Public Hearing. Upon the conclusion of the Public Hearing, the Chairman resumed the Board meeting. Introductions were made. The Chairman asked for any public comment on any matter that is not on the agenda.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the September 13, 2010 Board meeting minutes. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Betsy asked that on page 3, Homeownership Program, first paragraph, to insert the word “to” in the sentence: “The loan would be purchased by MBOH’s Master Servicer US Bank, scrutinized into an MBS by Fannie Mae, and sold [to] MBOH Fannie Mae...”. The amended September 13, 2010 Board meeting minutes were approved unanimously. Betsy Scanlin moved to approve the September 27, 2010 Teleconference Board meeting. Jeff Rupp seconded the motion. The Chairman asked for comments. The September 27, 2010 Teleconference Board meeting minutes were approved unanimously.

MULTIFAMILY PROGRAM
Gerald Watne provided the Board with the Multifamily Update. The 2010 Tax Credit Compliance training was completed in September, 2010. The 2011 Tax Credit funding has been awarded and MBOH will receive $2,465,000 for the 2011 year. At current, 14 projects are working on applications for the 2011 Tax Credit Allocations. Gerald updated the Board on the ARRA funding. Gerald provided the Board with the Moody’s Investor Service for the Multifamily mortgage bonds.

Jeanette McKee moved to approve the proposed amendments to the 2011 Qualified Allocation Plan as outlined below:

1. Administrative Requirements, page 13, paragraph 2, section c – Applicants with a tax credit project in Montana for the first time will not receive an approval of a second Tax Credit project until the first project is fully leased and a compliance audit has been conducted which has revealed no significant problems, has been placed in service and successfully managed for at least one full year.

2. Development Selection Criteria; page 23, paragraph 6 section 11 – Market Need & Community Support (0-5 10 points). Developments with demonstrated market need and community support will receive preference under the plan. This support must be project specific and address how the project meets the needs of the community. New letters of support (as well as new letters of non-support) must be submitted for each application for each round of competition. Generic support for affordable housing will receive no preference. The development must also document (market statistics or market study) that a market exists to support the project and that the project meets the needs of the community. Developments with the highest priority concerning market need in
comparison with other applications in the same round of competition as well as overall 
level of need will receive a preference.

Community support letters will not receive preference points under the plan but are 
required to be included. These support letters must be project specific and address how 
the project meets the needs of the community. New letters of support (as well as new 
letters of non-support) must be submitted for each application for each round of 
competition. Generic support for affordable housing will not be considered support for 
the specific project being considered. These letters will be provided to the Board for 
consideration.

Total Points Achievable = 120 $25. Developments must score a minimum threshold of 85 
90 points for further consideration.

Bob Gauthier seconded the motion. Sheila Rice asked for clarifications 
regarding the public comment questions from Thomas Development Company. 
The President, Thomas Mannschreck, requested clarification on the community 
support how community support would be calculated. Gerald stated that 
removing points for community support would eliminate any calculation and the 
Board would have discretion to apply community support in their awarding of 
Tax Credit allocations. Bob Gauthier further clarified that the market needs for a 
community is different from community support. The market needs study 
provides the needs of the community. The community support reflects the 
public opinion of the project.

Betsy Scanlin asked for clarification regarding the “fully leased and compliance 
audit has been conducted which as revealed no significant problem”. J.P. 
Crowley clarified the change is to meet benchmarks instead of a specific 
timeframe. Bruce Brensdal stated “fully leased” means that all units must have 
an initial lease for all units and does not mean that all units must be occupied at 
the time of compliance audit. Betsy stated that “fully leased” is unclear as to the 
status of compliancy.

Betsy Scanlin stated she recommends the points remain in the Qualified 
Allocation Plan for the community support letters. Jeanette states that she 
recommends the removal of the points because it allows the Board to really look 
at the community support letters. Jeff Rupp stated the importance of the 
community support letters are for him as a Board Member in order to make an 
informed decision regarding Tax Credit allocations. While Jeff does not want to 
put any community at a disadvantage because of the inability to obtain the 
community support letters, these letters are valuable when determining the input 
from the community.

Betsy Scanlin moved to amend the Administrative Requirements, page 13, 
paragraph 2, section c – to: Applicants with a tax credit project in Montana for 
the first time will not receive an approval of a second Tax Credit project until the 
first project has achieved 100% qualified occupancy and a compliance 
audit has been conducted which has revealed no significant problems. Jeanette
McKee seconded the motion to amend. The Chairman asked for comments. A roll call vote was conducted.

Jeanette McKee - YES
Bob Gauthier - YES
Betsy Scanlin - YES
Jeff Rupp - YES
Sheila Rice - YES
Audrey Black Eagle - YES

The motion to amend the term "fully leased" to "has achieved 100% qualified occupancy was approved unanimously.

Betsy Scanlin moved to amend the Development Selection Criteria; page 23, paragraph 6, section 11 – Market Need & Community Support – to keep the points with the distribution of three points for Market Need and two points for Community Support. Jeff Rupp seconded the motion. Chairman Crowley asked for comments.

Betsy Scanlin would like to recognize the community support efforts by providing community support points. Bob Gauthier stated the reason for the initial amendment is because some communities are unable to provide community supports. Chairman Crowley stated that the amendment is to give the Board the discretion of community support for each project and eliminates the staff's scoring of community support. A roll call vote was conducted.

Jeanette McKee - NO
Bob Gauthier - NO
Betsy Scanlin - YES
Jeff Rupp - YES
Sheila Rice - NO
Audrey Black Eagle - NO

The motion to amend the proposed amendment for points to community support failed.

Chairman Crowley asked for any final comments on the proposed amendments to the 2011 Qualified Allocation Plan. A roll call vote was conducted.

Jeanette McKee - YES
Bob Gauthier - YES
Betsy Scanlin - NO
Jeff Rupp - YES
Sheila Rice - YES
Audrey Black Eagle - YES

The amendments to the 2011 Qualified Allocation Plan were approved. Betsy Scanlin made note to the online newsletter (www.housingonline.com – Tax

Page 4 of 8
Credit Advisor/November 2010), stating that MBOH agreed to take a settlement agreement. Betsy stated that MBOH was not listed in the law suit and the article misrepresented this fact.

Gerald Watne informed the Board that there was one Reverse Annuity Mortgage Exception Request. The age exception request comes from a single male in Western Montana who is currently 67 years of age and will turn 68 on 01/26/2011. Sheila Rice moved to approve the exception for age. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Betsy Scanlin questioned why the exception for this individual and whether it allows for future exceptions to the age rule. Gerald stated that requests come through and staff looks at each request and recommends appropriately. The Board approved the RAM exception for mortgage with Betsy Scanlin voting against due to the requirements for the program.

FINANCE PROGRAM
Chuck Nemec introduced Peter Nolden from RBC Capital Markets who is MBOH Homeownership Program's Bond Investor. Peter provided a history and current status of the NIBP program.

Peter Nolden brought to the Board a proposed economic refunding opportunity for refinancing existing board debt into new debt with lower interest rates. Peter reviewed the fundamentals of the process, the benefits of the refunding proposal and a timetable for potentially issuing bonds by mid-December. Board staff had earlier requested John Wagner, Board's bond counsel, to draft a resolution allowing the Chairman and Executive Director to act with the consent of the board and approve a bond issue if conditions are favorable. Resolution 10-1115-S1 would allow for the creation of a new issue of single family bonds in an aggregate principal amount not to exceed $70,000,000. Bob Gauthier moved to approve Resolution 10-1115-S1 and Jeff Rupp seconded the motion. Chairman Crowley asked for comments. The Board unanimously approved Resolution 10-1115-S1.

Chuck Nemec introduced Jay Phillips and Mark Alldredge from the Legislative Audit Division (LAD), who performed the MBOH Financial Statement Audit. Chuck described the purpose of the financial statement audit and the audit process. Jay Phillips explained the process is not complete until a written auditor's opinion is released by LAD. He said the audit resulted in no reported findings up to this date and the report would be presented to the Legislative Audit Committee in December.

Nancy Leifer reviewed the process for the Servicer Audit which was performed by the Legislative Audit Division. The Servicers whose mortgages were reviewed were: First Interstate Bank, Casper, WY; U.S. Bank, Great Falls; American Federal Savings Bank, Helena; and Flathead Bank of Bigfork who also now services Valley Bank of Belgrade, Big Fork. Together, these servicers comprise
about 38% of the total loan portfolio. Jay Phillips stated the findings were not unusual and were consistent with previous years of Servicer Audits. Nancy stated that letters have been issued to the Servicers for these exceptions. Responses are due by December 15, 2010. Bob Gauthier inquired of the steps for compliance and consequences for the non-compliance. Nancy stated that accounting staff provide technical assistance and training to servicers, and will be visiting and reviewing the problem areas of two of those audited early next year to be sure the necessary steps to eliminate problems in the future are taken. Repeated failure to comply with MBOH servicing criteria can lead to MBOH terminating a lender’s right to service. Jay stated that the lenders who have the most exceptions were experiencing some type of temporary disarray.

Chuck Nemec provided the Finance Update. He provided a review of the Standard & Poor’s Report: “Housing Finance Agency Delinquencies Reach New Heights Yet Remain Lower Than State Averages”. This report gives the board members some perspective on how MBOH loans are performing compared to peer organizations and national statistics. The report indicates MBOH continues to do fairly well with loan foreclosure rates compared to both.

Chuck Nemec explained the Moody’s Multifamily Program Rating Notice. Moody’s reviewed the Multifamily Mortgage Revenue Bonds and affirmed the Aa2 rating for the program. The rating is based on the program’s assets (mortgage loans and investments), the mortgage insurance coverage, and the collateral the program has available. The collateral is used to cover the gap between the insurance coverage on the mortgage loans and the amount of the mortgage loan. This gap is 10% since insurance covers 90% of the mortgage amount. The amount of collateral needed is $850,000. The Multifamily Program is able to provide this collateral in the form of additional assets it holds in excess of the 90% insured amount.

HOMEOWNERSHIP PROGRAM
Nancy Leifer provided the Board with a Homeownership update. Nancy reviewed the Reservation Report for the regular bond program funded in part with the New Issue Bond Program (NIBP) bonds. Since the last Board meeting in September, MBOH’s rate continued to be noncompetitive with the current interest rates.

Nancy Leifer updated the Board with the MBOH portfolio’s Loan to Value ratios and the Mortgage insurance provider breakout of the portfolio. The Board was updated on the delinquency rates. With the continual high unemployment rates, MBOH’s delinquency rate is climbing, however, still remains generally much lower than Regional and National foreclosure rates. Sheila Rice stated that NeighborWorks Montana’s foreclosure rate continues to comparable with MBOH’s rate. These lower foreclosure rates reflect the success of the First Homebuyer classes and Foreclosure counseling programs.
Nancy Leifer recognized to the work performed by Homeownership staff, Julie Hope. Julie received her certification as a HUD foreclosure counselor last spring, and has been handling foreclosure counseling for the three-county area around Helena, as well as helping fill in around the state. Nancy mentioned three clients have generated special thanks, two from the Governor's office, and one from the staff of Senator Tester. Sheila Rice expressed her gratitude to Julie for all the work in filling the foreclosure counseling.

Nancy Leifer brought to the Board a request to continue 1% Lender Fee Payment. In June, 2010, the Board approved the use of up to $250,000 of special reserve to pay 1% of the fees typically charged by lenders at closing. Having MBOH pay the 1% of the fee, and limit the lender to charging the borrower up to 1% additional, was done to position MBOH loans to be competitive with other secondary market investors and to market MBOH loans to borrowers as offering a 1% “grant” toward closing costs. As of the end of October, 2010, MBOH has committed to about $121,242 of MBOH-paid lender fees.

Bob Gauthier made the following motion:

MBOH pay 1% in lender fees subject to the following:

1. MBOH can finance the fee up by using up to $500,000 of Special Reserve
2. MBOH will cease to offer the 1% fee payment and return to allowing 2% to be charged to the borrower should the market interest rate stabilize at 50 basis points or more over the MBOH mortgage rate.

Although the lender fees will initially be funded from moneys which are not tax restricted, staff has been advised by its legal and underwriting advisors that it may be possible to utilize the proceeds of future bond issues to reimburse the unrestricted moneys of the Board, and thereby create a fund to pay lender assistance. This motion includes approval to pursue this option.

Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. Jeff Rupp clarified that the 1% was to help subsidize the lender for financing the loan and not the homeowner and these funds will not be recuperated. Sheila Rice noted that when MBOH pays lender fee closing costs, this also contributes to the match requirement for IDA account borrowers. The motion was approved unanimously.

Nancy Leifer outlined for the Board two potentials for lowering the MBOH interest rate. MBOH will be re-locking the rate on the Treasury bonds in early December. If the new rate is significantly below the existing rate, the Board could lower its loan rate. The other opportunity would come from the Refinancing of the bonds outlined earlier in the meeting by Peter Nolan. If the refunding generates the necessity to lend some bond proceeds at 0%, these funds could be blended with the Board’s regular rate in 2011 and help bring the rate lower.

Nancy Leifer provided a status report on the Mortgage Certificate Credit program. MBOH staff will bring to the Board a request to allocate bond cap to extend the MCC program at the January 2011 Board Meeting.
Nancy brought to the Board Set-Aside Requests. The first request is to allocate $500,000 pre-Ullman funds to the Disabled Access Affordable Housing Program.

The second Set-Aside request is to extend Lot Refinance Setaside (575) to December 31, 2011.

The third Set-Aside request is to extend the allocation of $729,975 pre-Ullman funds to the USDA Rural Housing Development Leverage Loan Setaside (962) to December 31, 2011. Nancy introduced Cindy, from Rural Development. Cindy provided a history of the program.

Bob Gauthier moved to approve all three Set-aside requests and Jeanette McKee seconded the motion. Chairman asked for comments. The requests were approved unanimously.

**EXECUTIVE DIRECTOR**

Bruce Brensdal provided the Board with Executive Director's update. He indicated he would be submitting an application to the Department of Administration to carry forward the remaining private activity bond cap of $273,775,000. He also clarified the bond resolution today was slightly different than those passed in the past. Rather than requiring a quorum of the board at the bond sale to approve the Bond Purchase Agreement (BPA) the Chairman and Executive Director were authorized to sign as long as the bond sale went according to plan.

Penny Cope provided the Board the marketing update. The second Housing Division Newsletter should be ready for release within the next month. Penny notified the Board regarding the upcoming Annual Legislative Conference and requested the Board to let her know of any requests they would like before attending. Penny reminded the Board of the Montana Housing Partners Day that will be at the rotunda in the Capitol on the afternoon of March 17, 2011.

Meeting was adjourned at 11:45 A.M for a scheduled training session on financing tax credit projects on Indian reservations and the MBOH financial statements.

Jeff Rupp, Secretary

Date
MONTANA BOARD OF HOUSING
301 S Park Ave., Room 228 - Helena MT 59601
(406) 841-2840

NOTICE OF SPECIAL MEETING
via telephone conference

Phone Number: 866.516.5393
Pass code: 11705580#

Tuesday, September 27, 2010:

I. 9:00 A.M. CALL MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Multifamily Program (Gerald Watne)
➢ Amendments to 2011 Qualified Allocation Plan – Approval to put out for public comment

IV. Adjournment

❖ All agenda items are subject to Board action after public comment.

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ROLL CALL OF BOARD
MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Present)
Audrey Black Eagle (Excused)
Sheila Rice (Present)

STAFF: Bruce Brensdal, Executive Director
Gerald Watne, Multifamily Program
Paula Loving, Administrative Assistant
Penny Cope, Web & Marketing Specialist
Mary Bair, Multifamily Program

COUNSEL: Greg Gould, Luxan and Murfitt

UNDERWRITERS: Lori Davidson, Missoula Housing Authority
Andrea Davis, homeWORD

CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH)
teleconference Board meeting to order at 9:06 A.M. Introductions were made.
Bruce Brensdal reviewed the general instructions of a teleconference. The
Chairman asked for any public comment on any matter that is not on the agenda.

MULTIFAMILY PROGRAM
Bruce Brensdal reviewed the documents sent to the Board concerning the
settlement in the Travois lawsuit against, Bruce Brensdal, J.P. Crowley, and
Gerald Watne. As part of the settlement, Staff would bring to the Board the
following recommendations for amendment to the 2011 Qualified Allocation
Plan:
1. Administrative Requirements, page 13, paragraph 2, section c – Applicants with a tax credit project in Montana for the first time will not receive an approval of a second Tax Credit project until the first project is fully leased and a compliance audit has been conducted which has revealed no significant problems has been placed in service and successfully managed for at least one full year.

2. Development Selection Criteria; page 23, paragraph 6 section 11 – Market Need & Community Support (0-5 10 points). Developments with demonstrated market need community-support will receive preference under the plan. This support must be project-specific and address how the project meets the needs of the community. New letters of support (as well as new letters of non-support) must be submitted for each application for each round of competition. Generic support for affordable housing will receive no preference. The development must also document (market statistics or market study) that a market exists to support the project and that the project meets the needs of the community. Developments with the highest priority concerning market need in comparison with other applications in the same round of competition as well as overall level of need will receive a preference. Community support letters will not receive preference points under the plan but are required to be included. These support letters must be project-specific and address how the project meets the needs of the community. New letters of support (as well as new letters of non-support) must be submitted for each application for each round of competition. Generic support for affordable housing will not be considered support for the specific project being considered. These letters will be provided to the Board for consideration.

Total Points Achievable = 120 125. Developments must score a minimum threshold of 85 90 points for further consideration.

Gerald Watne reminded the Board that these changes are staff’s recommendation and that Board has authority to approve or disapprove these changes. Gerald requested the Board to approve the above mentioned amendments to the 2011 Qualified Allocation Plan to be placed for public comment. If approved for public comment, the changes would be posted on website for at least 30 days. A Public Hearing would be conducted on November 15, 2010 in conjunction with the Board meeting. The Board would take action on the recommended amendments at the November 15, 2010 Board meeting.

Betsy Scanlin voiced her concerns regarding the defined Qualified Allocation Plan process each year and that the individuals in the lawsuit had the right to attend
the workshop in May, and provide public comment at any time prior to the approval of the 2011 Qualified Allocation Plan. Betsy stated that instead of utilizing the defined process, the individuals chose a lawsuit to express their concerns of the Qualified Allocation Plan.

Discussion continued regarding the Board’s role within the lawsuit. Greg Gould clarified that the Board was not part of the lawsuit and that all parties of the lawsuit; Gerald Watne, J.P. Crowley, and Bruce Brensdal, understood that the individuals could not speak for the Board. Travois also understood the settlement recommendations were subject to the Board’s approval.

Betsy Scanlin stated her concern on how these late changes might affect the timelines of projects planning a 2011 application. Bruce Brensdal stated these changes are not major and should not affect those projects but encouraged those projects to comment at the public hearing. Betsy asked Lorie Davidson (Missoula Housing Authority) and Andrea Davis (homeWORD) for their input. Both stated that these changes would not affect their application process timeline.

Bob Gauthier moved to approve staff’s recommendation to release the proposed amendments for public comment with a public hearing and Board consideration of the amendments to take place at the November 15, 2010 meeting. Jeanette McKee seconded the motion.

Jeff Rupp stated the importance of community support and letters show the awareness of the project and support. Jeff’s concern is with taking away the points for the community’s awareness of the project. Bob Gauthier stated that Indian communities do not have the ability to prove the amount of community support that urban and rural communities may. Greg Gould stated that the market need does not change with this recommendation. The staff would release the community support aspect to the Board for consideration of project approval.

J.P. Crowley provided his rationale for supporting the recommendations.

- Administrative – projects would have to meet defined benchmarks of the project as opposed to the one-year waiting period. The ultimate goal is for the project to reach these benchmarks for the successful completion.
- Development Selection Criteria – removing of the points for community support allows for the Board to have more discretion in the decision making process for awarding tax credits.

A roll call vote was taken to approve staff’s recommendation to place the amended changes to the 2011 Qualified Allocation Plan for public comment:

Betsy Scanlin: No
Bob Gauthier: Yes
Jeff Rupp: Yes
Jeanette McKee: Yes
J.P. Crowley: Yes

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The motion passed. The proposed amendments to the 2011 Qualified Allocation Plan will be placed on the website for a public comment for no less than 30 days. A Public Hearing will be conducted on November 15, 2010 at 8:30 A.M.

The meeting was adjourned at 9:51 A.M.

Jeff Rupp, Secretary

Date

November 15, 2010
MONTANA BOARD OF HOUSING
Northern Cheyenne Tribal Housing Authority
Montana 39 - Lame Deer, MT 59403
(406) 477-6419
September 13, 2010

Monday, September 13, 2010:

I. 8:30 A.M. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Minutes
   ➢ August 9, 2010 Board Meeting

Multifamily Program (Gerald Watne)
   ➢ Multifamily Update
   ➢ RAM – Waiver Request

Finance Program (Chuck Nemec)
   ➢ Finance Update

Homeownership Program (Nancy Leifer)
   ➢ New Issue Bond Program Update
     a. Fannie Mae Affordable Advantage Loan Program
   ➢ Homeownership Program Update
   ➢ Set-Aside Program
     a. Updates

Executive Director (Bruce Brensdal)
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ROLL CALL OF BOARD

MEMBERS:  J.P. Crowley, Chairman (Present)
           Betsy Scanlin, Vice Chairman (Present)
           Bob Gauthier (Present)
           Jeanette McKee (Excused)
           Jeff Rupp (Excused)
           Audrey Black Eagle (Present)
           Sheila Rice (Excused)

STAFF:      Bruce Brensdal, Executive Director
           Gerald Watne, Multifamily Program
           Nancy Leifer, Homeownership Program
           Paula Loving, Administrative Assistant
           Penny Cope, Web & Marketing Specialist

COUNSEL:    Greg Gould, Luxan and Murfitt

UNDERWRITERS:

OTHERS:     Lawrence Big Hair Jr., Northern Cheyenne Tribal
            Housing Authority (NCTHA)
            Lafe Haugen, NCTHA
            Ernie Robertson, NCTHA
            Lanette Spang, NCTHA
            Colleen Spang, NCTHA
            Montie Haugen, NCTHA
            Mike Spillman, NCTHA
            Larry Bartlett, NCTHA
            Willie Roland, NCTHA
            Claude Leedum, Board Chairman for NCTHA
CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:45 A.M. Introductions were made. The Chairman asked for any public comment on any matter that is not on the agenda. Lafe Haugen, Executive Director of the Northern Cheyenne Tribal Housing Authority, welcomed the Board to the Northern Cheyenne.

Roger Kill offered prayer over the Board and the Housing Conference.

Lafe Haugen provided an overview of the Northern Cheyenne Tribal Housing Authority (NCTHA). NCTHA held a Grand Opening for their Shoulder Blade Complex, which is rehabilitation tax credit project. In addition to Shoulder Blade, the Authority has just completed two single dwelling homes from reclamation. Tours of these homes are available during the Housing Conference.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the August 9, 2010 Board meeting minutes. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Nancy Leifer pointed out on page five, last paragraph, first sentence, the word “assess” needs to be added to “Sheila Rice moved to approve staff’s recommendation to approve both options and direct the staff work with HRDC staff to further “assess” the risks and restrictions for each option....” Betsy moved to approve the amended August 9, 2010 minutes with Bob seconding the motion. The amended August 9, 2010 Board meeting minutes were approved unanimously.

MULTIFAMILY PROGRAM
Gerald Watne provided the Board with the Multifamily Update. Gerald informed the Board that two of his staff members attended the Shoulder Blade Grand Opening in Lame Deer. Gerald updated the Board on the 2009 ARRA Funds, current status of projects and the potential implications for projects that may not have at least 30% of the Exchange funds requested by year end. MBOH Tax Credit Training will take place September 20-23, 2010 in Fairmont. The agenda and information regarding the training is posted on the website.

Multifamily Program will be meeting with the Rural Development in Bozeman regarding the 538 Program. This program is for rural projects. Rural projects have several hurdles to overcome with tax credits. This program will allow Multifamily to loan funds to help with the funding of these projects and has similar insured guarantees as with HUD Risk-share loans which helps in retaining a higher bond rating.

Gerald provided a brief update on the possible developer interest for the 2011 Tax Credits. There has been discussion of a potential application which will include several small multifamily units in different communities. The Board has not
funded a project like this in the past; however, the opportunity to support several communities under one application appears to have great potential. The concept will need some research.

Gerald Watne informed the Board that there were no Reverse Annuity Mortgage waiver requests.

**FINANCE PROGRAM**
In the absence of Chuck Nemec, Bruce Brensdal provided the Board with the Board with a Finance update. Chuck remained in the office to work on the financials. Nancy Leifer provided the New Issue Bond Program (NIBP) update. US Treasury reviewed the issues the Housing Finance Authorities have been facing within the program. Treasury has extended the timeframe during which the funds can be used from December 31, 2010 to December 31, 2011. In addition, the Treasury Department will now allow an individual state to issue bonds six times during this period, rather than three. Finally, Treasury also established a new window of opportunity to reset the rate on the Treasury portion of the issue in early December of 2010. As rates have gone lower than they were in December of 2009 when the last rate lock was done, this should allow MBOH to lower its rate. MBOH discussed these announcements with RBC underwriting staff Peter Nolden and Mina Choo, and subsequently lowered the rate on MBOH regular bond loans to 4.375%, effective September 8, 2010.

**HOMEOWNERSHIP PROGRAM**
Nancy Leifer brought to the Board a new loan product from Fannie Mae – Affordable Advantage. Fannie Mae has created a 100% financing loan program just for State Housing Finance Agencies. This program minimizes the amount of cash a borrower needs upfront by eliminating the down payment. The program is very similar to the Rural Development loan; however, this program is not limited to the rural areas of Montana. The loan would carry a higher interest rate, and does require a minimum of $1,000 of borrower cash in the closing. However, it has a lower monthly payment because it doesn’t have a monthly mortgage insurance payment. The loan would be purchased by MBOH’s Master Servicer US Bank, securitized into an MBS by Fannie Mae, and sold MBOH Fannie Mae has determined the biggest risk with this type of loan is the delinquency rate within the first six months of the loan. Therefore, Fannie Mae will require MBOH to re-purchase any loan that goes over 30 days delinquent in the first six months and proceeds to become 120 days delinquent. MBOH would implement the same re-purchase requirements on the originating lenders, limiting the Board’s risk.

Bob Gauthier moved to authorize staff to implement the Fannie Mae Affordable Advantage Loan program over the next couple of months, with the discretion to not implement the program if the terms of the Fannie Mae Affinity 3, Three Part Agreement, or seller approval process prove to be disadvantageous to the goal of
the program. Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. The motion passed unanimously.

Nancy Leifer provided the Board with an update on the delinquency rates. The delinquency and foreclosure rates are increasing.

Nancy Leifer updated the Board on a completed set-aside program with the Human Resource Council in Missoula. This program was designed to encourage homeownership within Native Americans in Urban areas, who do not live on tribal lands. The program has been successfully completed.

Nancy Leifer provided an update on the recently approved HRDC IX West End program, noting that the traditional financing option was found to be feasible, so the amount of the set-aside for the program will be $1.6 million.

EXECUTIVE DIRECTOR
Bruce Brensdal provided the Board with Executive Director's update. At current, the Board will not have a meeting in October. In November, staff will coordinate a training session for the Board.

Penny Cope provided the Board with a copy of the Qualified Allocation Plan. Penny presented the “The Faces of Affordable Housing in Montana” poster. These posters are printed and ready for distribution throughout the state.

Penny Cope updated on Board on the Fair Housing and Montana Search training. An initial Webinar has taken place. The group has held one webinar meeting, with 50 attendees from a broad range of housing related organizations. A survey was created and used to gather useful suggestions for what type of Fair Housing training would work best for Montana, how to distribute information to across the state and how to further the visibility of the MTHousingSearch website.

Meeting was adjourned at 10:20 A.M.

Jeff Rupp, Secretary

Date

Page 4 of 4
Monday, August 9, 2010:

I.  8:30 A.M. CALL 2011 QUALIFIED ALLOCATION PLAN PUBLIC HEARING TO ORDER

II. ADJOURN HEARING

III. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

IV. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Minutes
  ➢ June 14, 2010 Board Meeting

Multifamily Program (Gerald Watne)
  ➢ Multifamily Update
  ➢ 2011 Qualified Allocation Plan – Amend if required and send to Governor for signature
  ➢ RAM – Waiver Request

Finance Program (Chuck Nemec)
  ➢ Finance Update
  ➢ Quarterly Investment Report

Homeownership Program (Nancy Leifer)
  ➢ New Issue Bond Program Update
  ➢ Homeownership Update
  ➢ Set-Aside Program
    a. Gallatin County Loan Program Request

Executive Director (Bruce Brensdal)
  ➢ Executive Directors Update
    a. Marketing Update (Penny Cope)
    b. Miscellaneous
  ➢ Future Meeting Dates & Locations: (subject to change)

V. Adjournment
  ➢ All agenda items are subject to Board action after public comment.

We make an effort to ensure that our meetings are held at facilities that are fully accessible to persons with disabilities. Any persons needing reasonable accommodations must notify the Housing Division at 406-841-2840 or TDD 406-841-2702 before the scheduled meeting to allow for arrangements.
ROLL CALL OF BOARD

MEMBERS:  J.P. Crowley, Chairman (Present)
            Betsy Scanlin, Vice Chairman (Present)
            Bob Gauthier (Present – partial meeting)
            Jeanette McKee (Excused)
            Jeff Rupp (Present)
            Audrey Black Eagle (Excused)
            Sheila Rice (Present)

STAFF:  Bruce Brensdal, Executive Director
        Charles Nemec, Finance Program
        Gerald Watne, Multifamily Program
        Penny Cope, Web & Marketing Specialist
        Paula Loving, Administrative Assistant
        Mary Bair, Multifamily Program (via Webinar)

COUNSEL:  Greg Gould, Luxan and Murfitt

UNDERWRITERS:  Gordon Hoven, Piper Jaffray
                John Wagner, Kutak Rock

OTHERS:  Tom Manuschreck, Meadowlands/ Thomas Development
         Alex Burkhalter, Sparrow Group
         Ruth Licitra, Housing Task Force
         Holly Horan UM-RI, MTDH
         Shyla Patera
         George Worthcutt
         Tracy Menuz, HRDC District IX, Inc.
         Heather Grenier, HRDC District IX, Inc.
         Jose Jimenez, AmericCorps VISTA for NeighborWorks MT
         Heather McMilin, homeWORD
         Julie Stiteler, homeWORD
         Andrea Davis, homeWORD
         Ann Atkinson, Kutak Rock
         LaRoy Williamson
         Jennifer Olson, MDOC
CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:35 A.M. Introductions were made. Bruce Brensdal reviewed the Webinar process. Chairman Crowley suspended the meeting in order to conduct the 2011 Qualified Allocation Plan Public Hearing.

Upon resuming the regular MBOH Board meeting Chairman asked for public comment on items not on Agenda. Michael O’Neill asked the Board to send a letter encouraging Senator Baucus and Senator Tester to support federal legislation to make changes to HUD’s 811 program. These changes would help the Board better serve the needs of disabled Montanans. Shyla Patera also supported this request. Bruce offered to get two letters prepared for JP’s signature and send to the Senators.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the June 14, 2010 Board meeting minutes. Jeff Rupp seconded the motion. Chairman Crowley asked for comments. The June 14, 2010 Board meeting minutes were approved unanimously.

MULTIFAMILY PROGRAM
Gerald Watne provided the Board with the Multifamily Update. Gerald updated the Board on the 2009 ARRA Funds. Gerald and Mary Bair performed onsite visits to Franklin School, Great Falls, Ouellette Place, Lewistown, and White Tail Run Apartments in Billings, as well as the open house at Castle Mountain Apartments I in White Sulphur Springs in July.

Gerald Watne presented the 2011 Qualified Allocation Plan (QAP) to the Board. Gerald addressed the concerns of visit-ability raised during the 2011 QAP Public Hearing. Gerald stated that several “visitability” requirements are already included with the QAP. Betsy asked whether the QAP addresses adaptability is the same as “visitability”. Alex Burkhalter, Sparrow Group, stated that his projects are already utilizing these requirements when building units. Heather McMilin and Julie Stiteler, homeWORD, Inc., provided an overview of Ouellette Place accessibility. Ouellette Place is located in Lewistown, a smaller community, and the first floor of the complex is completely accessible. Mary Bair, MBOH staff, added that the requirements within Fair Housing Act are required by law. Michael O’Neill, AWARE, reiterated his desire to have all units meet the 504
requirements. Bruce Brensdal asked for clarifications on the types of units are lacking visit-ability. Michael O'Neil clarified to add the requirements of “visitability” to all ground floor units. Michael agreed that wording that all ground floor units will be required to have non-step entry would be acceptable. It was added to the draft QAP

Betsy asked for clarification of the 130% rule (page 12). Tom Mannschreck, Meadowlands Apartments/ Thomas Development, believed the existing guidelines were sufficient. Betsy expressed the concern of the “Discretionary rating on the energy saving requirements as opposed to requiring projects. Gerald agreed that the staff would look at this section in the 2012 QAP since some of the green and energy items might be better considered industry standards and not awarded points. Betsy asked for clarifications on scoring 40% election points for the Area Median Income (AMI) on page 21 to state “Points awarded for 40% units are independent of and not calculated as part of 50% or 60% units.” Darren suggested that for the 2012 QAP, considerations be made for adding points for “visitability” (page 21).

Betsy moved to approve the 2011 Qualified Allocation Plan with two changes: adding the clause “independent of and not calculated as” as well as the “no-step ground entry” comment. Sheila Rice seconded the motion. Chairman Crowley asked for comments. Jeff Rupp stated that while everyone seems to be in agreement of the “visitability” access, there are costs associated with the requirement. The 2011 Qualified Allocation Plan was approved unanimously with the stated changes.

Gerald Watne provided the Board with a Reverse Annuity Mortgage (RAM) waiver request for approximately $110,000, which is under the cap of for RAM loans. Under the RAM Loan Program guidelines, both spouses must be 68 years of age or have special circumstances to warrant an age waiver. The request comes from a 65 year old woman and her 72 year old spouse. Sheila moved to approve the age waiver for the couple. Jeff seconded the motion. Chairman Crowley asked for comments. The age waiver was approved unanimously. Betsy Scanlan expressed concerns regarding the utilization of fund during this time. Gerald clarified the funds for new RAM loans are generated from revolving funds from previously funded RAM monies.

FINANCE PROGRAM
Chuck Nemec provided the Board with a Finance update. Chuck reviewed the Diversification and Average Yield Investment Report, which compares the current yield of 10-year U.S. Treasury to the previous month and year. The current yield has declined compared to the previous month and year. The decline will affect the interest rate of return for Board investments and the mortgage market by reducing interest income and making Board loans less competitive with the Montana commercial mortgage market.
Chuck Nemec updated the Board on the status of the Federal Home Loan Bank of Seattle collateralized advance account draw. Board staff will make the first draw which will repay Board accounts that provided the funding for the current program's mortgage purchases.

The U.S. Treasury published a report concluding the Municipal Bond Market is in reasonably good condition; this is important because the Board's bonds are part of this market. Moody's is also examining the Municipal Bond Market and has published a study of housing finance agencies (HFA), a segment of this market. The study sets out the factors affecting HFA ratings and how Moody's will apply the factors and determine the impact on an HFA. Board staff will study the document and will discuss with the Board how Moody's will affect the Board's business process in the future.

Chuck Nemec reviewed the Quarterly Investment Report by discussing current and past investment yields, current and past portfolio investment composition, and the effects of the New Issue Bond Program U.S. Treasury investment on both the portfolio yield and composition.

HOMEOWNERSHIP PROGRAM
Nancy Leifer provided the Board with a Homeownership update. Nancy reviewed the Treasury Bond Program. The interest rates have dropped again from the last Board meeting in June. In addition to the low volume of loans, MBOH's interest rate is now more than 60 basis points from the 90 day Fannie Mae rate, therefore, MBOH will not be able to purchase any Rural Development loans until the Fannie Mae rate rises and this is corrected.

Nancy reviewed the Foreclosure and Delinquency rates of the MBOH portfolio. MBOH continues to do fairly well in relation to the state, regional, and state rates.

Nancy updated the Board on the Maximum Income Limits based on the guidance at June 2010 Board meeting. The final determination from HUD that came in shortly after the Board meeting had the effect of making all counties in Montana "high cost" counties. The final income limits range from a high of 95,060 for a household of three or more in Jefferson County, to a the statewide floor of $65,040 for a household of 1-2 persons. The purchase price limits range from a high of $337,500 for Gallatin County to the statewide floor of $236,840, which is the same statewide floor as in 2009.

Nancy provided the Board with some statistics on the loans in the new Treasury Department XI Indenture. The distribution of the overall mortgage insurance providers is: FHA at 64.6%; RD at 24.3%; VA at 9.7%; and HUD 184 at 1.4%. Credit scores on loans indicate that MBOH is serving borrowers for the most part in the same credit score range of 580 to 680, as before, with only about 6% falling below 580. On the other hand, 41.8% of the borrowers have a credit score of 680 and over, which is a good balance for future risk.
Nancy presented a request for the **Gallatin County Loan Program** from Human Resource Development Council (HRDC) of District IX. Jeff Rupp recused himself from the discussion as the project is with his agency and he has a conflict of interest. Nancy introduced Tracy Menez and Heather Grenier of the District IX HRDC. Heather provided an overview of the West Edge Condominium project in Bozeman. West Edge is being developed in part through grant funding provided by the Department of Commerce’s Neighborhood Stabilization Program (NSP) funds. The project consists of three phases: Phase 1 was constructed in 2007 and consists of 24 units; Phase 2 is currently under construction and will consist of 36 units; and Phase 3, consisting of 24 units to be constructed at a later date. The units will be available to households earning less than 120% of the AMI, but is targeted to households below 80%, with at least 25% of the units being sold to households earning less than 50% AMI. The project’s proposed pricing structure ensures that it will provide homeownership opportunities to households previously shut out of Bozeman’s market. During the process, financial difficulties developed and NSP staff requested that HRDC work with MBOH staff to resolve the financing difficulties typically incurred on condominium projects.

Tracy reviewed the two options for MBOH potential financing of homebuyers in the project, one using traditional financing, and the other using a land trust concept. A set of more detailed questions concerning how the project would fit into FHA and Fannie Mae project and individual loan criteria have been submitted to each agency. The determination of which option is the best is delayed until the agencies have fully responded to these questions. The project needs to move forward as soon as possible, so the request from the HRDC to the Board is to approve both options, with the understanding that the MBOH staff will work with the HRDC staff once the information is known to implement the best option, recognizing that the goal is to come as close to the original proposal HRDC made.

Sheila Rice asked for input on developing a program which will allow the types of financing being proposed to come from MBOH in this project to be more broadly available for other projects as long as they meet the same requirements. Nancy Leifer responded that the only limitation on using these types of funding for more projects that meet the same criteria is the source of funds. MBOH would have to use pre-Ullman funds to complete these projects. Pre-Ullman funds will only be available for a few more years. Chuck Nemec also pointed out that the pre-Ullman funds are in different Indentures and that also affects the availability for this type of use.

Sheila Rice moved to approve staff’s recommendation to approve both options and direct the staff work with HRDC staff to further assess the risks and restrictions for each option, then implement the best options, in addition to the availability to other condominium projects which meet the same criteria, subject to the
availability of the Pre-Ullman funds. Betsy Scanlin seconded the motion. Chairman Crowley asked for comments.

Roll Call vote due to Webinar attendance:
Betsy Scanlin – yes
Sheila Rice – yes
Bob Gauthier – yes
JP Crowley – yes

The motion was approved unanimously.

EXECUTIVE DIRECTOR
Bruce Brensdal provided the Board with Executive Director’s update. Bruce stated Staff is working on training in the fall for Board members for accessibility. Betsy requested more attention regarding the energy section for the QAP.

Penny Cope provided a review of the new website layout for the Housing Division, including Montana Board of Housing’s website. The website layout is designed to provide an easy navigation for individuals based on their needs without knowing the specific programs providing the services.

Penny Cope provided the Board members with the 2010 White Paper. The White Paper is available on the new website homepage. Penny informed the Board of the implementation of new Housing Division Newsletter. The newsletter will be sent electronically to the Board members and interested individuals in housing in Montana. Penny displayed the “Faces of Affordable Housing” poster, reflecting information from the White Paper.

Penny Cope informed the Board of upcoming events involving housing. The Fair Housing and MTHousingSearch Advisory Committee webinar will be August 30, 2010 at 2:00 p.m. On September 3, 2010 at noon, the Trust Montana Statewide Community Land Trust will hold a webinar to discuss Feasibility Study and form a steering committee. Low Income Housing Tax Credit Compliance Workshop will be held at Fairmont Hot Springs on September 21 and 22, 2010.

Meeting was adjourned at 12:00 P.M.

Jeff Rupp, Secretary
Date

Page 6 of 6
Monday, June 14, 2010:

I. 8:30 A.M. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

   Minutes
      ➢ May 3, 2010 Board Meeting

Multifamily Program (Gerald Watne)
   ➢ Multifamily Update
   ➢ 2011 Qualified Allocation Plan – Approval to put out for public comment

Finance Program (Chuck Nemec)
   ➢ Finance Update
   ➢ March Quarterly Report
   ➢ Servicing Options

Homeownership Program (Nancy Leifer)
   ➢ New Issue Bond Program Update
   ➢ Origination Fees
   ➢ Homeownership Update
      a. Income and Purchase Price Limits
   ➢ Set-Aside Program
      a. Set-Aside Request from Habitat for Humanity
      b. Review of Disabled Affordable Accessible Homeownership Set-aside
      c. Extension of HUD 184 program

Executive Director (Bruce Brensdal)
   ➢ Executive Directors Update
      a. Marketing Update (Penny Cope)
      b. Miscellaneous
   ➢ Future Meeting Dates & Locations: (subject to change)

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V. Adjournment
   ❖ All agenda items are subject to Board action after public comment.

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ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Present)
Audrey Black Eagle (Present)
Sheila Rice (Present)

STAFF: Bruce Brensdal, Executive Director
Charles Nemec, Finance Program
Gerald Watne, Multifamily Program
Penny Cope, Web & Marketing Specialist
Paula Loving, Administrative Assistant
Charlie Brown, Homeownership Program
Justin Schedel, Accounting Program
Jeannene Maas, Homeownership Program
Julie Hope, Homeownership Program
Doug Jensen, Homeownership Program

COUNSEL: Greg Gould, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS: Mat Rude, Rocky Mountain Development Council
Brett Hyde, Rural Development
Deb Chorlton, Rural Development
Pat Melby
Jason Adams, Salish Kootenai Housing Authority
Lawrence Big Hair Jr., ANHA
Rogin Renville, ANHA
Jane Pavek, Wells Fargo Bank
Gene Leuwer, Rocky Mountain Development Council
Justin Crotty, Wells Fargo Bank
Melony Bruhn, Habitat for Humanity
Clarence Gilham, Blackfeet Housing
Nate Schaud, Wells Fargo Bank
CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:30 A.M. Introductions were made. The Chairman asked for public comment not on Agenda.

APPROVAL OF MINUTES
Betsy moved to approve the May 3, 2010 Board meeting minutes. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Greg Gould, Board Council, asked that on page four, first paragraph, the repeating words "outstanding regarding the loan to be repurchased, such as the value of the loan security" be deleted. In addition, in the same paragraph "lending" be changed to "leading" and "up on" be changed to "upon". Betsy Scanlin moved to approve the amended May 3, 2010 minutes and Bob Gauthier seconded the motion. The amended May 3, 2010 Board meeting minutes were approved unanimously.
Betsy Scanlin moved to amend the April 14, 2010 minutes to include the date – April 14, 2010 - on the cover page and Jeff Rupp seconded the motion. The Chairman asked for comments. The motion to add April 14, 2010 to the 2010 April Board Minutes was approved unanimously.

MULTIFAMILY PROGRAM
Gerald Watne provided the Board with the Multifamily Update. The Pioneer II loan with Opportunity Resources, Inc., Missoula has been paid off. They became beneficiary of funds and paid off the loan, so MBOH has additional funds for future assistance. Gerald reviewed the Exchange Program spending.
Gerald Watne reviewed the Draft 2011 Qualified Allocation Plan (QAP). This plan incorporates discussions from the Qualified Allocation Plan Workshop held on May 14, 2010. Bob Gauthier asked for clarifications regarding the removal of the set-aside for developments for preservation of existing low income housing, acquisition and/or rehabilitation of housing. Betsy Scanlin asked if there was a request from public to remove this set-aside. Gerald stated that there was no public comment. Betsy expressed her concern for the removal from the QAP. Jeff Rupp commended staff in recognizing the changing needs of the QAP and that removal of the set-aside credit allows the Board to fund projects according to the best needs of the communities each year.
Sheila Rice asked for clarification on the difference between 504 standards and Federal Requirements in the memo. Gerald explained the structural requirement differences.
Betsy Scanlin asked for clarifications on the expectation of projects to now exceed, instead of just meet the IECC 2009 standards. Gerald stated that due to State standards being parallel to the IECC 2009 standards, staff recommends that projects provide a description of how they exceed these threshold standards to obtain points.
Jeff Rupp asked for clarification on rent structure. Gerald stated that while credits are given for 50% and 60% average median income (AMI), projects will receive credit for specifying the 40% AMI units only when targeted separately from 50 and 60% AMI's.

Jeff Rupp asked regarding the Fee Schedule removal on page 26. Gerald stated the removal of the Fee Schedule was a second reference in the QAP. When the 2010 QAP was revised to reflect ARRA 2009 wording, the second reference was not corrected. Removing this will eliminate potential discrepancy in any future changes.

Bob Gauthier moved to approve the 2011 Qualified Allocation Plan to be posted for public comment and Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. The 2010 Qualified Allocation Plan was approved to go out for public comment. The Board will hear public comment as the first issue at the August meeting in Great Falls.

FINANCE PROGRAM
Chuck Nemec provided the Board with a Finance update. The 10-year Treasury continues to be down which drives down mortgage interest rates.

Chuck Nemec reviewed the quarterly reports ending March 31, 2010 for Single Family 1977 Indenture (SFI), Single Family 1979 Indenture (SFII), and Single Family 2009 Indenture (SFXI).

Bruce Brensdal provided a history of the servicing options with current Lenders. Of the 31 current lenders, five lenders service 90% of the MBOH’s loans. The Board had asked staff to research the option of MBOH servicing its own loans. Staff recommended and Board approved the Request for Proposal to secure an Interim Servicer to manage servicing for MBOH at the May 2010 Board meeting. Through further discussions, staff recommends that MBOH allow any of the current lenders to become an Interim Servicer, thus developing the relationship with all the lenders and eliminating the need for the Request for Proposal process. Bruce stated once the “critical mass point “needed for the Board to become self sustaining to service these loans, MBOH would need to obtain the budget authority to develop the internal servicing program.

Jeanette McKee moved to approve staff’s recommendation to allow existing servicers to enter servicing rights agreements and Audrey Black Eagle seconded the motion. Chairman Crowley asked for comments. The motion was approved unanimously. Bruce thanked the Board for being flexible with decisions while this process was being developed.

Chuck Nemec and Nancy Leifer provided an update on the New Bond Issuance Program and discussed loan market activity. MBOH loans continue to be non-competitive compared to current interest rates and to current loan alternatives.
on the secondary markets. The Board has options available to keep the Homeownersh ip Program viable and maintain the size of loan portfolios. These options depend on varying the mortgage interest rate and paying part of the lenders’ origination fees to offset borrower’s costs. Chuck and Nancy discussed the various combinations of interest rates and financing subsidies with the board members. The option that board members and staff focused upon is to keep the mortgage interest rate at 4.875% and provide 1% of borrower assistance with .5% financed from structuring premium bonds into the first NIBP bond issue and .5% financed by special reserve funds.

Bob Gauthier moved to allow staff to work with the bond underwriters to assess the feasibility of returning to the practice of paying up to 1% of the lenders’ origination fees, with the intent that, should it be financially feasible, staff would implement this change. Sheila Rice seconded the motion. Chairman Crowley asked for comments. Jeff Rupp voiced his concern regarding the usage of the reserves funds and tracking the reserves for all of the requests. Betsy Scanlin agreed with Jeff’s comment. Betsy showed concern regarding MBOH’s role within the industry. Bob stated that MBOH needs to strategize to remain a valid option for lenders while the market is so unstable so that MBOH is positioned well when the market returns to normalcy. Sheila agreed with Bob’s statement. Jane Pavek, Wells Fargo Bank, provided the support of this action based from the lender’s perspective. Motion was approved with Jeff Rupp voting against.

HOMEOWNERSHIP PROGRAM

Nancy Leifer provided the Board with a Homeownership update. Nancy reviewed the Delinquency and Foreclosures Rates for the region and Montana for the period ending March 31, 2010. MBOH remains lower than the region and National rates. The Mortgage Credit Certificate Program (MCC) has produced 45 loans for 2010. Real Estate Settlement Procedures Act (RESPA) training was provided in two locations and the overall understanding of RESP A in Montana is becoming clearer.

Nancy reviewed the purchase price and income limits for 2010 at this point. The limits have not been set by the IRS. MBOH has historically approved the IRS recommendations. Bob Gauthier moved to approve staff’s recommendation to construct the income limits for 2010 using the highest number for counties that are not high cost areas and to use the base (2009 or 2010) for the high cost areas that minimizes the number of areas for which income limits would drop. If neither set of calculations results in a drop, then choose the base that maximizes the number of areas with increases. Jeanette McKee seconded the motion. Chairman Crowley asked for comments. The Board approved the income and purchase price limits unanimously.

Sheila Rice moved to set the statewide purchase price limits county by county, where the income limits would allow for a higher purchase than the statewide amount, of $236,840, for 2010. Jeff Rupp seconded the motion. Chairman
Crowley asked for comments. The purchase price limits for 2010 were approved unanimously.

Nancy provided the set-aside update. Nancy brought forth a request from Habitat Affiliates for Montana for $1 million for fiscal year 2011. These funds would continue the program with Habitats across the state that uses an MBOH loan in first position with a Habitat borrower at 2% for a portion of the cash loan amount. Habitat would make a 0% loan in second position that “wraps around” the MBOH first mortgage loan for the remainder of the cash loan. Nancy introduced Melony Bruhn from Habitat Affiliates of Montana. Melony thanked MBOH for the support of the Habitat for Humanity program. Sheila Rice moved to approve $1 million allocation to the Habitat set-aside program using 2% MBOH loans coupled with 0% Habitat wrap-around loans to continue this program. Betsy Scanlin seconded the motion. Chairman Crowley asked comments. The motion was approved unanimously.

Nancy Leifer provided an update on the Disabled housing program. This program does not require any changes at this time.

Nancy Leifer brought staff’s recommendation the extension of HUD 184 Program. The HUD 184 Guarantee set-aside program provides guarantees on loans to Native American households. The current allocation is due to expire on June 30, 2010. Audrey Black Eagle moved to extend the allocation of $1,194,593 funds for the HUD 184 set-aside to December 31, 2011. Sheila Rice seconded the motion. Chairman Crowley asked for comments. The extension of the HUD 184 set-aside program was approved unanimously.

**EXECUTIVE DIRECTOR**

Bruce Brensdal provided the Board with Executive Director’s update.

Penny Cope provided an update of Housing across Montana. The Housing Conference starts Tuesday, June 15, 2010 with a special Fair Housing workshop. The White paper will be revealed on Wednesday.

Meeting was adjourned at 11:15 A.M.

Jeff Rupp, Secretary

Date 9, 2010
Monday, June 14, 2010:

I. 8:30 A.M. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Minutes
- May 3, 2010 Board Meeting

Multifamily Program (Gerald Watne)
- Multifamily Update
- 2011 Qualified Allocation Plan – Approval to put out for public comment

Finance Program (Chuck Nemec)
- Finance Update
- March Quarterly Report
- Servicing Options

Homeownership Program (Nancy Leifer)
- New Issue Bond Program Update
- Origination Fees
- Homeownership Update
  - Income and Purchase Price Limits
- Set-Aside Program
  - Set-Aside Request from Habitat for Humanity
  - Review of Disabled Affordable Accessible Homeownership Set-aside
  - Extension of HUD 184 program

Executive Director (Bruce Brensdal)
- Executive Directors Update
  - Marketing Update (Penny Cope)
  - Miscellaneous
- Future Meeting Dates & Locations: (subject to change)

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V. Adjournment

- All agenda items are subject to Board action after public comment.

We make an effort to ensure that our meetings are held at facilities that are fully accessible to persons with disabilities. Any persons needing reasonable accommodations must notify the Housing Division at 406-841-2840 or TDD 406-841-2702 before the scheduled meeting to allow for arrangements.
Monday, May 3, 2010:

I. 8:30 A.M. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Minutes
- April 14, 2010 Board Meeting

Multifamily Program (Gerald Watne)
- Multifamily Update

Finance Program (Chuck Nemec)
- Finance Update
- Annual Investment Policy Review
- Servicing Options

Homeownership Program (Nancy Leifer)
- New Issue Bond Program Update
- Homeownership Update
  a. Alternative for Untimely Buy-backs
- Set-Aside Program

Executive Director (Bruce Brensdal)
- Executive Directors Update
  a. Marketing Update (Penny Cope)
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ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Present)
Audrey Black Eagle (Excused)
Sheila Rice (Excused)

STAFF: Bruce Brensdal, Executive Director
Charles Nemec, Finance Program
Gerald Watne, Multifamily Program
Penny Cope, Web & Marketing Specialist
Paula Loving, Administrative Assistant
Mary Bair, Multifamily Program
Jeannene Maas, Homeownership Program

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS: Nate Richmond, Summit Housing Group, Inc.
Jack Jenks, Summit Housing Group, Inc.

CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:30 A.M. Introductions were made. The Chairman asked for public comment not on Agenda.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the April 14, 2010 Board meeting minutes. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. JP stated on that Doug Kaercher was a former Hill County Commissioner and not a current one and would like the minutes to reflect this. Jeanette McKee moved to approve the amended April 14, 2010 Board minutes and Betsy Scanlin seconded the motion. The amended April 14, 2010 Board meeting minutes were approved unanimously.
MULTIFAMILY PROGRAM

Gerald Watne provided the Board with the Multifamily Update. The loan on the multifamily project in Bozeman has been paid off. Gerald reviewed the ARRA spending. Gerald stated the decision regarding the renewal of the Exchange Program should be coming in the very near future. Discussion followed regarding the overall importance of the Exchange Program to MBOH in the past.

FINANCE PROGRAM

Chuck Nemec provided the Board with a Finance update. Chuck reviewed Diversification and Average Yield Investment Report.

Chuck Nemec provided the Board with the Investment Policy for its annual review. Staff has reviewed the policy and recommends no changes to the policy.

Bruce presented options of how to position the Board to service at least a portion of its own loans. This came about last year when the Board directed staff to explore the revenue potential of servicing our own loans.

The value of servicing is made up of two components, the initial cash-up-front servicing release fee (.75% for MBOH loans) and the ongoing yearly percent-of-interest fee (0.375% for MBOH loans). Originators who retain servicing of their loans are forgoing cash-up-front with the hope that the loan will not pay off in the first few years, at least for the time frame over which the return on the loan would be equivalent to the 75 basis points at closing. Servicers who do sell their servicing rights prefer to have the cash in hand when the loan is purchased by MBOH.

Staff discussed the servicing operations of North Dakota and Wyoming with their staffs to get a handle on costs and responsibilities involved with doing servicing in-house. Based on those discussions and on running preliminary budget numbers for staff and operating costs, it seemed reasonable that to break-even, there needed to be a certain mass of loans established. This critical mass is estimated at 3,000 loans with principal balances around $250 million.

It also become evident that, although there may be an opportunity to earn a limited amount of income, the real benefit to pursuing in-house servicing was managing the risk of having only 5 servicers servicing close to 90% of our loans as is the case now. Staff has also heard servicing is becoming less important to the business model of some banks and they are considering exiting the activity.

Based on these conclusions, Bruce presented the idea to the Board of not ramping up staff and processes internally until we have accumulated the servicing rights to enough loan volume to make the servicing operation cash flow.

How servicing works now is as follows:

Page 2 of 5
• A Board-approved originator closes a loan and sells the loan to MBOH
• If the originator is also approved to service, they can service the loan themselves
• Originators can also sell the servicing rights to another board-approved servicer
• Servicers purchasing servicing rights have to have specific approval to take on loans other than those they originate
• The annual servicing fee we allow is 3/8 of 1% or 0.375% (0.00375)

Proposal for Servicing:

• All aspects as listed above in “how servicing works now” remain the same
• Offer an additional option at the originator’s discretion:
  o Board would pay to purchase servicing rights on new MBOH loans
  o Board would conduct an RFP to identify and contract with one servicer to provide actual backroom servicing activities (could be private label servicing)
  o Board would split servicing fee to pay for this activity

Jeanette moved to authorize staff to go out for a Request for Proposal (RFP) for a servicing contractor in order for MBOH to service its loans with preference to existing servicers. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Betsy questioned whether the minimal profitability makes this worthwhile. Jeanette stated that with the current servicers working to get out of the servicing of loans, this is a proactive approach for the future potential. Jeff Rupp asked for clarification of the RFP process and whether the Board can cancel the process without following through the RFP. Staff responded that we could stop the RFP process at any time. The Board approved the authorization to go out for RFP for servicing contracting with MBOH.

HOMEOWNERSHIP PROGRAM
In the absence of Nancy Leifer, Jeannene Maas provided the Board with a Homeownership update. Jeannene reviewed the Reservation Report. The Servicer Delinquency Rate Comparison Report reflects the fluctuating delinquency rate.

Jeannene Maas reviewed the proposed revisions to credit Purchase and Servicing Guide Remedy for Tardy Buy-Back. The purpose of the revision is for lenders who fail to repurchase a loan within 60 days of receipt of a request to do so from the Board may be suspended from making further reservations for new loans until such time as the repurchase has been completed. Bob Gauthier moved to insert the following paragraph into Section 2.07, subsection (a)(vi), second paragraph with authorization of staff to implement:

Participants who fail to repurchase a loan within 60 days of mailing the Board’s repurchase notice may be suspended from making further
Mortgage Loan Reservations for new loans until such time as the repurchase has been completed. In determining whether to suspend further Participant reservations, the Board may consider any other relevant considerations, including but not limited to the facts and circumstances regarding the loan to be repurchased, such as the value of the loan security, the outstanding regarding the loan to be repurchased, such as the value of the loan security, the outstanding loan balance, whether loan payments are current or delinquent, whether foreclosure has been commenced or appears imminent, the circumstances lending to the repurchase request, and the Board's security position on the loan. The Board may also consider but shall not be bound by the effect of any suspension of Participant reservations up on the Board's ability to provide housing loans in the market served by the Participant. If a Participant has been suspended from making Mortgage Loan Reservations for new loans, the Board will not consider, review or approve any Mortgage Loan Reservation for the Participant until such time as the repurchase has been completed to the satisfaction of the Board.

Jeff Rupp seconded the motion. The Chairman asked for comments. Jeff asked for clarification on the issue of buying back of a loan. Jeannene clarified that the number of loans is minimal, however, the process is extensively long and this would allow staff to use this as leverage to speed the process. The remedy for tardy buy-back was approved unanimously.

Jeannene Maas reviewed the Housing Counseling Program for the coming year (October 2010 through September 2011) MBOH will allocate $260,000 to support housing counseling programs across the state. MBOH will work with NeighborWorks Montana to analyze the costs of various components of the statewide Housing Counseling program and develop other sources of support.

Jeannene Maas updated the Board on the RESPA training. RESPA stands for Real Estate Settlement Procedures Act which became effective January 1, 2010. There will be two training sessions available in Billings and Missoula. Billings will be on May 18, 2010 and Missoula will be on May 19, 2010. Missoula's session will be available via Webinar as well.

Jeannene Maas reviewed the Set-aside program.

EXECUTIVE DIRECTOR
Bruce Brensdal provided the Board with Executive Director's update. Bruce thanked Nate Richman and Jack Jenks for the invitation to the Annual Tenant Appreciation Dinner.

Penny Cope provided a marketing update. The 2011 Qualified Allocation Plan workshop will be held on May 14, 2010. The White Paper is within two weeks of going to print and will be distributed once it is complete. The Montana Housing Conference will be held on June 14, 2010.

Page 4 of 5
Betsy Scanlin expressed her appreciation to staff for the well organization of materials for the Board meeting.

Meeting was adjourned at 10:00 A.M.

Jeff Rupp, Secretary

Date June 14, 2010
Wednesday, April 14, 2010:

I. 8:30 A.M. CALL REGULAR MEETING TO ORDER – Chairman JP Crowley

II. PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY

III. AGENDA ITEMS

Minutes
  > February 8, 2010 Board Meeting

Finance Program (Chuck Nemec)
  > Finance Update

Homeownership Program (Nancy Leifer)
  > New issue Bond Program Update
  > Homeownership Update
    a. New Lender Application Valley Federal Credit Union of Montana
    b. Servicer Audits for 2010
    c. Alternative for Untimely Buy-backs
  > Set-Aside Program

Multifamily Program (Gerald Watne)
  > Multifamily Update
  > Adopt 2009 Exchange procedures for 2010
  > 2010 Tax Credit First Round

Executive Director (Bruce Brensdal)
  > Executive Directors Update
    a. Marketing Update (Penny Cope)
    b. Miscellaneous
  > Future Meeting Dates & Locations: (subject to change)

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MONTANA BOARD OF HOUSING
Via WEBINAR and 301 S. Park, Suite 228
Helena MT 59601
April 14, 2010

ROLL CALL OF BOARD

MEMBERS:  J.P. Crowley, Chairman (Present)
             Betsy Scanlin, Vice Chairman (Present)
             Bob Gauthier (Present)
             Jeanette McKee (Excused)
             Jeff Rupp (Present)
             Audrey Black Eagle (Present via Webinar)
             Sheila Rice (Present via Webinar)

STAFF:  Bruce Brensdal, Executive Director
         Nancy Leifer, Homeownership Program (via Webinar)
         Charles Nemec, Finance Program
         Gerald Watne, Multifamily Program
         Penny Cope, Web & Marketing Specialist
         Paula Loving, Administrative Assistant
         Mary Bair, Multifamily Program
         Justin Schedel, Finance Program
         Mary Bair, Multifamily Program
         Kellie Lynch, Multifamily
         Emy Ingebritson, Multifamily
         Judy Tice, Multifamily
         Charlie Brown, Homeownership Program
         Julie Hope, Homeownership Program
         Jeannene Maas, Homeownership Program
         Brandon Whitaker, Homeownership Program

COUNSEL:  Pat Melby, Luxan and Murfitt
           Greg Gould, Luxan and Murfitt
           John Wagner, Kutak Rock

UNDERWRITERS:  Gordon Hoven, Piper Jaffray

OTHERS:  Karen Thomas, Havre HRDC (via Webinar)
         Rawly Hutton (via Webinar)
         Tim Sullivan (via Webinar)
         Maureen Rude, NeighborWorks Montana (via Webinar)
Deborah Chorlton, USDA RD (via Webinar)
Sandy Shupe, Wells Fargo (via Webinar)
David Bjornson (via Webinar)
Mat Rude, Rocky Mountain Development Council
Steve Bruggeman, Valley Federal Credit Union of Montana
Don Sterhan, Mountain Plains Equity
Scott Fitzpatrick, Mountain Plains Equity
Alex Burkhalter, Sparrow Group
Patrick Klier, Summit Management Group
Jeff Miller, Rocky Mountain Development Council
Nate Richmond, Summit Housing Group, Inc.
Marlen Wells, SMG
Scott Keiper
John Grady, Monfric, Inc.
Julie Stitcler, homeWORD
Heather McMilin, homeWORD
Andrea Davis, homeWORD
Claire Casazza, Thomas Development Co.
Karen Byrnes, Butte-Silver Bow Gov.
Revonda Stordahl, Butte Affordable Housing
Gene Leuwer, Havre HRDC
Doug Kaercher, Havre HRDC Citizen
Jared Hawskins, Edward Jones

CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:30 A.M. Introductions were made. Bruce Brensdal reviewed the procedures for attending a Webinar. Chairman Crowley welcomed Sheila Rice as the newest Board member. The Chairman asked for public comment not on Agenda.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the February 8, 2010 Board meeting minutes. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. The February 8, 2010 Board meeting minutes were approved unanimously.

FINANCE PROGRAM
Chuck Nemec provided the Board with a Finance update. Board staff are continuing to work with the Federal Home Loan Bank of Seattle to secure bridge financing to be used for purchasing and accumulating mortgages prior to the next bond issue. Chuck provided the Board with the Quarterly Reports for quarter ending December 31, 2009 and discussed the finance section of the report by comparing year-to-date income and investment rates with the prior year and by comparing debt service rates to mortgage rates. Both Single Family Indentures have net income for the year-to-date, investment rates are currently lower than one year ago, and mortgage portfolio rates exceed debt service rates. Jeff Rupp
asked for an update on Bridge loans. Chuck explained the bridging amount is dependent on the amount of loans purchased, now approximately $1.5 million, and is expected to increase by another $4 million of reserved but not purchased loans.

**HOMEOWNERSHIP PROGRAM**

Nancy Leifer and Charlie Brown provided the Board with a Homeownership update. While the number of loans remains lower than usual, MBOH continues to serve Montana with homeownership. In addition, MBOH staff has already provided outreach to about 50 lenders across Montana to reconfirm MBOH's presence in Montana. The overall feedback from the Lenders is that they are very interested in working with MBOH; however, the rate continues to be higher than market rates. Staff projects there will be approximately 45 Lenders participating, with 15 of them being very active with MBOH.

Nancy Leifer provided an update on the Rural Development program. Due to Rural Development's exhaustion of funds by the end of April, MBOH will not be getting RD guarantee loans until more funds have been authorized.

Nancy Leifer also presented delinquency and REO report data to the Board. Delinquencies and foreclosures for February actually were slightly lower than those reported in December.

Charlie presented to the Board a Participating Lender application submitted by Valley Federal Credit Union of Montana (Valley FCU of MT). Charlie introduced Steve Bruggeman, from Valley FCU of MT. Steve provided a brief history of Valley FCU of MT. Valley FCU of MT is a federally regulated credit union with one mortgage lending location in Billings and has been making MBOH loans for several years through a correspondent relationship with Intermountain Mortgage. Betsy Scanlin moved to approve Valley Federal Credit Union of Montana as a participating lender/servicer with MBOH. Jeff Rupp seconded the motion. Chairman Crowley asked for comments. Betsy Scanlin welcomed Valley FCU of MT to the program. The motion was approved unanimously.

Nancy Leifer presented the staff's recommendation for the 2010 Servicer Audit. MBOH hires the Legislative Audit Division to audit two large servicers and two smaller servicers every year. Staff's recommendation includes:

- Large Servicers which are to be audited once every three years
  - First Interstate Bank
  - U.S. Bank
- Small Servicers
  - Flathead Bank of Bigfork and its servicing of Valley Bank of Belgrade loans
  - American Federal Savings & Loan

Bob Gauthier moved to approve Staff's recommendation for the Servicers to participate in the 2010 Servicer Audit. Betsy Scanlin seconded the motion. The
Chairman asked for comments. Betsy inquired about the process of choosing the Servicers. Betsy’s concern is the higher foreclosure rates and the relationship to the audit. Nancy stated that MBOH staff works closely with all of the servicers on delinquencies and foreclosures, to avoid foreclosure whenever possible, including the servicers who have a higher rate of delinquencies and foreclosures. The motion was approved unanimously.

Nancy Leifer informed the Board of the staff’s recommendation to create an additional remedy for tardy repurchase of loans by lenders. Bob Gauthier inquired as to why the Lender wouldn’t respond quickly to the request for the buy back. While Nancy doesn’t know why the Lenders do not respond, statistically can take several months to receive the payoff for loans. Bob asked how often buy backs of loans happen. Nancy stated that while it was relatively low in the past, with the current foreclosure rates, this process is happening more frequently. Staff will work with legal counsel to develop a structure for Board’s approval.

Nancy Leifer provided the Board with the Set aside program. MBOH is starting to receive the payoffs of the TLC program. The TLC program was established to provide upfront lending to borrowers in order to take advantage of the tax credit; MBOH has a total of five TLC loans. MBOH will be entering into an MOU with NeighborWorks Montana to service any of the TLC loans that do not pay off by June 30.

**MULTIFAMILY PROGRAM**

Gerald Watne provided the Board with the Multifamily Update. MBOH will be receiving a payoff for a bond financed project in Bozeman. Gerald updated on the ARRA spending. The 2011 Qualified Allocation Plan (QAP) workshop will be held May 14, 2010. Penny Cope provided a brief walkthrough of the Housing website for individuals to follow the ARRA spending online.

Mary Bair provided an overview of the 2010 Low Income Housing Tax Credit applications. There six applications asking for $3,291,753, with $2,430,000 plus $469,000 returned from Whitetail Run in Billings. The six applications include:

- Buffalo Court – Havre – new construction. The developer is G.L. Development.
- Lolo Vista – Lolo – new construction. The developer is Summit Housing Group.
- Meadowlands – Butte – new construction. The developer is Butte Silver Bow.
- Sentinel Village – Missoula – acquisition rehabilitation. The developer is Monfric, Inc.
- Solstice – Missoula – new construction. The developer is homeWORD.
John Grady, Monfric, provided a brief history of the Sentinel Village. This is a HUD property built approximately 30 years ago. The Project Based Section 8 property is in need of rehabilitation. The goal is to renovate the property with very limited disruption to the residents, providing 60 multifamily units with 40, 50, 60% Average Medium Income (AMI). Betsy Scanlin inquired about the possibility of incorporating the individualized water and heater meters for tenant payments. Mr. Grady stated the cost to renovate the existing complex to incorporate individual electrical meters is extremely high.

Nate Richman, Summit Housing Group, provided a brief history of the Lolo Vista Apartments. Lolo Vista will provide 40 units for multifamily housing with 40, 50, 60% AMI specifically to Lolo. The community has provided positive feedback. Betsy Scanlin commended Summit on tenant paying utilities.

Karen Byrne, Butte Silver Bow, provided a history of the Meadowlands Apartments. These apartments will provide 48 elderly housing units with 30, 40, 55% AMI.

Gene Leuwer, G.L. Development, provided a history of the Buffalo Court in Havre which contain 20 units for elderly housing with 40, 50 and 60% AMI. The community support of Havre is very positive for the affordable housing units. Betsy commented on the higher unit cost compared to other applications.

Alex Burkhalter, Sparrow Group, provided a history of the Aspen Place. The location of the property is very close many accessible medical and shopping facilities and transit route. This is the first senior project in Missoula since 2002, which was a small elderly housing project by the Missoula Housing Authority and the first tax credit project since Burlington Square in 1989. This project will contain 36 units for elderly housing with 50 to 60% AMI. Betsy inquired about the owner paid utilities. Alex stated that while the cost of the large heating unit is higher, ultimately the heating unit is more energy efficient in the long run. Alex expressed the interest in any returned tax credit funds.

Heather McMilin, homeWORD, provided a history of Solstice. Solstice will mimic the Equinox project which will accommodate 34 multifamily housing units with 40, 50, 60% AMI. HomeWORD has partnered with U.S. Bank as an investor.

Sheila Rice stated that she will not be participating in the Tax Credit Allocation process and will abstain from voting since Neighborworks Montana is involve with Solstice as a funding source. Gerald Watne provided MBOH staff's recommendation for the award of the 2010 Low Income Housing Tax Credits to the following projects, in the following amounts, and pursuant to the specified set-asides, based upon the development selection criteria outlined in the 2010 Qualified Allocation Plan:
• Sentinel Village Apartments – Missoula - $484,828 from Acquisition/Rehabilitation set-aside
• Lolo Vista Apartments – Lolo - %607,500 from the General Pool
• Meadowlands Apartments – Butte - $606,925 from the General Pool
• Buffalo Court – Havre - $485,000 from the non-profit set-aside

All awards will be contingent, subject to:
• Financing, including consideration for Tax Credit syndication and 2010 Tax Credit Exchange Program funding
• Rent targeting, energy and green provisions, land acquisition, and grant funding pursuant to each project’s application

Chairman Crowley asked for public comment.

Buffalo Court – Doug Kaercher, Hill County Commissioner, stated that the Buffalo Court will be the first affordable housing project for the city of Havre and Hill County. This project is in great need for the community of Havre and the County of Hill.

Andrea Davis, homeWORD, provided letters of support for the Solstice, including residents of Equinox Apartments and community development agencies showing the support for Solstice project. Ms. Davis asserted that Solstice desires the entire allocation for the project to close with US Bank.

Chairman Crowley closed the public comment section:

Jeff Rupp moved to approve to fully fund Lolo Vista, Meadowlands, Buffalo Court contingent, subject to: Funding projects in this order; Financing, including consideration for Tax Credit syndication and 2010 Tax Credit Exchange Program funding; Rent targeting, energy and green provisions, land acquisition, and grant funding pursuant to each project’s application. The Board reserves the right to substitute funding sources, (i.e., Exchange Program funding) after consulting the project and determining it is to the benefit of the Low Income Housing Tax Credit Program and the Project. The Board further reserves the right to withdraw any tax credits awarded if funding is insufficient to meet required project equity levels or to enable the project to proceed.

Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. Bob Gauthier inquired bases of scoring. Gerald clarified the scoring for meeting the threshold of the QAP.

A roll call vote was conducted:
Bob Gauthier – yes
Jeff Rupp – yes
Betsy Scanlin – yes
Audrey Black Eagle – unavailable
Sheila Rice – abstain
JP Crowley – yes
Motion to approve Lolo Vista, Meadowlands, and Buffalo Court for full funding subject to contingencies stated above was passed.

Bob Gauthier moved to approve for full funding for Solstice and Sentinel with the approval to fund Aspen Place with potential funds from Exchange funds if available with Jeff Rupp seconded. Chairman Crowley asked for comments. Bruce Brensdal clarified that Exchange funds can only be awarded to a project that has received tax credits. Staff’s recommendation is to keep all projects alive and available for Exchange dollars.

Jeff Rupp stated his preference of ranking would be Solstice, Aspen Place and then Sentinel. Bob Gauthier agreed with Solstice being fully funded. JP Crowley agreed with Solstice being the top of the list for funding. His reason was in part for the new market tax credits and the partnership with US Bank.

Bob Gauthier amended the motion subject to the wording in the recommendation to award full funding to Solstice and Aspen Place, with partial funding to Sentinel. Jeff Rupp seconded the motion.

Chairman Crowley asked for public comment. John Grady, Monfric, referenced the 2010 QAP, page 18, paragraph 5, set-aside. This states that that the QAP has set aside 20% of the 2010 tax credits for preservation of existing low income housing, acquisition and/or rehabilitation of housing stock to be converted to LIHTC projects.

Penny Cope displayed the Application and Allocation sheet showing funding of tax credits subject to the motions of the Board.

Due to the 2010 QAP requirement, Bob Gauthier amended the motion subject to of the wording in the recommendation to award full funding to Sentinel and Solstice and reminder to Aspen. Chairman Crowley asked for public comment. JP Crowley stressed to all projects to be very diligent with their tax credits and come back to MBOH with any leftover funds so all projects could be fully funded.

A roll call vote was conducted:

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<tr>
<th>Name</th>
<th>Vote</th>
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<tr>
<td>Bob Gauthier</td>
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<tr>
<td>Jeff Rupp</td>
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<tr>
<td>Betsy Scanlin</td>
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<tr>
<td>Audrey Black Eagle</td>
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<tr>
<td>Sheila Rice</td>
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<tr>
<td>JP Crowley</td>
<td>yes</td>
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<tr>
<td>Sheila Rice</td>
<td>abstain</td>
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The motion to approve full funding Solstice and Sentinel and partial funding Aspen Place was passed, contingent, subject to: Funding projects in the order by the first and second motion:

- Lolo Vista Apartments, Lolo, $607,500 from the General Pool
- Meadowlands Apartments, Butte, $606,925 from the General Pool
- Buffalo Court, Havre, $485,000 Elderly from the Non-profit set-aside
- Sentinel Village Apartments, Missoula, $484,828 from Acquisition/Rehabilitation set-aside
- Solstice, Missoula, $500,000 from the Non-profit set-aside
- Aspen Place Apartments, Missoula, $214,747 Elderly from the General Pool

That all awards be contingent, subject to:

- Funding projects in this order of priority.
- Financing, including consideration for Tax Credit syndication and 2010 Tax Credit Exchange Program funding.
- Rent targeting, energy and green provisions, land acquisition, and grant funding pursuant to each project's application.

That the Board reserve the right to substitute funding sources (i.e., Exchange Program funding) after consulting the project and determining it is to the benefit of the Low Income Housing Tax Credit Program and the Project.

That the Board further reserve the right to withdraw any tax credits awarded if funding is insufficient to meet required project equity levels or to enable the project to proceed.

**EXECUTIVE DIRECTOR**

Bruce Brensdal provided the Board with Executive Director's update.

Penny Cope provided a marketing update. The Qualified Allocation Plan workshop will be held on May 14, 2010. The Montana Financial and Education Coalition conference will be September 2010. The Montana Housing Conference will be held on June 14, 2010.

Jeff Rupp explained the multifamily project that just paid off is owned by the organization he works for and he wanted to recognize Gerald Watne and staff for their help on getting this approval through HUD allowing the loan to pay-off.

Meeting was adjourned at 11:20 A.M.

Jeff Rupp, Secretary

Date

Page 8 of 8
Monday, February 8, 2010:

I. **8:30 A.M. CALL REGULAR MEETING TO ORDER** – Chairman JP Crowley

II. **PUBLIC COMMENT ON ANY PUBLIC MATTER THAT IS NOT ON THE AGENDA OF THE MEETING AND THAT IS WITHIN THE JURISDICTION OF THE AGENCY**

III. **AGENDA ITEMS**

   Minutes
     - December 7, 2009 Board Meeting

   Multifamily Program (Gerald Watne)
     - Multifamily Update
     - 2010 Tax Credit First Round Update

   Finance Program (Chuck Nemec)
     - Finance Update
     - Federal Home Loan Bank of Seattle Resolution for LOC Agreement
     - September 2009 Quarterly Report

   Homeownership Program (Nancy Leifer)
     - New Issue Bond Program
     - Homeownership Update
     - Set-Aside Program
       a. Suspend NHS MT Second Mortgage Program (112)

   Executive Director (Bruce Brensdal)
     - Executive Directors Update
       a. Marketing Update (Penny Cope)
       b. Miscellaneous
     - Future Meeting Dates & Locations: (subject to change)

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<td>Helena</td>
<td>Monday, August 9, 2010</td>
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<tr>
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<td>Monday, September 13, 2010</td>
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<tr>
<td>Monday, April 12</td>
<td>Helena</td>
<td>Monday, October 18, 2010</td>
<td>Helena</td>
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<tr>
<td>2010</td>
<td></td>
<td>Monday, November 15, 2010</td>
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<tr>
<td>Monday, May 3, 2010</td>
<td>Hamilton</td>
<td>Monday, December 6, 2010</td>
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<td>Monday, June 14</td>
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<td>Monday, July 12</td>
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V. **Adjournment**

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

We make an effort to ensure that our meetings are held at facilities that are fully accessible to persons with disabilities. Any persons needing reasonable accommodations must notify the Housing Division at 406-841-2840 or TDD 406-841-2702 before the scheduled meeting to allow for arrangements.
ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Present)
Audrey Black Eagle (Excused)

STAFF: Bruce Brensdal, Executive Director
Nancy Leifer, Homeownership Program
Charles Nemec, Finance Program
Gerald Watne, Multifamily Program
Penny Cope, Marketing and Web
Paula Loving, Administrative Assistant
Mary Bair, Multifamily Program
Vicki Bauer, Finance Program
Craig Woods, Finance Program
Angela Heffern, Finance Program
Justin Schedel, Finance Program
Mary Bair, Multifamily Program
Charlie Brown, Homeownership Program
Julie Hope, Homeownership Program
Jeannene Maas, Homeownership Program
Doug Jensen, Homeownership Program
Anthony Preite, Director of Commerce

COUNSEL: Pat Melby, Luxan and Murfitt
Greg Gould, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray
Peter Nolden, RBC Capital Markets

OTHERS: Kermit Mueller, American Building Company
CALL MEETING TO ORDER
Chairman J.P. Crowley called the Montana Board of Housing (MBOH) Board meeting to order at 8:30 A.M. Introductions were made. Bruce Brensdal reviewed the procedures for attending a Webinar. Tony Preite, Director of Commerce, welcomed the Board to Helena. Director Preite expressed his gratitude for the Board members commitment to housing in the State of Montana. The Chairman asked for public comment not on Agenda.

Kermit Mueller, American Building Company, presented a letter and addressed the Board regarding the concerns of funding for existing rental projects, such as East Park Villa. The Board and staff are committed to exploring financial options in support of affordable housing opportunities in the State of Montana.

APPROVAL OF MINUTES
Betsy Scanlin moved to approve the December 7, 2009 Board meeting minutes. Jeanette McKee seconded the motion. Chairman Crowley asked for comments. The December 7, 2009 Board meeting minutes were approved unanimously.

MULTIFAMILY PROGRAM
Gerald Watne provided the Board with the Multifamily Update, including a status report on American Recovery and Reinvestment Act of 2009 projects. Governor Schweitzer approved the amendments to the 2010 Qualified Allocation Plan.

Gerald Watne updated the Board on the 2010 Low Income Housing Tax Credit Applications. The total funding for 2010 is $2,430,000. Seven applications were received requesting a total of $3,711,753. Staff’s recommendation for funding of applications will be brought forth to the April 2010 Board meeting. Gerald encouraged the Board to contact the Multifamily Program for any information regarding the Tax Credit Applications. Heather McMilin, homeWORD, inquired on the timeline of approval of the Applications with the outstanding decision of the Exchange Program renewal. Gerald stated recommendations for Application approval should be at the April 2010 meeting and that MBOH staff is reviewing the applications based on Tax Credit funds only.

Jeff Rupp asked for clarification of the amount of 2009 Exchange funds. Gerald stated that the $17,825,673 was a combination of 40% of 2009 IRS tax credits ($1,066,000), carry-over tax credits from 2008 ($758,821) and tax credits
returned from White Sulphur ($272,317) all exchanged for $.85 times the multiplier of 10.

Betsy Scanlin inquired about the quality of the applications (projects) being submitted with the lower tax credit investor rate return. Gerald confirmed that construction costs are much lower than they were a few years ago. Heather McMilin stated that while their budgets are extremely tight, they are asking for more Tax Credit funds than a few years back.

**FINANCE PROGRAM**

Chuck Nemec introduced Angela Heffern, newest member of the MBOH finance staff. Chuck provided the Board with a Finance update. Standard & Poor’s (S&P) has extended the Single Family I Indenture Bayerische Landesbank (BLB) analysis past the January 27 deadline. S&P analysts have requested further information and will communicate their results at a future date. Staff will then determine if MBOH will keep, modify, or terminate the BLB investment contract.

On December 23, 2009, MBOH issued $150 million of New Issue Bond Program Escrow bonds for the Single Family Indenture XI Program. Due to Internal Revenue Service changes to the allowable use of Pre-Ullman funds, MBOH will no longer utilize the Pre-Ullman funds for bridge-financing loan purchases prior to obtaining permanent financing through issuing bonds. The MBOH Finance Team is working on two options for bridge financing. The first is with the Federal Home Loan Bank of Seattle (FHLB) and the second is with Royal Bank of Canada. To prepare for a possible financing agreement with FHLB, Chuck presented a Line of Credit Resolution required by FHLB. This resolution will allow for a line of credit to be used to pool mortgages before the issuance of bonds to fund the mortgages. Once the bonds are issued, the line of credit will be repaid. These financing options will greatly reduce the negative interest rate drag or negative arbitrage MBOH would suffer if bonds were issued and used to fund mortgages during the acquisition period. Bob Gauthier moved to approve the adoption of the Line of Credit Resolution with Federal Home Loan Bank of Seattle. Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. The Line of Credit Resolution was approved unanimously.

Chuck Nemec provided the Investment Reports: Diversification and Average Yield as of December 31, 2009 and the Maturity Report and went over the report contents with the Board.

Chuck Nemec reviewed the September 2009 Quarterly Reports with the Board, going over the financial section. He discussed the current income/loss reported amounts and investment returns with the Board. Continuing reduced income of both mortgage and investments has affected both indentures. In Single Family II Indenture, the current income/(loss) is +$280,000 and ($63,000) for the Single Family I Indenture. The Board will be updated as soon as December financial numbers are available.
Chuck Nemec expressed his sincere gratitude to his financial staff, Vicki Bauer, Craig Woods, Chris Mitchell, Justin Schedel and Angela Heffern for their dedication and efforts resulting in the Legislative Auditor’s unqualified opinion on the 2009 financial statements. Chuck provided an extensive review of the Legislative Audit Division Financial Audit report contents going over the financial statements and notes with the Board and answering questions about board operations and reporting. Betsy Scanlin expressed her gratitude of Staff’s continuing dedication for updating the Board on the financial status of MBOH.

Chuck Nemec and Nancy Leifer presented the Standard & Poor’s Report: HFA Single-Family Resolutions Experience Higher Delinquency Rates through Mid-2009. Overall MBOH’s Single Family Indentures’ loan portfolios continue to perform well with lower delinquency rates than most of the 34 peer organizations that S&P rated. Betsy Scanlin expressed her gratitude for the efforts provided by MBOH Delinquency and Foreclosure counseling. Chuck agreed and added that the initial standards at the time of the origination of the loans have also contributed to the lower delinquency rating.

**HOMEOWNERSHIP PROGRAM**

Nancy Leifer provided the Board with an update on the regular bond program. The Board issued $150 million of short-term Treasury Department bonds in December, as planned. These bonds will be converted to long term bonds as needed in 2010, using 60% of the Treasury bonds and 40% of tax-exempt shorter term bonds. RBC estimated the likely cost of the shorter term bonds, and calculated the interest rate MBOH likely could charge at 5.125% to capture the full 1.125% allowed. MBOH began the new bond program on January 4 at an interest rate of 5.125%. To date, the new program has 12 loans. Although financial experts are predicting that market mortgage interest rates will go up, the market rate in Montana for FHA loans remains lower than 5.125% at this time.

With continued uncertainty about market interest rates, the Homeownership Program is taking a series of steps to position the bond program as the first source of choice for mortgage loans for first-time low-and moderate income homebuyers in Montana. Steps include:

1. Provide reasons why MBOH loans are better, independent of rate
2. Rebuild our face-to-face relationships with originators, the individuals who make the decisions about which loans to make
3. Recast our outreach, training and procedures to accentuate user-friendly access and client support
4. Reach out to Homebuyers

Nancy also noted that the Standard and Poor’s (S&P), the bond rating agency, is focusing their attention Rural Development guarantees in worst case scenarios,
something that they didn't fully understand previously. It is possible that S&P may require MBOH to maintain a higher parity level on our Indentures, once they have fully integrated this new information about RD guarantees into their models of risk.

Nancy provided an update on the Mortgage Credit Certificate (MCC) Program, noting that MBOH is now averaging about 10 MCCs per month.

Nancy and Doug Jensen updated the Board on the Delinquency and Foreclosure Reports and the REO report. Data for the third quarter of 2009 confirm that MBOH's delinquency and foreclosure rates remain far below the rates for all loans in Montana, the western region, and the nation as a whole. While the number of properties MBOH has in REO status has gone up, so far these properties have been selling in timely fashion.

Nancy introduced MBOH staffer Julie Hope who is providing Foreclosure Counseling through NeighborWorks Montana (NWMT) for homebuyers in the three-county area around Helena for non-MOBH borrowers. Julie provided a review of the Foreclosure Intervention Progress. Maureen Rude, NWMT, gave an overview of the Homeownership and Foreclosure Counseling in Montana for 2009, including the fact that demand for foreclosure counseling is increasing.

Nancy gave a brief report on the new rules under the SAFE Act that requires licensing of all individuals involved in the loan origination. Maureen Rude explained that the proposed rules are very broad and would require NWMT's homeownership and foreclosure counselors to be licensed. These individuals are already subject to HUD certification and conflict of interest requirements. The cost of the new training and licensing would be considerable for all 65 of the counselors in NWMT's network. HUD is taking comments on the proposed rules until February 16. The Board urged staff to submit comments to HUD outlining the implications and logical alternatives for the housing counseling program in Montana.

Nancy Leifer recommended that the Board discontinue NHS MT Homeownership Network (2nd) Mortgage 112 Set-aside program. The 112 program is a second mortgage loan program, funded with MOBH money from Special Reserve funds, which is targeted to households at and below 80% of area median household income. Currently, MBOH needs to ensure the Special Reserve funds are available to meet collateral requirements for both a line of credit and for the new Indenture XI. Leifer reported that she had discussed terminating the program with NWMT and distributed a letter from Sheila Rice, executive director of NHS, requesting that the program be discontinued. The program has not been used since mid-2008 because NeighborWorks has other programs that serve this population at a lower cost. NWMT continues to look for other sources of funds for these programs. Bob Gauthier moved to approve the discontinuance of the 112 program and remove it from the list of programs.
Jeanette McKee seconded the motion. Chairman Crowley asked for comments. The motion was approved unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal provided the Board with Executive Director’s update. Bruce reviewed the National Housing Trust Fund that is in committee. If approved, the Governor will determine how the grants will be distributed.

Penny Cope provided a marketing update. The Qualified Allocation Plan workshop will be held on May 14, 2010. The Montana Financial and Education Coalition conference will be September 2010. The Montana Housing Conference will be held on June 14, 2010.

Meeting was adjourned at 11:35 A.M.

Jeff Rupp, Secretary

[April 14, 2010]