

Montana Community Reinvestment Plan

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CREATING STABILITY. CHANGING LIVES.

The Montana Community Reinvestment Plan ("Plan") is an innovative public-private platform to help middle-class income earners find an attainable pathway to owning their own home. The State would provide a One Time Only (OTO) appropriation from the budget surplus that will be made available to the Montana Community Reinvestment Plan Fund.

The Plan requires an opt-in decision at a regional level. The OTO Appropriation from the MCRP Fund is distributed to regional "Community Reinvestment Organizations" (CROs) based on each region's percentage of gross domestic product (GDP). Each CRO will then set up a revolving fund with its share of the money. That revolving fund, minus up to a 5% set aside to cover administrative expenses, is then used to buy down up to 30% of the purchase price of a home for an eligible buyer.

Each home will be deed restricted to limit the equity and future sales price of the home to ensure the taxpayer-funded dollars stay with the home and the cost of the home remains attainable for the workforce in the future. An employee can buy out the deed restriction or sell the home with the proceeds going back into the CRO's revolving fund to be used for another eligible employee buydown opportunity.

The Plan proposes creating and utilizing an employer pool to leverage private sector involvement and investment to effectively "reload" the MCRP Fund so that the Plan can grow without requiring additional public funds. It also includes a mechanism for local governmental bodies to contribute additional funds to the CRO revolving fund to further bolster the program's success.

30yr Impact 1000+ Permanent Homeownership Opportunities
Generated for Montana's Workforce.

Matching Private Sector Reload Doubles the Impact

1 **290M+** Estimated \$12k per household
Household Savings savings/per year

2 **\$316M**
Estimated Real Estate and
Banking-Related Economic
Activity within the First 5 Yrs of
the Program

3 **\$313.5M**
Potential Revolving Fund Cash Value

4 **\$128M**
Estimated Local Property
Tax Generated

5 **\$5M**
Estimated Local Community
Operating Cash-flows

The initial beneficiaries of the Montana Community Reinvestment Plan will be those in the banking, construction, and real estate-related industries throughout Montana.

The combination of profitability and decreased risk allows the various participants within those industries to prioritize their business activities to create the needed workforce housing product throughout Montana.

Estimated Available Funds to Each County Region

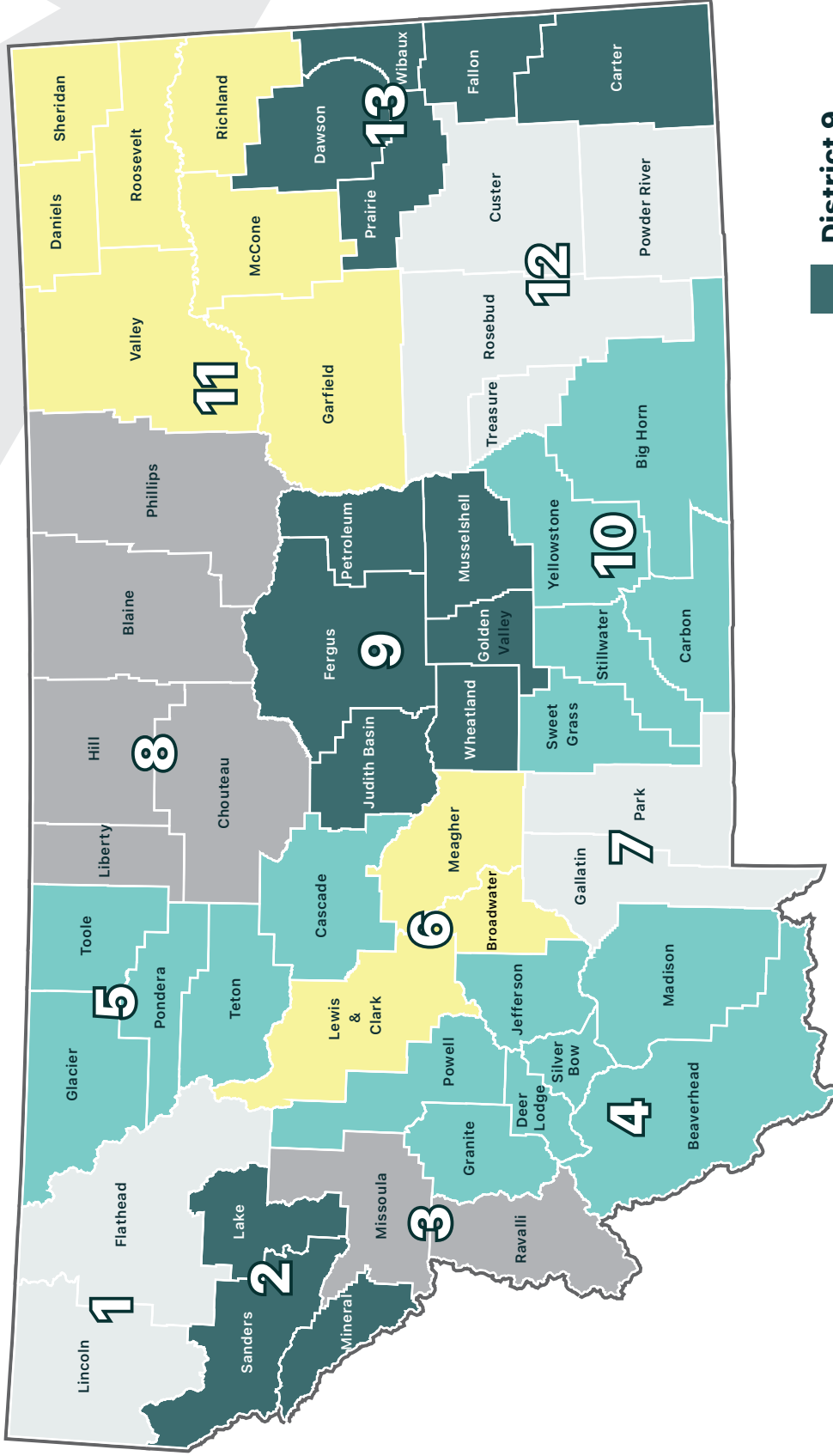
Beaverhead County	\$798,905	Mc Cone County	\$230,675
Big Horn County	\$1,691,124	Meagher County	\$122,410
Blaine County	\$339,069	Mineral County	\$214,085
Broadwater County	\$353,740	Missoula County	\$11,460,742
Carbon County	\$727,806	Musselshell County	\$575,711
Carter County	\$98,783	Park County	\$1,255,600
Cascade County	\$7,316,402	Petroleum County	\$28,344
Chouteau County	\$491,284	Phillips County	\$293,770
Custer County	\$954,733	Pondera County	\$580,479
Daniels County	\$229,235	Powder River County	\$227,952
Dawson County	\$869,177	Powell County	\$456,117
Deer Lodge County	\$460,476	Prairie County	\$89,478
Fallon County	\$362,244	Ravalli County	\$2,444,856
Fergus County	\$1,006,808	Richland County	\$1,500,697
Flathead County	\$8,660,984	Roosevelt County	\$819,987
Gallatin County	\$12,969,287	Rosebud County	\$1,466,570
Garfield County	\$94,254	Sanders County	\$761,021
Glacier County	\$883,923	Sheridan County	\$385,540
Granite County	\$199,443	Silver Bow County	\$3,013,075
Golden Valley County	\$58,671	Stillwater County	\$1,368,425
Hill County	\$1,430,398	Sweet Grass County	\$525,813
Jefferson County	\$531,831	Teton County	\$488,740
Judith Basin County	\$187,070	Treasure County	\$148,245
Lake County	\$1,794,250	Toole County	\$658,273
Lewis and Clark County	\$7,221,675	Valley County	\$686,683
Liberty County	\$345,947	Wheatland County	\$170,734
Lincoln County	\$1,219,657	Wibaux County	\$96,169
Madison County	\$1,002,477	Yellowstone County	\$17,630,156

* **Additional \$16M** Due to legislative amendments may changes figures.

Montana Community Reinvestment Organization

REGIONAL DISTRICTS

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- District 1
- District 2
- District 3
- District 4

- District 5
- District 6
- District 7
- District 8

- District 9
- District 10
- District 11
- District 12
- District 13

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HB 819 Homeowner Assistance

Montana Community Reinvestment Plan

\$50M OTO/ \$50M CRO Match

Cost Buy Down Example

Based on 1000+ Homes

Average Market Price Home 400K-250K

Average Market Price Home/Condo - 400K - 250K

Value Per Home	\$325,000	Market Home Price
	\$97,500	MCRP Fund Cost Buy Down
	\$227,500	Net Price to Workforce Purchaser Deed Restricted
3%	\$6,825	Closing Costs
	\$234,325	Total Cost to Purchaser
3%	\$6,825	Purchaser Down Payment
	\$227,500	Amount Financed by Qualified Purchaser

Homeowner Housing Cost Burden

Without MCRP - Single Family Monthly Payment Burden	47%
With MCRP - Single Family Monthly Payment Burden	Only 30%

Homeowner Savings

\$786	Average Homeowner Savings/Month with MCRP
\$9,673,846	Total Annual Homeowner Savings
\$290,215,385	Total Homeowner Savings Over 30 yrs

HB 819 Cost Buy Down Example

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Cost Buy Down Example 1

Single Family Detached - 3 Bed/2 Bath, 2 Car Garage - 1,400 sqf +/-

Value Per Home	\$400,000	Market Home Price
	\$120,000	MCRP Fund Cost Buy Down
	\$280,000	Net Price to Workforce Purchaser Deed Restricted
3%	\$8,400	Closing Costs
	\$288,400	Total Cost to Purchaser
3%	\$8,400	Purchaser Down Payment
	\$280,000	Amount Financed by Qualified Purchaser

Homeowner Savings

Single Family Monthly Payment Amount w/out MCRP	\$2,944.50	47%
Single Family MCRP Monthly Payment Amount	\$1,889.22	30%
Homeowner Savings	\$1,055.28	

Cost Buy Down Example 2

Townhome/Condo Product - 3 bed/2 bath - 1,100 sqf +/-

Value Per Home	\$250,000	Market Home Price
	\$75,000	MCRP Fund Cost Buy Down
	\$175,000	Net Price to Workforce Purchaser Deed Restricted
3%	\$5,250	Closing Costs
	\$180,250	Total Cost to Purchaser
3%	\$5,250	Purchaser Down Payment
	\$175,000	Amount Financed by Qualified Purchaser

Homeowner Savings

Townhome/Condo Monthly Payment Amount w/out MCRP	\$1,885.31	47%
Townhome/Condo MCRP Monthly Payment Amount	\$1,225.76	30%
Homeowner Savings	\$659.55	

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HAP HOMEOWNER ASSISTANCE PROGRAM PROGRAMMING FOLLOWING LEGISLATION

The Homeowner Assistance Program (HAP) will be administered by a centralized community collaboration entity known as a CRO or Community Reinvestment Organization on behalf of the participating counties within the region.

The One Time Only (OTO) State Appropriation and Private Sector Investment to “reload” the program in accordance with the MCRP will flow to each CRO for the program’s administration.

The available funds will be deposited in restricted controlled accounts designated for Homeowner Assistance distributions into the participating county regions. These monies will be available for use on day one of the program.

HAP distributions will be made by the administrators of the CROs to qualified households earning between 60%-140% of the Average Median Income for Montana. The use of funds is limited to reducing the cost of occupancy-ready homes to qualified families.

A deed restriction will be put in place at the time of purchase by a qualified household limiting any future sale price to equal the purchase cost after the assistance amount has been applied (limited appreciation will also apply). The homeowner maintains the option of buying out the deed restriction with the proceeds flowing to the CRO revolving fund to be used for a future eligible homebuyer buydown opportunity.

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Q & A HIGH-LEVEL QUESTION & ANSWER

Attainable housing is an emergency in Montana, impacting individuals across all spectrums. Some have been born and raised here, many are newcomers, and many are packing up to leave the State as they cannot find work at an income level that can match escalating housing costs. Employers struggle to keep their workforce, and leaders in large and small communities see construction, manufacturing, retail, teachers, police, and healthcare providers—critical middle-income citizens—leave for more affordable places.

The Montana Community Reinvestment Plan (“MCRP”) proposes to fund and procure attainable workforce housing in Montana to address the workforce housing crisis facing the State. The MCRP will facilitate the establishment of regional collaboration entities (called Community Reinvestment Organizations or “CROs”) throughout the State and is aimed to provide guidance in attaining the needed resources and structure for leaders and policymakers to use in making immediate and long-term decisions.

Applying regional solutions concerning housing is necessary. Since housing challenges are shared, including job markets, commuting areas, commerce, services, institutions, and amenities, resources should be shared to create housing opportunities that exceed individual communities attempting to bridge the gap in isolation.

The MCRP provides a pathway for thousands of middle-income families to attain permanent homeownership. The creation of permanent human, financial and physical infrastructure will have a profound beneficial impact on Montana.

In addition to the policy and decision-making structures, the plan incorporates financial and logistical support to the Community Reinvestment Organizations to ensure maximum operational success. These housing toolkits will provide mechanisms, policies and practices local communities can use to meet their housing needs at a local level.

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Q & A HIGH-LEVEL QUESTION & ANSWER

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Q: What is the Montana Community Reinvestment Plan?

A: The Montana Community Reinvestment Plan (“MCRP”) is a statewide plan to address attainable workforce housing in Montana. The homes essentially become a new type of infrastructure—attainable workforce housing—that is deed restricted to keep the cost of the homes at a level attainable for middle-income earners by keeping the publicly invested dollars with the home in perpetuity.

Q: How is the MCRP Funded?

A: The MCRP creates a funding mechanism that includes a One Time Only (OTO) payment from the State and Private Sector Involvement/Investment. The MCRP Funds are then made available to a regional Community Reinvestment Organization (“CRO”) to procure the homes for Montana’s workforce.

Q: What is the benefit to the State?

A: The MCRP will create attainable housing infrastructure in every region and begin to address the workforce housing crisis facing the State. The dollars spent in the local community will also ensure a strong construction industry for at least the next three to five years—even while most experts predict an economic downturn. Retaining and stabilizing the State’s critical workforce is vital to essential services, businesses and the State economy. The positive ripple effect on all sectors of the State’s economic health and sustainability today will ensure the same well into the future. While many of these indirect economic benefits have not yet been calculated, they will likely be significant.

Q: What is a Community Reinvestment Organization (“CRO”)?

A: The CROs are the regional collaboration entities that receive a share of the MCRP Fund’s dollars for attainable housing. The CROs will consist of multiple counties with a plan tailored to each region to achieve that region’s attainable housing goals.

Q: Is this opportunity limited only to the most populated areas of the State?

A: No. The MCRP proposes up to 15 regional CRO districts, providing opportunities for all 56 counties. The regional CROs are comprised of multiple county groupings. Each county can opt-in to participate in the CRO.

Q: What do the CROs do?

A: The CRO will coordinate and manage various procedures for procuring the homes and create requirements regarding eligibility for the purchase of an attainable home. The CRO will be responsible for any additional funding required to meet the statutory infrastructure threshold to participate in the Program.

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Q & A HIGH-LEVEL QUESTION & ANSWER

Q: Who is eligible to purchase the attainable housing created by the MCRP?

A: Each CRO will establish purchaser qualifications, but generally, eligible purchasers would include members of the workforce – police officers, nurses, teachers, etc. – who qualify based on middle-income standards (between 60% and 140% of Area Median Income) and qualify for a mortgage through a local financial institution. The eligible purchasers may apply to the CRO to participate in the Program to purchase a qualified home.

Q: How does the MCRP ensure these assets remain part of the attainable housing infrastructure pool?

A: When an individual is approved by the CRO and a financial institution for purchasing a home through the Program, the CRO will contribute to the purchase price to allow them to buy the home within their means. The individual will be responsible for all ongoing mortgage payments. The property and home will be deed restricted to ensure that when the home is sold, the home's listing price minus the allowed homeowner equity is paid to the revolving fund to be used by future participants in the Program.

Q: Why is equity building limited in an MCRP home?

A: Homeowners are allowed to build equity in the home, but due to the shared investment and deed restrictions to benefit future Program buyers, the equity acquired is limited. The limited equity for the homeowner reflects the benefit they received at the time of purchase in conjunction with the cost buydown, whereas the equity from the public investment stays with the home upon the eventual sale. Since the homeowner did not pay for the initial buydown funded publicly through the MCRP, the homeowner does not receive that value at the time of sale. The deed restriction allows us to create and preserve attainable workforce housing in Montana for years to come.

MCRP homeowners benefit in several ways that help offset this limitation. The decreased cost of housing puts money in homeowners' pockets each month. These retained earnings over time directly offset any contemplated equity gained through a non-deed restricted scenario. For example, the average equity/retained cash per year on a \$400K home using \$100K from the MCRP and financing \$300K equates to \$13,500. This is an effective 4.5% annual return on the \$300,000 purchase of the home with little to no money down. In addition, the homeowner builds equity as they reduce the principal balance on their loan through affordable payments. Lastly, MCRP Homeowners maintain the ability to buy-out the deed restriction at their election.

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Reducing the Effective Cost of Living

