



MONTANA
HOUSING

Meeting Location: [Delta Hotels by Marriott Helena Colonial in Helena](#) (previously the Radisson)
2301 Colonial Drive

Phone 406.443.2100

Date: Monday, November 19, 2018

Time: 8:30 a.m.

Chairperson: Pat Melby

Remote Attendance: Join our meetings remotely via webinar and phone.

To hear the meeting, Dial (877) 273-4202, Access Code: 7233056#

Webinar: [Click here to register](#)

Board Offices: Montana Housing

301 S Park Ave., Room 240, Helena MT 59601

AGENDA ITEMS

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

Minutes

- ❖ Approve Prior Board Meeting Minutes

Finance Program (Manager: Ginger Pfankuch)

- ❖ Investment Policy Review and Approval
- ❖ Financial Update

Homeownership Program (Manager: Vicki Bauer)

- ❖ New Lender Approvals
- ❖ Homeownership Update

The Board of Housing's mission is to create affordable housing opportunities for Montanans whose needs are not met by the market. We value people, families, communities, fairness, teamwork, mutual respect, integrity. We are committed and passionate about collaborating with our partners to make sure Montana's families and communities have attainable, affordable, accessible and sustainable homes.



Mortgage Servicing (Manager: Mary Palkovich)

- ❖ Servicing Update

Multifamily Program (Manager: Mary Bair)

- ❖ Multifamily Update
- ❖ 2019 Housing Credit Allocation
- ❖ Bond Resolutions (if necessary)
- ❖ Reverse Annuity Mortgage Exceptions (if necessary)

Operations (Cheryl Cohen)

- ❖ Operations Update

Executive Director (Bruce Brensdal)

- ❖ Update

Miscellaneous

Meeting Adjourns

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

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

Future Meeting Dates and Locations can be found in the Operations Dashboard



KwaTaqNuk Resort – 49708 US 93, Polson MT 59860
September 11, 2018

ROLL CALL OF BOARD

MEMBERS:

Pat Melby, Chairman (Present)	Sheila Rice (Present)
Bob Gauthier (Excused)	Eric Schindler (Excused)
Johnnie McClusky (Present)	Amber Sundsted (Present)
Jeanette McKee (Present)	

STAFF:

Bruce Brensdal, Executive Director	Paula Loving, Executive Assistant
Vicki Bauer, Homeownership Program	Todd Jackson, Marketing
Mary Palkovich, Mortgage Servicing Program	Kellie Guariglia, Multifamily Program
Penny Cope, Research & Outreach Specialist	Charlie Brown, Homeownership Program
Leslie Torgerson, Section 8 Program	Ashly Amato, Administrative Assistant

COUNSEL:

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

Mina Choo, RBC Capital

OTHERS:

Greg Dunfield, GMD Development	Kirk Bruce, Associated Affiliates
Tyler Currence, Housing Solutions	Steve Dymoke, GMD Development
Alex Burkhalter, Housing Solutions	Ashly Grant
Jodie Paxton, Lake County Housing	Jennifer Wheeler
Gene Leuwer, GL Development	Liz Mogstad, RMDC
Andrea Davis, Homeword	Heather McMilin, Homeword

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

CALL MEETING TO ORDER

- 0:00 Chairman Pat Melby called the Montana Board of Housing (MBOH) meeting to order at 8:30 a.m.
- 0:15 Bruce Brensdaal reviewed the Webinar details for the meeting.
- 1:40 Introductions of Board members were made.
- 4:40 Chairman Melby asked for public comment on items not listed on the agenda.

APPROVAL OF MINUTES

August 8, 2018 MBOH Board Meeting Minutes – page 3 of packet

- 5:55 Motion: Sheila Rice
Second: Johnnie McClusky
The August 8, 2018 MBOH Board meeting minutes were approved unanimously.

HOMEOWNERSHIP PROGRAM

Bond Resolution 18-0911-SF03-2018C – page 7 of packet

- 6:10 Presenters: Vick Bauer, John Wagner
Motion: Jeanette McKee
Second: Sheila Rice
The Bond Resolution No 18-0911-SF03-2018C was approved unanimously.

Co-Signer Policy – page 15 of packet

- 11:10 Presenters: Vicki Bauer
Motion: Johnnie McClusky
Second: Sheila Rice
The clarifying changes to the definition and policy of 'Co-signer' in the Purchasing and Servicing Guide was approved unanimously.

Lender Fee Increase – page 17 of packet

- 15:10 Presenters: Vicki Bauer
Motion: Amber Sundsted
Second: Jeanette McKee
The increase of lender compensation of 1.75% origination fee and removing the \$500 cap fees to usual and customary as approved unanimously.

Community Land Trust – page 19 of packet

- 22:10 Presenters: Vicki Bauer
Motion: Sheila Rice
Second: Amber Sundsted

A policy for Community Land Trust properties that if the loan to value of the property is less than 80% because of the subsidy built into the purchase by the Community Land Trust, the mortgage insurance requirement can be waived was approved unanimously.

Set-aside Request (Lee Gordon Place) – page 21 of packet

26:20 Presenters: Vicki Bauer

Motion: Jeanette McKee

Second: Amber Sundsted

The set-aside (SF1 Combined Revenue funds at 3.5%) of \$1,045,000 to finance seven townhomes, allowing them to be financed without FHA insurance if the appraisal supports a loan to value of less than 80% was approved. Johnnie McClusky abstained from vote.

Set-aside Request (Montana Street Homes) – page 23 of packet

31:20 Presenters: Vicki Bauer, Andrea Davis

Motion: Johnnie McClusky

Second: Jeanette McKee

The set-aside (SFI Combined Revenue funds at 3.5%) of \$1,000,000 to finance six homes allowing them to be financed without mortgage insurance if the appraisal supports a loan to value of less than 80% was approved unanimously.

Homeownership Update – page 25 of packet

42:40 Presenters: Vicki Bauer

MULTIFAMILY PROGRAM

Bond Resolution 18-0911-MF05 (Starner Gardens) – page 27 of packet

46:40 Presenters: Mary Bair, Greg Dunfield

Motion: Amber Sundsted

Second: Jeanette McKee

Bond Resolution No 18-0911-MF05 was approved unanimously.

Mutifamily Loan (Ouellette Place, Lewistown) – page 35 of packet

52:00 Presenters: Mary Bair, Andrea Davis

Motion: Sheila Rice

Second: Jeanette McKee

The request for Ouellette Place for \$300,000 multifamily loan to assist with payoff, prepayment penalty, closing costs, appraisal and possible reimbursement to the operating reserves was approved unanimously.

2020 Qualified Allocation Plan – page 37 of packet

- 1:05:20 Presenters: Mary Bair, Bruce Brensdal, Greg Gould
Motion: Sheila Rice
Second: Jeanette McKee
To approve the 2020 Qualified Allocation Plan as placed for Public Comment.
- 1:25:25 Motion: Sheila Rice
Second: Jeanette McKee
Amendment to Section 4, Subsection B – First Award Round, the deadlines were approved unanimously for the calendar year 2019:
- Letter of Intent Submission - 2nd Monday in April
 - Applicant Presentations/Board Invitation to Apply – May MBOH Board meeting
 - Application Submission – Last Monday in July
 - Award Determination meeting – Late October MBOH Board meeting
- 1:27:30 Motion: Sheila Rice
Second: Amber Sundsted
The verbiage on ATTACHMENT I – Request for Increase in Amount of Credit Reservation, was approved unanimously.
- 1:37:35 Motion: Sheila Rice
Second: Amber Sundsted
Amendment to Section 12, Subsection Q – Qualified Contract Process was approved unanimously.
- 1:41:15 Public comment on the proposed amended 2020 Qualified Allocation Plan
Public Comment: Alex Burkhalter, Heather McMilin, Greg Dunfield.
- 1:47:25 The Amended 2020 Qualified Allocation Plan was approved unanimously.

Multifamily Program Update – page 115 of packet

2:03:20 Presenters: Mary Bair

MORTGAGE SERVICING PROGRAM

Mortgage Servicing Program Update – page 117 of packet

2:05:00 Presenters: Mary Palkovich

FINANCE PROGRAM

Finance Program Update – page 119 of packet

2:07:55 Presenters: Ginger Pfankuch

OPERATIONS/EXECUTIVE DIRECTOR

Bond Resolution 18-0911-MF05 (Starner Gardens) – page of packet

2:10:55 Presenters: Bruce Brensdal

MEETING ADJOURNMENT

2:14:30 Meeting was adjourned at 10:45 a.m.

Sheila Rice, Secretary

Date

ATTACHMENT I

A. Request for Increase in Amount of Credit Reservation

As the MBOH Board, in its discretion, determines necessary for financial feasibility, returned or unreserved Housing Credits may be used to increase the amount of Housing Credits reserved for a Project after the first round Awards have been made. An increase in the amount of Housing Credits under this subsection will be considered by the MBOH Board as a last resort and requests for such increases will be scrutinized as such under the criteria provided herein. In considering a request for an increase under this subsection, the MBOH Board may consider the following factors:

1. The nature and amount of additional costs, loss of anticipated funding sources or other gap in available Project funding;
2. Significant factors leading to the need for additional Credits;
3. Availability and Applicant's use of measures to mitigate or obtain alternative funding sources to address any funding gap;
4. The need for the additional Credits to make the Project feasible;
5. Availability of returned or unreserved Housing Credits; and
6. Any anticipated potential need for returned or unreserved Credits to fund Projects that would otherwise be funded or require greater funding under the Corrective Award set aside under Section 7.

An Applicant seeking an increase in the amount of reserved Credits must apply to staff in writing for such increase and must submit new financials (UniApp Section C) and supporting documentation for the cost increases (e.g., higher bids than expected, material costs, etc.), and supporting documentation addressing each of the above-specified factors. Staff will review and evaluate the new financials and other supporting documentation and present a recommendation at a later MBOH Board meeting for consideration. Staff will not recommend and the MBOH Board will not approve any increase beyond that necessary to make the Project feasible. Any request for Credits above the amount initially Awarded is considered a request for additional Credits after Initial Allocation and is subject to the provisions of this subsection.

BOARD AGENDA ITEM

PROGRAM

Accounting and Finance

AGENDA ITEM

Investment Policy Approval

BACKGROUND

The current investment policy is included in you Board packet. There have been no changes since the Board last approved the investment policy.

The staff requests that the Board approve the investment policy as written for use in investing of Board funds.

MONTANA BOARD OF HOUSING
INVESTMENT POLICY
Effective August 15, 2016
Board Reviewed ~~August 15, 2016~~

The Investment Policy of the Board of Housing is as follows:

- I. Investment Committee:
 - A. The Board shall have an Investment Committee which shall be responsible for oversight of the investment of the assets of the Montana Board of Housing.
 - B. Membership of the Committee:
All Board members will be on the committee with the Board Chairman designating the Chairman of the committee.
 - C. Frequency of Meetings:
The committee shall meet at least once a year.
 - D. Functions of the Investment Committee of the Board shall be:
 1. To review compiled investment reports;
 2. To review the functioning of the investment policy for potential enhancement;
 3. To review the return on assets of the Board; including reviewing a report that shows the status of any negative or positive rebate earnings for each bond series.
 4. To address any staff concerns regarding investments or the investment policy; and,
 5. To monitor compliance with the investment policy.
- II. Section 90-6-104, Montana Code Annotated, which outlines the general powers of the Board, includes subsection 13 which states:
“The Board may invest any funds not required for immediate use, **subject to any agreements with its bondholders and note holders**, as provided in Title 17, Chapter 6, except all investment income from funds of the Board less the cost for investment as prescribed by law shall be deposited in the housing authority enterprise fund.” (Emphasis added)
- III. All investments shall be made in accordance with the prudent expert principle as contained in Chapter 17, Part 6, Montana Code Annotated, the requirements of the particular indenture, and the Internal Revenue Code.
- IV. Permissibility of investments, security, liquidity and rate of return on investments are of primary concern. The Board has a responsibility in the investment of funds to

seek the highest rate of return available in the market consistent with the legality, security, liquidity, cash flow and programmatic requirements of each fund for which they are invested. The Board also has a responsibility to diligently monitor and calculate (or cause to be calculated) any arbitrage rebate required to be remitted to the federal government.

- V. The Board shall not invest in leveraged investments, including but not limited to derivative investments which involve leveraging. Investments are to be made with the expectation that they will be held to maturity; investments are not to be made with the intention of participating in trading activities to generate investment return.

Sales of securities should be limited to the following:

1. A sale and subsequent purchase would improve the quality or yield of the portfolio.
2. Liquidity needs of the portfolio require that the security be sold.
3. A sale of an investment is necessary as a result of refunding a bond issue.

Sales other than the abovementioned should be approved by the Executive Director.

- VI. The Board may invest in the following securities providing such securities meet the requirements of Section 17-6-103, MCA:

A. Direct obligations of or obligations guaranteed by the United States of America, which includes certificates of ownership in the guaranteed portion of loans guaranteed by the Rural Housing and Community Development Service of the United States Department of Agriculture (formerly the Farmers Home Administration), participation certificates in obligations of the General Services Administration, obligations guaranteed by the U.S. Maritime Administration pursuant to Title XI, Small Business Administration guaranteed participation certificates and guaranteed pool certificates, mortgage-backed securities and pool certificates guaranteed by the Government National Mortgage Association, and Veterans Administration guaranteed REMIC securities and passthrough certificates;

B. Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following:

1. Farm Credit System or predecessors (the Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives);
2. Federal Home Loan Bank System;
3. Export-Import Bank of the United States;
4. Federal National Mortgage Association, (only senior debt obligations or mortgage-backed securities, but excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts and excluding interest-only strips);

5. Federal Home Loan Mortgage Corporation, (only senior debt obligations and participation certificates, but excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts and excluding interest-only strips);
 6. Tennessee Valley Authority;
 7. Federal Financing Corporation;
- C. Certificates of deposit issued by, or time deposits with any financial institution (including a trustee, a lender or a paying agent) insured by the Federal Deposit Insurance Corporation (FDIC) and provided further that such time deposits or certificates of deposit, to the extent not insured by the FDIC, are fully secured by obligations of the type specified in parts A and B above which have a market value, exclusive of accrued interest, at least equal to the amount of such deposits. In no case shall the investment result in a reduction of the ratings by Standard & Poor's Rating Services or by Moody's Investors Services on the applicable bond series.
- D. Repurchase agreements or guaranteed investment agreements but only if:
1. The agreement is fully collateralized in an amount equal to 102% of the principal and interest of the agreement, by obligations of the type specified in A, B or C above and which collateral is delivered out and held by the Trustee or its agent, and the collateral is marked to market at least weekly; and
 2. The agreement is with (i) a financial institution as described under part C above (and including the subsidiary of a foreign bank) organized under the laws of the United States of America or any state thereof and subject to supervision by the appropriate authorities of either the United States of America or the state under which whose laws it is organized, or (ii) a financial institution (i.e. banks, insurance companies, etc.) organized under the laws of the United States of America or any state thereof and either (a) whose unsecured obligations are rated in either of the two highest rating categories by the agency or agencies rating the indenture or (b) whose obligations under such agreement are unconditionally guaranteed by such a financial institution which is rated as provided in 2(ii)(a).
 3. In no case shall the investment result in a reduction of the ratings by the agency or agencies rating the applicable bond series; and
 4. The Agreements shall be written to give the Board the maximum practical flexibility in the case of a downgrade in the rating of the provider.
- E. Any investments permitted for State funds, but only with respect to the investment of Board moneys held by the State Treasurer in the Housing Authority Enterprise Fund. All Funds invested with the State that are not needed for current operating expenses shall be invested in the State's Short-Term investment pool.

- VII. In no case may the Board or a trustee invest in any one financial institution an amount in excess of the net worth of that financial institution or its guarantor.
- VIII. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Montana Board of Housing. Employees and officers shall disclose any material interest in financial institutions to the Executive Director and/or the Board within 30 days of acquiring a material interest. The Board and/or the Executive Director shall be updated as changes in material interests occur.
- IX. Authority to manage the investment programs is granted to the Accounting & Finance Officer. The Executive Director, Single Family and Multifamily Program Managers are authorized to handle investments in the absence of the abovementioned individual. Responsibility for the operation of the investment program is hereby delegated to these officers, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy. The Accounting & Finance Manager shall have the primary responsibility for all investment transactions and shall establish a system of controls to regulate the activities of subordinate officials.
- X. The Accounting & Finance Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Montana Board of Housing are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Accounting & Finance Manager shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:
- Control of collusion
 - Separation of transaction authority from accounting and record keeping
 - Written confirmation of transactions for investments
- XI. Funds received by the Montana Board of Housing or its Trustees will be deposited as soon as possible upon receipt. Uninvested balances held by financial institutions will

be kept as low as is practical, typically under \$1 per account. Sweep accounts will be used to facilitate overnight investments of funds not invested in individual securities or in investment agreements. Funds in the sweep accounts will be invested as soon as loan prepayment transfers have been completed by the trustee.

- XII. The Accounting & Finance Manager shall prepare, and present to the Board, an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio transactions made over the last quarter. The summary will be prepared in a manner which will allow the Board to determine if the investment activities during the reporting period have conformed to the investment policy. The report should include:
 - a. Listing of individual securities held at the end of the reporting period.
 - b. Average weighted yield to maturity of the investment portfolio
 - c. Listing of investments by maturity date
 - d. Percentage of total portfolio which each type of investment represents
- XIII. Investment officers acting in accordance with these Investment Guidelines shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
- XIV. It is the responsibility of those Agency staff authorized to direct investments, and primarily the Accounting & Finance Manager, to keep abreast of the latest developments within the investment community. Particular attention should be paid to both interest rate trends and items relating to the credit of and the Montana Board of Housing's exposure to various dealers, banks and securities.
- XV. Each trustee and rating agency will be furnished copies of this policy, and any amendments to it.

BOARD AGENDA ITEM

PROGRAM

Accounting and Finance

AGENDA ITEM

Update

BACKGROUND

On the dashboard, the investment diversification shows the number of investments and the percentages of each type of investment. We still hold a small portion of Federal National Mortgage Association (FNMA) Debenture Bonds and FNMA Mortgage Backed Securities (MBS), which are medium to long term securities that currently have high yields.

The two largest pieces of our investment portfolio is in Money Market (56.7%) Of that, over 60% of the Money Market was earning a 1.874% yield at the end of September. Another large piece of our portfolio is the US Treasury Bills, Bonds and Zeros. 94% of those are earning between 1.27% and 6.48%. With these yields, our Weighted Average Yield continues to rise well above anything we have seen in the last year.

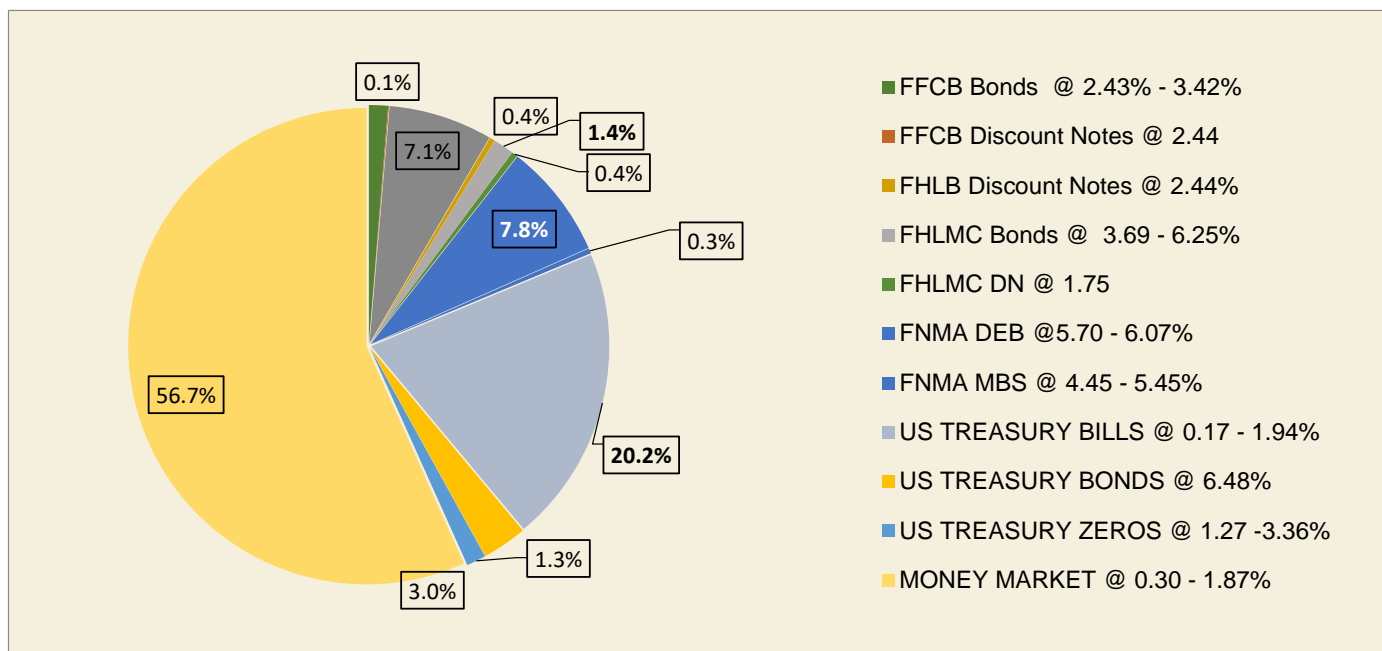
We currently have a large portion of our investments, specifically the Money Markets, available for use in operations and for loan purchasing. Most of the rest of you investments mature in 15 years or less.

The audit ready draft of the 2018 Fiscal Year (FY18) financial statements is currently in review by the Legislative Audit Division. It is anticipated that it will be released for posting to the EMMA website and be available through that website to the public. It will be released for posting to the Investors section of the Housing website after the Audit Committee meets and approves the audit. This will be after the beginning of next year.

Accounting & Finance Dashboard

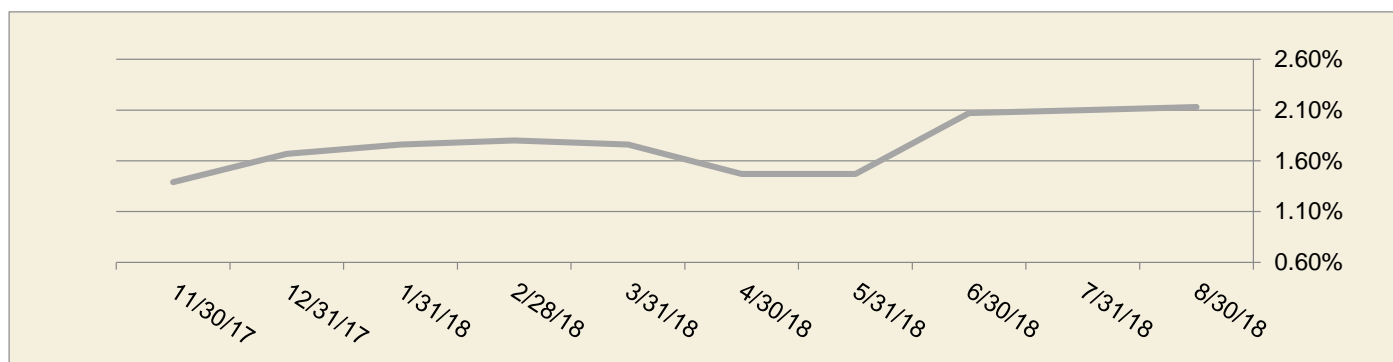
Data as of September 30, 2018

INVESTMENT DIVERSIFICATION



FNMA = Federal National Mortgage Association
 FHLB = Federal Home Loan Bank
 FHLMC = Federal Home Loan Mortgage Corporation
 FFCB = Federal Farm Credit Bank

WEIGHTED AVERAGE YIELD TREND



PORTFOLIO MATURITY

For September 30, 2018

Available Now	< 1 year	1 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	21 to 25 years	Grand Total
\$ 89,400,630	\$ 33,062,000	\$ 14,487,000	\$ 17,919,000	\$ 2,225,000	\$ 477,617	\$ 64,180	\$ 157,635,427

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – Bay Equity, LLC

BACKGROUND

Bay Equity is a full-service retail mortgage lender founded in 2007, with corporate headquarters in Sausalito, CA. Bay Equity is currently licensed in 32 states, has retail branches in 23 states and is expanding across the nation. Their Montana lending locations will be doing business as Equity Home Loans Montana and are located in Kalispell and Whitefish, where they have staff who have experience with Board programs.

Bay Equity is interested in participating in the Board's mortgage loan and MCC programs. They are approved to underwrite FHA, RD and VA loans and are an approved direct issuer to Ginnie Mae, as well as a licensed seller/servicer of Fannie Mae and Freddie Mac. They will sell the servicing of our loans to Montana Board of Housing.

All required Errors and Omissions and Fidelity Bond Insurance coverage requirements have been met.

Per their December 31, 2017 (audited) financials and their July 31, 2018 (unaudited) financials, Bay Equity has an equity to asset ratio of that meets the criteria of 6% for MBOH participating lenders.

Their financial statements are available to Board members for review.

Representatives from Bay Equity, LLC are available for questions.

PROPOSAL

Staff requests for the Board to approve Bay Equity, LLC as a participating lender for Montana Board of Housing.

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – LendUS, LLC

BACKGROUND

LendUS, LLC is based in Alamo, California and is a family owned and operated private mortgage lender. LendUS was created through a merger of American Eagle Mortgage, Mortgage Financial and Regency Mortgage with RPM Mortgage in 2017. This merger allows LendUS to combine the service of a small firm with the competitive rates and broad product selection of a nationwide lender. LendUS currently serves 34 states with their Montana lending locations in Billings, Big Fork, Missoula and Whitefish where they have staff who have experience with Board programs.

LendUS is interested in participating in the Board's mortgage loan and MCC programs. They are approved to underwrite FHA, RD and VA loans and are a licensed seller/servicer of Freddie Mac. They will sell the servicing of our loans to Montana Board of Housing.

All required Errors and Omissions and Fidelity Bond Insurance coverage requirements have been met.

Per their December 31, 2017 (audited) financials and their June 30, 2018 (unaudited) financials, LendUS has an equity to asset ratio of that meets the criteria of 6% for MBOH participating lenders.

Their financial statements are available to Board members for review.

Representatives from LendUS, LLC are available for questions.

PROPOSAL

Staff requests for the Board to approve LendUS, LLC as a participating lender for Montana Board of Housing.

BOARD AGENDA ITEM

PROGRAM

Homeownership Program

AGENDA ITEM

Lender Approval – PRMG - Paramount Residential Mortgage Group, Inc.

BACKGROUND

PRMG is a privately held mortgage banker and residential home lender. When they first opened our doors in 2001 they had a staff of 3, today PRMG employs over 1,300 employees, has close to 150 branches and is licensed in 47 states. Their corporate headquarters are in Corona, California and their Montana lending location is in Belgrade, where they have staff who have experience with Board programs.

PRMG is interested in participating in the Board's mortgage loan and MCC programs. They are approved to underwrite FHA, RD and VA loans and are an approved direct issuer to Ginnie Mae, as well as a licensed seller/servicer of Fannie Mae and Freddie Mac. They will sell the servicing of our loans to Montana Board of Housing.

All required Errors and Omissions and Fidelity Bond Insurance coverage requirements have been met.

Per their December 31, 2017 (audited) financials and their August 31, 2018 (unaudited) financials, PRMG has an equity to asset ratio of that meets the criteria of 6% for MBOH participating lenders.

Their financial statements are available to Board members for review.

Representatives from Paramount Residential Mortgage Group, Inc. are available for questions.

PROPOSAL

Staff requests for the Board to approve PRMG - Paramount Residential Mortgage Group, Inc. as a participating lender for Montana Board of Housing.

Homeownership Program Dashboard

November 13, 2018

RATES

	<u>CURRENT</u>	<u>LAST MONTH</u>	<u>LAST YEAR</u>
MBOH	4.50	4.25	3.50
Market	4.94	4.78	3.97
10 yr treasury	3.14	3.15	2.40
30 yr Fannie Mae	4.60	4.51	3.52

LOAN PROGRAMS

	<u>OCTOBER</u>		<u>TOTAL</u>		<u>ORIGINAL</u>	
	<u>RESERVATIONS</u>	<u>AMOUNT</u>	<u>NUMBER</u>	<u>AMOUNT</u>	<u>AMOUNT</u>	<u>BALANCE</u>
REGULAR PROGRAM						
Series 2018B(4.27.18)	38	7,070,906	291	50,000,000	50,000,000	0
Series 2018C(9.21.18)	81	14,516,188	108	17,776,420	30,000,000	12,223,580
80% Combined (20+)	0	0	12	1,553,015	5,000,000	3,446,985
OTHER PROGRAMS						
Veterans (Orig)	0	0	290	53,988,092	Revolving	0
910 Mrtg Cr Cert (MCC)	17	3,614,601	101	21,860,780	60,000,000	38,139,220
SET-ASIDE PROGRAMS						
Score Advantage	13	80,450	337	1,879,745	Revolving	215,576
MBOH Plus	27	162,657	269	1,602,528	2,000,000	397,472
Set-aside Pool (11.1.17)	17	2,521,420	90	13,809,715	17,500,000	3,690,285
NeighborWorks	1	195,360	20	2,958,771		
CAP NWMT CLT			3	509,201		
Missoula HRDC XI			5	669,096		
Bozeman HRDC IX			8	1,342,336		
Home\$tart	9	1,308,102	31	5,029,772		
HUD 184			2	357,575		
Dream Makers			1	200,475		
City of Billings	7	1,017,958	20	2,742,489		
Foreclosure Prevent	0	0	0	0	50,000	50,000
Disabled Accessible	0	0	227	16,497,050	Ongoing	862,950
Lot Refi	0	0	12	1,273,560	2,000,000	726,440
FY18 Habitat	1	132,268	2	242,365	2,388,350	2,145,985
Montana Street	0	0	0	0	1,000,000	1,000,000
Lee Gordon Place	0	0	0	0	1,045,000	1,045,000

SEPTEMBER CHANGES IN PORTFOLIO

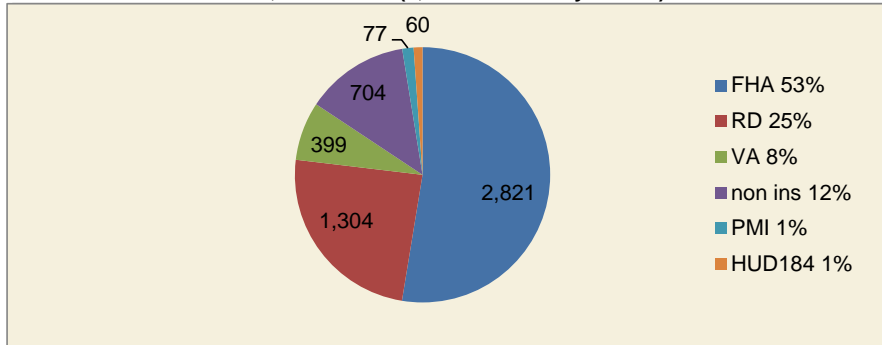
	<u># loans</u>	<u>Princ Bal</u>
August Balance	5,311	463,282,272.97
September Purchases	102	12,462,528.19
September Amortization		(1,333,522.23)
September Payoffs	(46)	(3,071,842.63)
September Foreclosures	(2)	(152,679.59)
September Balance	5,365	471,186,756.71

DELINQUENCY AND FORECLOSURE RATES

	<u>MONTANA BOARD OF HOUSING</u>			<u>MORTGAGE BANKERS ASSOC. 9/2018</u>			(most recent available)
	<u>Sep-18</u>	<u>Aug-18</u>	<u>Sep-17</u>	<u>Montana</u>	<u>Region</u>	<u>Nation</u>	
30 Days	1.69	1.69	1.45	1.69	1.91	2.60	
60 Days	0.78	0.41	0.55	0.43	0.55	0.80	
90 Days	<u>0.56</u>	<u>0.58</u>	<u>1.34</u>	<u>0.50</u>	<u>0.62</u>	<u>1.14</u>	
Total Delinquencies	3.03	2.68	3.34	2.62	3.08	4.54	
In Foreclosure	0.47	0.56	0.96	0.56	0.50	0.99	

MBOH SEPTEMBER PORTFOLIO

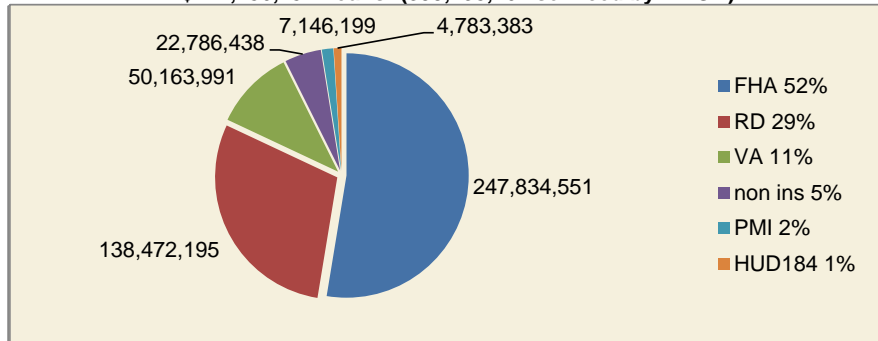
5,365 Loans* (4,572 serviced by MBOH)



**Weighted Average
Interest Rate
4.15%**

*This a 5.40% increase in number of loans from September 2017 when we had 5,090 loans

\$471,186,757 Loans* (399,235,264 serviced by MBOH)



*This a 9.38% increase in portfolio size from September 2017 when we had \$430,768,537 loans

LENDER/REALTOR/PUBLIC OUTREACH

<u>Date</u>	<u>Event</u>
Sept 10-12 Julie	State Treasurer Conference
Sept 14 Julie	Webinar training with Universal Lending underwriters
Sept 17-20 Penny	MT Assoc. of Counties
Sept 20-21 Penny	MT Economic Developers Assoc.
Sept 24 Julie	Webinar training with Guild Mortgage processors
Sept 26 Vicki and Charlie	Meeting with Helena Habitat
Sept 26-28 Julie	MT League of Cities and Towns
Oct 3 Julie	Webinar training with Universal Lenders and Brokers
Oct 10 Julie	Webinar training with Bay Equity/Equity MT
Oct 19 Julie	Webinar training with LendUS Underwriters



FY 2018 MBOH Homeownership Program	Bond Program	MCC Program	TOTAL
# of loans originated (First & Second)	617	150	767
\$ of home sales (First only)	\$73,009,703	\$30,441,949	\$103,451,652
\$ of loans originated (First & Second)	\$74,063,174	\$32,354,308	\$106,417,482
NEW HOMES (First Only)			
# of loans on New houses	13	15	28
\$ of home sales on New houses	\$2,641,585	\$3,870,528	\$6,512,113
\$ of loans on New houses	\$2,057,613	\$3,695,669	\$5,753,282
EXISTING HOMES			
# of loans on Existing houses	422	135	557
\$ of home sales on Existing houses	\$74,126,577	\$28,483,780	\$102,610,357
\$ of loans on Existing houses	\$70,741,507	\$26,746,280	\$97,487,787
REHABBED HOMES			
# of Rehab loans	1	0	1
\$ of home sales on Rehab houses	\$204,320	\$0	\$204,320
\$ of loans on Rehab houses	\$210,583	\$0	\$210,583
STICK-BUILT HOMES			
# Stick built homes	348	121	469
\$ of home sales on stick-built homes	\$61,654,011	\$26,498,795	\$88,152,806
MANUFACTURED HOMES			
# Manufactured homes	49	6	55
\$ of home sales	\$8,578,535	\$1,221,700	\$9,800,235
MODULAR HOMES			
# Modular homes	2	0	2
\$ of home sales on Modular homes	\$303,000	\$0	\$303,000
CONDOS			
# Condos	13	15	28
\$ of home sales on Condos	\$2,137,500	\$2,947,300	\$5,084,800
TOWNHOMES			
# Townhomes	24	8	32
\$ of home sales on Townhomes	\$2,137,500	\$1,686,513	\$3,824,013
Average Sales price (first loans)	\$176,542	\$215,695	\$176,539
Average Loan (first loans)	\$167,453	\$202,946	\$179,802
Average Household size	3	2	
Average Borrower age	34	32	
Average Household Income	\$51,335	\$50,659	\$50,997
Number of Communities receiving loans	52	26	
Number of Counties receiving loans	73	12	
Setasides, special programs and 2nd loans			
	Setaside 1st	DPA 2nds	
Number of loans	92	181	273
Number utilized during the year	9	2	
\$ of home sales	\$15,991,386	\$31,617,579	\$47,608,965
\$ of home loans	\$13,251,156	\$31,032,625	\$44,283,781
Average Income	\$40,667	\$55,150	
Number of Communities receiving loans	52	40	

MBOH Annual Program Activity Recap

(fiscal year)



Bond Program

	# of loans	Avg sale price	Avg loan amount	Avg income
2018	617	\$176,542	\$167,453	\$51,335
2017	427	\$162,507	\$153,904	\$47,901
2016	479	\$160,192	\$151,306	\$45,856
2015	274	\$144,450	\$135,329	\$45,995
2014	597	\$142,342	\$135,504	\$46,962
2013	305	\$135,460	\$123,517	\$42,838
2012	281	\$135,473	\$128,303	\$45,988
2011	251	\$138,570	\$130,569	\$47,130
2010	272	\$129,042	\$114,367	\$41,294
2009	434	\$128,813	\$118,023	\$39,647
2008	1626	\$134,391	\$125,405	\$40,482



MCC Program

	# of loans	Avg sale price	Avg loan amount	Avg income
2018	150	\$215,695	\$202,946	\$50,659
2017	145	\$204,624	\$196,758	\$49,913
2016	121	\$196,626	\$191,145	\$50,718
2015	132	\$187,140	\$181,355	\$50,649
2014	144	\$179,806	\$172,217	\$49,921
2013	92	\$177,066	\$172,343	\$49,660
2012	83	\$161,836	\$156,604	\$49,333
2011	59	\$163,593	\$160,363	\$44,877
2010	92	\$159,773	\$155,766	\$46,749
2009	29	\$174,551	\$160,107	\$48,359
2008	19	\$160,421	\$153,996	\$43,155

Bond and MCC combined

	# of loans	average sale price	average loan amount	average income
2018	767	\$196,119	\$185,200	\$50,997
2017	572	\$183,566	\$175,331	\$47,934
2016	600	\$168,267	\$160,135	\$46,933
2015	406	\$159,318	\$151,359	\$47,616
2014	741	\$149,623	\$142,638	\$47,357
2013	397	\$145,101	\$134,831	\$44,419
2012	364	\$141,485	\$134,756	\$46,751
2011	310	\$143,332	\$136,239	\$46,701
2010	364	\$136,810	\$124,831	\$42,673
2009	501	\$130,149	\$119,812	\$40,248
2008	1645	\$134,691	\$125,735	\$40,480

Montana Board of Housing

9/30/2018

MCC Program Monthly Loan Reservation Activity						
	2016		2017		2018	
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans
January	11	\$1,973,403	7	\$1,545,005	7	\$1,600,651
February	4	\$885,262	7	\$1,458,771	7	\$1,534,107
March	8	\$1,536,149	17	\$3,538,742	12	\$2,616,960
April	9	\$1,729,746	14	\$2,820,899	11	\$2,267,748
May	10	\$1,905,407	18	\$3,516,038	20	\$4,707,341
June	29	\$5,729,130	23	\$4,626,660	12	\$2,659,286
July	13	\$2,770,640	18	\$3,577,094	7	\$1,464,797
August	10	\$2,003,249	17	\$3,280,904	23	\$4,744,828
September	7	\$1,325,539	25	\$5,216,328	10	\$2,180,121
October	15	\$2,891,290	13	\$2,520,489		
November	9	\$1,540,508	12	\$2,644,462		
December	12	\$2,291,214	2	\$371,821		
yearly total	137	\$26,581,537	173	\$35,117,213	109	\$23,775,839
Average	11	\$194,025.82	14	\$202,989.67	12	\$218,126.96

Source and use tax credit authority							
Election Date	Series	Waived bond authority	volume of loans supported	Dollar amt of loans @9/30/18	No of certs issued	Amt reserved	remaining balance available
1988-1992	prior system						(closed)
12/16/2002	900	\$40 million	\$50,000,000	\$5,803,018	50		(closed)
10/17/2005	901	\$5 million	\$6,250,000	\$6,229,750	42		(closed)
4/7/2008	902	\$4 million	\$5,000,000	\$4,981,634	32		(closed)
1/12/2009	903	\$10 million	\$12,500,000	\$12,497,814	79		(closed)
10/19/2009	904	\$10 million	\$12,500,000	\$12,379,315	79		(closed)
2/7/2011	905	\$12 million	\$15,000,000	\$14,996,446	95		(closed)
6/26/2012	906	\$16 million	\$20,000,000	\$19,988,943	113		(closed)
8/12/2013	907	\$24 million	\$30,000,000	\$29,994,501	171		(closed)
6/9/2014	908	\$40 million	\$50,000,000	\$49,352,093	258		(closed)
6/6/2016	909	\$36 million	\$45,000,000	\$43,954,620	218	\$0	\$1,045,380
2/13/2018	910	\$45 million	\$60,000,000	\$11,162,120	50	\$4,686,616	\$44,151,264
				\$211,340,254	1187	\$4,686,616	\$45,196,644

Average Tax Credit				
Series	# of families	Average loan	MCC Rate	Average Tax Credit per household
900	50	\$116,060	20%	\$23,212
901	42	\$148,327	20%	\$29,665
902	32	\$155,676	20%	\$31,135
903	79	\$158,200	20%	\$31,640
904	79	\$156,700	20%	\$31,340
905	95	\$157,857	20%	\$31,571
906	113	\$176,893	20%	\$35,379
907	170	\$176,438	20%	\$35,288
908	258	\$191,287	20%	\$38,257
909	218	\$201,627	20%	\$40,325
910	50	\$223,242	20%	\$44,648

Mortgage Servicing Program Dashboard Effective 10/31/18

	Last Year	Last Month	This Month
MONTH	OCT 2017	SEP 2018	OCT 2018
PORTFOLIO TOTAL LOANS	4634	4956	4993
MBOH	4329	4639	4678
BOI	289	301	299
MULTI FAMILY	16	16	16
PRINCIPAL (all loans)	\$ 430,148,830.24	\$ 460,983,403.30	\$ 467,871,639.14
ESCROW (all loans)	\$ 6,262,089.02	\$ 5,839,205.67	\$ 6,525,704.10
LOSS DRAFT (all loans)	\$ 654,242.38	\$ 657,869.25	\$ 655,166.65
LOANS DELINQUENT (60+ days)	193	146	179
ACTUAL FORECLOSURE SALES IN MONTH	2	2	2
FORECLOSURES TOTAL CALENDAR YEAR	33	22	24
DELINQUENT CONTACTS TO MAKE	698	678	720
LATE FEES - NUMBER OF LOANS	743	686	747
LATE FEES - TOTAL AMOUNT	\$ 20,804.66	\$ 19,649.03	\$ 21,097.33
PAYOFFS	50	43	41
NEW LOANS/TRANSFERS	52	78	80

2018 Monthly Servicing Report

LOSS MITIGATION	OCT 2018	HUD's National Servicing Center TRSII Reporting FY2018 Q3 94.07% Tier 1 - Grade A
ACTIVE FINANCIALPACKETS	2	
REPAYMENT/FORBEARANCE	26	
SHORT SALE	0	
DEED IN LIEU	0	
HAMPS/PARTIAL CLAIMS & MODS PNDG	1	
PRESERVATION PROPERTIES	10	
REAL ESTATE OWNED PROPERTIES	4	
CHAPTER 13 BANKRUPTCIES	22	

2019 CALENDAR

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

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

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

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

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

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

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

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

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

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

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

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

November 2018

19 – Board Meeting – Helena, Delta Marriott

December 2018

No Board Meeting

January 2019

7 – Board Meeting – Webinar, if needed

February 2019

11 – Board Financial Training – Helena, DoubleTree Downtown

12 – Board Meeting/Rotunda Day – Helena, DoubleTree Downtown

March 2019

No Board Meeting

11-13 – NCSHA Legislative Conference – Washington DC

April 2019

No Board Meeting

May 2019

6-8 – Mountain Plains Housing Summit – Utah

20 – Board Meeting - Helena, Housing Credit LOI Presentations

21 – Board Meeting – Helena, Delta Marriott – Housing Credit LOI Selection for Full Application

June 2019

17 – Board meeting – Billings, Billings Hotel

17-19 – Housing Conference – Billings, Billings Hotel

July 2019

No Board Meeting

August 2019

7 – Board Meeting QAP Draft Review – Webinar

September 2019

9 – Strategic Planning – Lewistown, Yogo Inn

10 – Board Meeting – Lewistown, Yogo Inn

October 2019

19-22 – NCSHA Annual Conference – Boston MA

28 - Board Meeting – Helena, Delta Marriott – Housing Credit Award

November 2019

No Board Meeting

December 2019

No Board Meeting

Operations Dashboard

November 19, 2018

Board Meetings

The next Board meeting will be held January 7, 2019 by webinar if needed. The following meeting will be in February and will be in conjunction with Board Financial Training and Rotunda day. We will have training all day Monday the 11th with our Board meeting on Tuesday the 12th and Housing Rotunda day following the meeting. This meeting will be in Helena at the DoubleTree downtown (previously the Holiday Inn).

Staffing

Operations – Cheryl Cohen has started work and is fully immersed in the day to day operations of the division. She looks forward to meeting all of you.

Section 8 – Laura Laposky has been hired as a Tenant Based Section 8 Contract Manager.

Board Training

The following are opportunities for out of state Board Member training:

- | | |
|---------------------|--|
| March 11-13, 2019 | NCSHA Legislative Conference – Washington DC |
| May 6-8, 2019 | Mountain Plains Regional Summit – Utah (estimated) |
| October 19-22, 2019 | NCSHA Annual Conference – Boston MA |

Please consider if you are interested in any or all these opportunities and let Bruce know. He will then work with the Chairman on who will attend within our allotted travel slots.

Section 8 Program Dashboard

October 29, 2018

TENANT BASED, VETERANS' VOUCHERS, MOD REHAB, SHELTER PLUS CARE I and II, 811 PRA DEMO PROGRAMS:

CURRENT PERIOD: October 2018

SECTION 8 PROGRAMS	<u>Previous Month</u>	<u>Month</u>	<u>Change</u>	<u>Year</u>	<u>HUD</u>	<u>Date</u>
	<u>Sep-2018</u>	<u>Oct-2018</u>		<u>HAP</u>	<u>Budget</u>	<u>Fees</u>
Housing Choice Voucher (HCV)					15,426,099	100,361 CY 2018
PBS8 Opt-Out Conversion Funding						
Paid Units (3625 Agency contracts)	2,880	2,921	41			
Current Month Payment Amount	1,394,688	1,419,879	25,191	14,473,501		1,038,812
Veterans Affairs Supportive Housing (VASH)						CY2018
Number Units Paid (321 Authorized)	280	280	0			
Payment Amount	146,781	145,545	-1,236	1,552,493		
Moderate Rehabilitation (ModRehab)					2,012,728	CY2018
Number Contracts	18	18	0			
Paid Units (297 Authorized)	254	246	-8			
Payment Amount	134,242	136,500	2,258	1,412,475		8,089 87,260
Shelter Plus Care I (Individual) FY13 Grant Funds					195,344	8-1-17-7-31-18
Number Units Paid (28 Authorized)	21	19	-2		Grant Balance	
Payment Amount	9,997	8,947	-1,050	101,655	147,740	
Shelter Plus Care II (Family)						
Number Units Paid (5 Authorized)	0	0	0		Grant Balance	
Payment Amount	0	0	0		Beneficiaries under SPII now paid under SPI	
Project-Based (PBS8)						Admin Earnings
Contracts	87	87	0			282,942 HUD bonus
Units Paid (4132 Authorized with 8bb)	3,630	3,634	4			Contract Extension
Payment Amount	1,778,702	1,803,663	24,961			Expires 12/31/2017
Calendar Year Admin Earnings						1,054,601
811 Project Rental Assistance Demo (FY)					1,900,000	157,000 Five Year
Rental Assistance Contracts (RAC)	4	4	0	Disbursed:	194,136	Balance: 1,705,864
Units (grant requires 82)	16	15	-1			8 Units Kalispell
Payment Amount	8,742	7,204	-1,538	7,204		40 Units Missoula
						5 Units Ronan
						21 Units Bozeman/Blegrade
						74

TOTALS

	<u>Previous Month</u>	<u>Current Month</u>	<u>Change</u>
Paid Units:	7,065	7,100	35
Budgeted Units:		8,317	
All Section 8 HAPs	3,464,410	3,514,534	50,124