

MONTANA BOARD OF HOUSING

2012 Montana Housing Partnership Conference

Crowne Plaza – 27 North 27th St – Billings, MT

June 26, 2012

ROLL CALL OF BOARD

- MEMBERS:** J.P. Crowley, Chairman (Present via Conference Call)
Betsy Scanlin, Vice Chairman (Excused)
Jeff Rupp, Secretary ((Present)
Audrey Black Eagle (Excused)
Bob Gauthier (Present via Conference Call)
Jeanette McKee (Excused)
Sheila Rice (Present)
- STAFF:** Bruce Brensdaal, Executive Director
Mary Bair, Multifamily Program
Vicki Bauer, Homeownership Program
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant
Jeannene Maas, Homeownership Program
Todd Jackson, Multifamily Program
- COUNSEL:** Greg Gould, Luxan and Murfitt (Present via teleconference)
- UNDERWRITERS:** Mina Choo, RBC Capital
- OTHERS:** Sandy Mong, Wells Fargo Home Mortgage
Connie Johnson, Wells Fargo Home Mortgage
Stephanie Schnider, Habitat for Humanity Great Falls
Melony Bruhn, Habitat for Humanity
Revonda Stordahl, Public Housing Authority of Butte
Lori Davidson, Missoula Housing Authority
Heather McMilin, Homeward
Chad Klawetter, NeighborWorks America
Jeanne Larsen, Habitat for Humanity – Billings
Alex Burkhalter, Sparrow Group
Justin Crotty, Wells Fargo Community Development
Jane Pavek, Wells Fargo Community Development
Fred Button
Kathleen O'Neal, Habitat for Humanity – Mid-Yellowstone Valley

CALL MEETING TO ORDER

Secretary Jeff Rupp called to Order at 8:37 a.m. Introductions were made. Bruce Brensdal reviewed the process for the Conference call participation. Secretary Rupp asked for any items not listed on the agenda. Heather McMilin provided a history of Homeword's rental properties in the Billings area. There is the continual need for housing in the area.

APPROVAL OF MINUTES

Sheila Rice moved to approve the May 3, 2012 minutes and JP Crowley seconded the motion. Secretary Rupp asked for comments.

MULTIFAMILY PROGRAM

Mary Bair provided the Board with the Multifamily Program update. MBOH held the annual Qualified Allocation Plan Workshop in May. Approximately 40 people were in attendance and the possible changes to the Plan will be presented to the Board in a discussion meeting prior to the August meeting. Jeff Rupp inquired about the topic of the small project set-aside funds during the Workshop. Mary stated the discussion was centered upon allocating the small projects only to small towns; however, many expressed the need for these projects in larger cities to help with the in-fill of areas. The two bond conduit projects are in the final process and should be completed at the end of business day. These projects are Rainbow House and Silver Bow Apartments.

Greg Gould, Board Counsel, updated the Board on the Freedoms Path litigation. A group of six successful applicants have filed a motion to intervene, outlining any negative impacts on their projects due to this litigation. Neither MBOH nor Freedoms Path opposed the motion, so an order for this group will be determined shortly. MBOH has filed a motion to dismiss. Greg has been in discussion with Fort Harrison regarding the possibility of the advancement of 2013 Tax credits in 2012. Through MBOH research, the process would not be defined and approved in time to go through the application process within 2012. Jeff Rupp inquired whether the Board Members were listed on the law suit and Greg clarified that only the Montana Board of Housing was listed within the suit. Jeff asked if the successful applicants were moving forward with their projects. Alex Burkhalter, Sparrow Group, and Heather McMilin, Homeword, both stated they are moving forward with their projects.

FINANCE PROGRAM

In absence of Chuck Nemece, Finance Program Manager, Bruce Brensdal presented the Investment report. Bruce stated Chuck was preparing for the year end, however, wanted to provide the Board with the Investment Report for review.

HOMEOWNERSHIP PROGRAM

Vicki Bauer provided the Homeownership Program update. The issuance of 2012A, which consists of \$25 million new loan funds and a \$58 million refunding of existing Single Family I and II programs. MBOH has either committed or purchased \$22.5 million in new loans, leaving approximately \$2.5 to commit. Rate has been lowered to 3.625%. The Bond issuance will be closing the first part of August 2012. Mina Choo, RBC Capital Markets, provided an update of the new bond issuance. Pricing of the bond issuance will take place the week of July 9, 2012. This will include an economic refunding of four series. This bond issuance will be very similar to the issuance late 2012. The expectation will produce approximately \$5 million dollars of 0% interest, however, exact numbers will not be known until after the pricing. Mina stated the MBOH staff chose to lock in NIBP rate at the lowest 10-year rate, therefore, there will be no interest rate subsidy needed to support the current mortgage loan rate.

Vick Bauer provided the Board with the Set-aside report. Habitat for Humanity had two loans close since the last Board meeting and West End HRDC IX funds are now being utilized.

Vicki Bauer presented to the Board a Statewide Down Payment Assistance Program. Local nonprofits are able to offer down payment assistance in a number of the larger communities through the use of HOME funds and NeighborWorks is able to offer assistance on Rural Development or Veterans insured loans. However, there is a huge gap of FHA loans that do not have the ability to qualify for a down payment assistance program. MBOH has offered down payment and closing cost assistance in the past. With the interest rates remaining low, borrowers are refinancing their Board loans at a rate the new loan volume cannot make up for. The Down Payment Assistance Program would present an opportunity to potential homeowners who cannot pay the down payment. Sheila Rice moved and JP Crowley seconded for MBOH to use \$1.5 million of Special Reserve fund to offer a statewide Down Payment Assistance Program as outlined:

- Loan would be a 15 year amortizing second loan and is tied to the MBOH first mortgage program
- Loan amount would be 5% of purchase price not to exceed \$6,500.
- Borrower would be required a \$1,000 cash investment and a \$175 application fee (to the lender)
- Borrower must meet the underwriting requirement for the insurer of the 1st, with the P&I of the second calculated into the ratios.
- Credit score of at least 620
- The rate is the same as the 1st and is tiered based on credit score:
 - Regular rate without DPA 3.875 (Current Rate)
 - With DPA and 740+ 4.125 (based on Current Rate)
 - With DPA and 700-739 4.375 (based on Current Rate)
 - With DPA and 660-699 4.625 (based on Current Rate)
 - With DPA and 620-659 4.875 (based on Current Rate)

Secretary Rupp asked for comments. Sheila Rice commended Vicki and the Homeownership program for the hard work in creating the program since now is an excellent time for people to become homeowners. Jeff Rupp asked about how this project would interact with the larger communities who are currently providing down payment assistance programs. Sheila clarified that the borrower would be working with the lender that is qualifying for a MBOH loan. Jeff expressed the importance of working with these larger communities to ensure the success of both programs in providing down payment assistance. The motion was approved unanimously.

Vicki Bauer provided the Board with Bond Resolution No: 12-0629-S2:

Authorizing the issuance of Mortgage Credit Certificates (“MCCs”); approving the forms of the MCC Program guide and related items; authorizing the Executive Director to file one or more MCC elections with the Internal Revenue Service; authorizing the Executive Director to determine the MCC rates, terms and criteria; and authorizing the Executive Director to give notice as required by the Federal tax laws of the implementation of the MCC program.

Bob Gauthier moved to approve Resolution No 12-0629-S2 for \$16 million dollars. Sheila Rice seconded the motion. Secretary Rupp asked for comments. Bruce Brensdaal stated there is plenty volume cap to cover the MCC request. Resolution No. 12-0629-S2 was approved unanimously.

Vicki Bauer brought to the Board two set-aside Requests and extension. Melony Bruhn, Habitat for Humanity, provided a history and the need for the request for additional funds. Construction costs continue to increase, thus requiring additional funds. Bob Gauthier moved to approve the set-aside funds in the amount of \$1,125,000 through 06/30/2013 for Habitat for Humanity. Sheila Rice seconded the motion. Secretary Rupp asked for comments. Sheila asked for clarification of how the MBOH loans work. Vicki stated that MBOH makes a loan in first position to a borrower at 2% for a portion of the cash loan amount, and Habitat makes a 0% loan in second position that ‘wraps around’ the MBOH first loan for the remainder of the ‘cash’ loan amount. Jeff Rupp inquired about the possibility of an increase interest rate for these loans. Vicki stated that currently in a 2% return is a good rate in today’s market. Kathleen O’Neal, Habitat for Humanity – Billings, expressed her support of the Board’s approval. The Habitat for Humanity set-aside approved unanimously.

Vicki Bauer provided to the Board the Disabled Accessible Affordable Homeownership Program (DAAHP) extension request. The DAAHP provides affordable loans to physically disabled borrowers and allows modification to the home to make it more architecturally accommodating for their mobility limitations. Currently, the balance for the DAAHP is \$666,796, with an expiration date for the program of 06/30/12. Bob Gauthier moved to extend the DAAHP funding to 06/30/13. Sheila Rice seconded the motion. Secretary Rupp asked for comments. The DAAHP extension was approved unanimously.

Vicki Bauer presented to the Board the 2012 Income and Purchase Price limits. Sheila Rice moved to approve the 2012 Income and Purchase Price limits. JP Crowley seconded the motion. Secretary Rupp asked for comments. The 2012 Income and Purchase Price limits were approved unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal provided the Board with upcoming tasks. A Strategic planning session will take place in the morning of August 16th, followed by the MBOH Board meeting in the afternoon. Penny Cope stated that the 2012 White Paper will be revealed at the Housing Conference. Bruce informed the Board that Gordon Hoven from Piper Jaffray has decided to retire. The Staff and Board will be providing Gordon a plaque with its appreciation for his years of service.

Meeting adjourned at 9:49 a.m.

Jeffrey Rupp, Secretary

Date