

FINANCIAL AUDIT

Montana Board of Housing

For the Fiscal Year Ended June 30, 2014

DECEMBER 2014

13-07B

REPORT SUMMARY

In fiscal year 2013, the Montana Board of Housing began purchasing servicing rights from mortgage lenders. As of June 30, 2014, the Montana Board of Housing is servicing over 3,000 loans.

Context

The Montana Board of Housing (board) is allocated to the Department of Commerce for administrative purposes. The board is completely self-supporting and receives no general fund appropriation. Most of the funds for the board's operations and programs are provided by selling tax-exempt bonds in the private sector.

The powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Board of Housing Programs. The programs the board evaluates are: the Single Family Program, Recycled Single Family Program, Multifamily Loan Program, Low Income Tax Credit Program and the Reverse Annuity Mortgage (RAM) Program.

The board began servicing loans in fiscal year 2013, which was primarily performed by banks. This means they collect mortgage payments from borrowers on approximately 3,430 loans. During the audit, we reviewed transactions related to the bond issuances, investment activity, and the mortgage activity.

The board issues bonds and uses those proceeds to purchase mortgages from banks that originate the loan. We examined the official documents and trustee records for the two bonds that were issued during the audit period. Our audit work also included reviewing loan documents and mortgage payments. Furthermore, we reviewed the instructions the board sends to the bank and compared the boards records to the bank statements.

Results

We determined the board implemented the prior audit recommendation related to following established review procedures over the Statement of Cash Flows. There are no recommendations to the board in the current audit.

For a complete copy of the report (13-07B) or for further information, contact the
Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at
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