



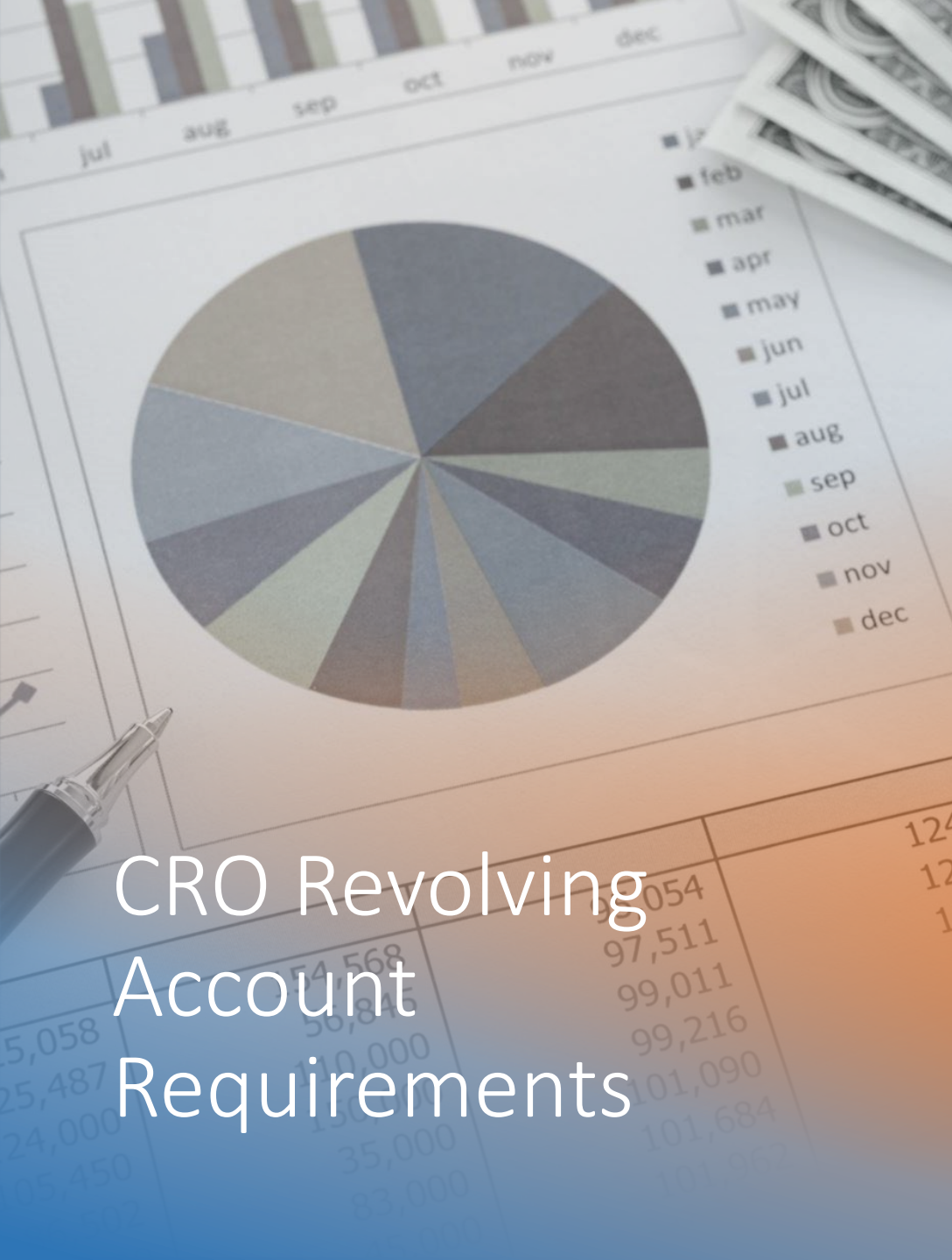
# Montana Community Reinvestment Plan

# HB 819 MCRP Statutory Requirements for CROs

- CROs must be established no later than December 31, 2024.
  - *Section 6(1)*
- CROs must be certified by the Governor's Chief Economic Development Officer by January 15, 2025.
  - *Section 6(7)*
- CRO means the regional entity created to administer this program. Can be a:
  - Newly created 501(c)(3), (4) or (6) nonprofit;
  - Certified regional development corporation;
  - Certified development corporation;
  - Community housing development organization;
  - Economic development association; or
  - Community development financial institution.
  - *Section 3(2) & Section 7(2)*
- No more than 16 total CROs statewide.
  - *Section 6(2)*
- Intended to have regional boundaries "similar to" the boundaries of certified regional development corporations established by the Dept. of Commerce, but do not need to be actual existing certified regional development corporations.
  - *Section 6(3)-(4)*

# CRO Requirements Continued

- Each county shall opt-in to participate in one CRO. Counties are prohibited from participating in multiple CROs; if counties do not join a CRO, they are not eligible to participate in the Community Reinvestment Plan.
  - *Section 6(5)*
- CROs must create a CRO revolving account to receive State funds. \$50 Million is appropriated to be distributed among CROs.
  - *Sections 7(3)(a) & 19*
- CROs must match the State contribution 100% prior to State funds being used to assist in the purchase of attainable workforce housing.
  - *Section 7(3)(b)*

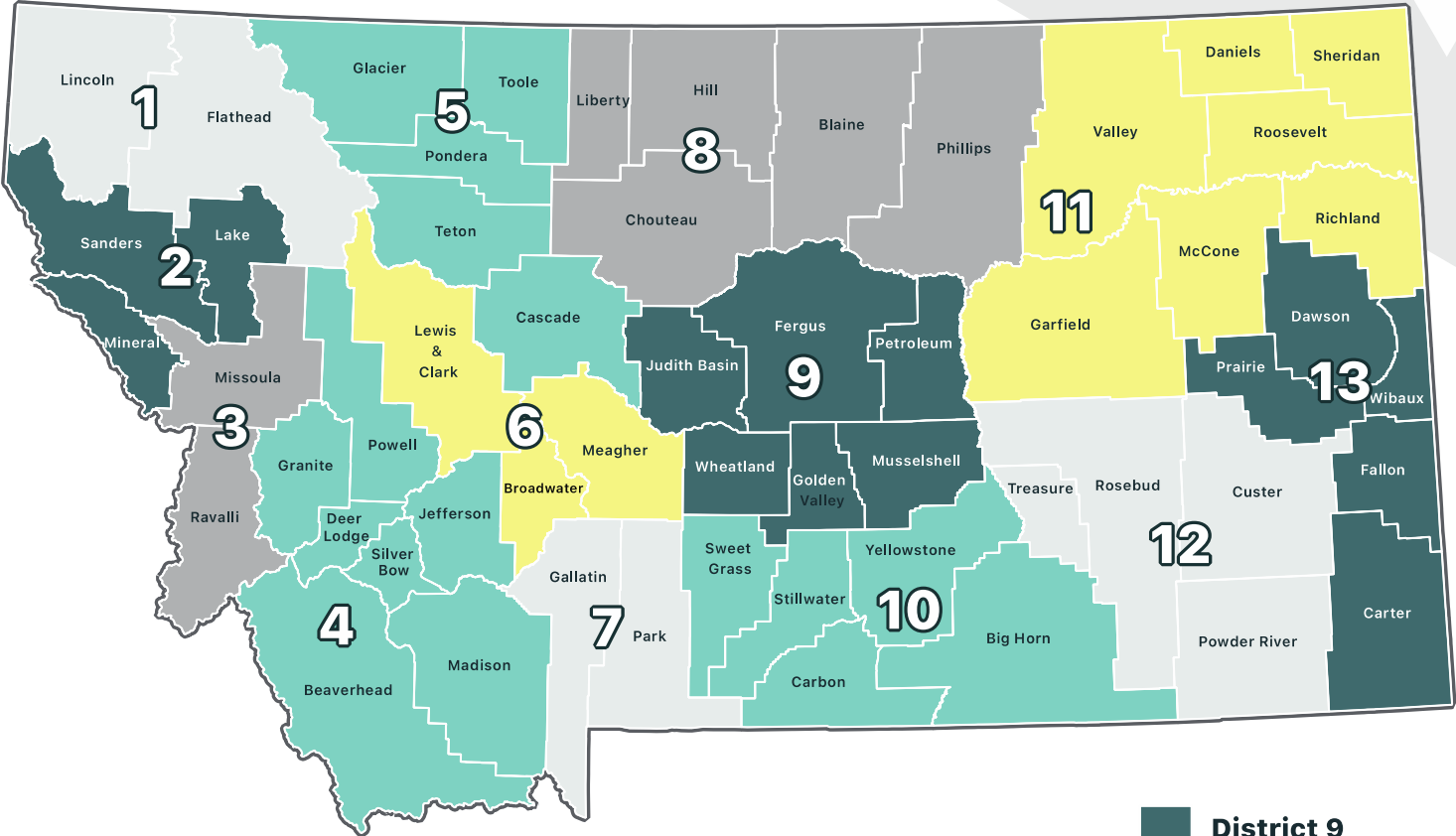


# CRO Revolving Account Requirements

- CROs must allocate funds in the CRO revolving account as follows:
  - a minimum of 95% to assist in the purchase of attainable workforce housing;
    - *Section 7(4)(a)(i)*
  - a maximum of 5% to startup and administrative costs of the CRO;  
and
    - *Section 7(4)(a)(ii)*
  - no money may be used for preconstruction, development, or construction-related purposes.
    - *Section 7(4)(b)*
- CRO assistance may not exceed 30% of the total purchase price of the home.
  - *Section 7(7)*
- Attainable housing purchased with CRO assistance must have a deed restriction limiting the rate of appreciation to the homeowner of a maximum of 1% per year.
  - *Section 7(8)*

# Montana Community Reinvestment Organization

## REGIONAL DISTRICTS



- 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



## Statutory Eligibility for Homeowners & Requirements for Affordability

### **Homeowner Eligibility**

- “eligible household” means a household earning between 60-140% of median household income for the county in which the person resides or the state, whichever is less.
  - *Section 3(4)*

### **Affordability**

- “attainable workforce housing” is defined as “housing of a cost than an eligible household would spend no more than 30% of gross monthly income for a mortgage payment, property taxes, and insurance.”
  - *Section 3(1)*

# Optional Statutory Considerations

- Counties participating in a CRO are encouraged to enact local ordinances that provide for an expedited development and construction review process with priority for attainable workforce housing.
  - *Section 6(6)*
- CRO local match funding options include but are not limited to use of an employer pool, local government investments, and use of volume cap bonds
  - *Section 7(3)(b)*
  - CROs must coordinate local employer participation in a statewide employer pool.
    - *Section 7(9)*
- A portion of the maximum 5% in the CRO revolving account used for administration may be used to create a foreclosure mitigation set-aside fund.
  - *Section 7(4)(a)(ii)*
- An incorporated city, consolidated city-county, or county may contribute funds to its regional CRO revolving account as an optional local government investment.
  - *Section 7(6)*
- A CRO is encouraged to develop policies to support homeowners buying out the deed restriction so the revolving account may be utilized to assist in the purchase of additional homes for other eligible buyers.
  - *Section 7(10)*
- Where state trust lands are near cities, towns or communities:
  - Dept. of Natural Resources and Conservation shall evaluate whether these lands could be made available for use as land for potential development of attainable workforce housing; and
  - Each CRO shall consider use of state lands to support critical public employee services, including attainable workforce housing
    - *Section 9*

# Targeted Communities' CRO Statutory Requirements

- If an established CRO contains communities in a county that has a population of 15,000 or less and are located within a 30-mile radius of a state-owned facility that houses at least 100 state inmates or behavioral health patients is eligible to apply for additional funds appropriated for the Community Reinvestment Plan. All other statutory CRO requirements must be met.
  - *Section 8*
- There is an additional \$6 Million appropriated for Targeted Communities to apply for to use to assist in the purchase of homes for state employees in Targeted Communities.
  - *Sections 8(1) & 20*
- Targeted Communities may apply to use the \$15 Million appropriated in *Section 15* of the bill as local matching funds required in *Section 8(5) and 7(3)(b)* and also as part of the HOMES act for infrastructure loans.
- Attainable housing purchased with CRO assistance in a Targeted Community must have a deed restriction limiting the rate of appreciation to the homeowner of a maximum of 1% per year and ensuring that the resident of the housing is employed at a state-owned facility that, on average, houses at least 100 state inmates or behavioral health patients and the state-owned facility is located in a county that has a population that does not exceed 15,000 inhabitants.
  - *Section 8(8)*



# Role of GOED

- Review and approve CRO applications
- Distribute \$50 Million to CROs based on county GDPs of counties within each CRO
- Create reporting system for CROs to complete either biennially or annually to report to the Legislature



# Draft CRO Application

1. List the counties involved in the proposed CRO.
  - a. Provide a map of the boundaries of the proposed CRO.
  - b. Are the boundaries of the proposed CRO similar to the boundaries of the Certified Regional Development Corporations?
2. Has each county that comprises the proposed CRO made an affirmative decision to participate?  
Yes \_\_\_ or No \_\_\_
  - a. Provide a copy of the supporting documentation for each county, such as executed MOUs or similar document with each participating county.
3. Is the proposed CRO an existing entity described below?
  - a. Certified Regional Development Corporation Yes \_\_\_ No \_\_\_
  - b. Certified Development Corporation Yes \_\_\_ No \_\_\_
  - c. Community housing development organization Yes \_\_\_ No \_\_\_
  - d. Economic development association Yes \_\_\_ No \_\_\_
  3. Community development financial institution Yes \_\_\_ No \_\_\_
4. Is the proposed CRO established as a federally recognized charitable organization?
  - a. Yes \_\_\_ or No \_\_\_
  - b. 501(c)3 Yes \_\_\_ No \_\_\_
  - c. 501(c)4 Yes \_\_\_ No \_\_\_
  - d. 501(c)6 Yes \_\_\_ No \_\_\_
  - e. Provide a copy of the supporting documentation of the federally recognized designation.
5. If no to all of the above in question 3 and 4, is the proposed CRO a newly created entity that is a 501(c)(3), (c)(4), or (c)(6)?  
Provide supporting documentation and organizational documents of the proposed CRO.

# Draft CRO Application Continued

6. Provide documentation showing the creation of the proposed CRO's CRO Revolving Account, including the financial institution fund are held and the type of account. Provide documentation regarding any governance documents related to the CRO revolving account, including established internal controls, authorized signers, how account will be monitored and reconciled, whether the account will be interest-bearing and if so, how earned interest will be managed.
  
7. Do the governing documents of the CRO Revolving Account establish the following requirements?
  - a. Require that 95% or more of the funds in the CRO Revolving Account be used to assist eligible households in purchasing attainable workforce housing. Yes \_\_\_ No \_\_\_
  - b. Require that 5% or less of the funds in the CRO Revolving Account be used for startup and administrative costs of the CRO, or for a foreclosure mitigation set-aside. Yes \_\_\_ No \_\_\_
  - c. Require that funds from the CRO Revolving Account used to assist an eligible household may not exceed 30% of the total purchase price. Yes \_\_\_ No \_\_\_
  - d. Require that a deed of limitation be placed on homes purchased through the Montana Community Reinvestment Plan that limits the rate of appreciation to 1% per year. Yes \_\_\_ No \_\_\_
  
8. Provide a copy or copies of the deed-restricted language or document(s) that the CRO intends to use for property purchased through the Montana Community Reinvestment Plan.
  - a. Identify model(s) the CRO intends to leverage, i.e.,
    - i. affordability covenants appended to homeowner's deed
    - ii. attached to homeowner's mortgage such as second mortgage covering the amount of the loan provided to the eligible homebuyer to purchase the home
    - iii. Hybrid model with Community Land Trust or Cooperative/Mutual Housing model

# Draft CRO Application Continued

9. Provide the plan and timeline for the proposed CRO to obtain funds in an amount equal to the funds to be deposited from the Montana Community Reinvestment Plan account.
10. Provide documentation illustrating how the CRO will coordinate local employer participation in a statewide employer pool.
11. Provide copies of policies developed by the CRO to support homeowners buying out the deed of restrictions so the CRO revolving account can be utilized to buy down the cost of additional homes for other eligible households. Sunset is required on the buyout – by the time the initial loan is paid off, the deed restriction should be purchased as well.
12. Provide the measure of attainability used by the CRO. Statute defines “attainable workforce housing” to be housing at a cost that an eligible household would spend no more than 30% of gross monthly income for a mortgage payment, property taxes, and insurance.” The Montana Board of Housing (MBOH) Income Determination Guide available online at [housing.mt.gov/\\_shared/Homeownership/docs/IncomeDeterDef.pdf](https://housing.mt.gov/_shared/Homeownership/docs/IncomeDeterDef.pdf) should be used.
13. Provide the CRO’s requirements for eligibility for purchasers. At a minimum, the CRO must set the following eligibility requirements.
  - a. Qualifying households earn between 60% and 140% of median household income for the county in which the person resides, or the state, whichever is less.
  - b. Qualifying households use the Montana Community Reinvestment Plan to purchase their primary residence. Secondary homes are prohibited.
  - c. Qualifying homeowners must complete homebuyer education.
  - d. Homes purchased through the Montana Community Reinvestment Plan are prohibited from being used as short-term rentals.
  - e. Originating completed by state or federally chartered financial institution in good standing.
  - f. Please provide any additional region-unique requirements or priorities of homebuyers, including priorities for particular demographics such as employer, employment industry, etc.

# Reporting Requirements

- Reporting requirements are still in development and several options are being considered for inclusion. The following will likely be included in reporting:
  - Occupation of homebuyers
  - Average income level of participating homeowners
  - First time homebuyer status
  - Verification of primary residence
  - Number of loan reservations per month
  - Number of loan purchases by lender
  - Number of loans and total principal balance
  - Portfolio summary of principal loan types
    - FHA, RD, VA, HUD184, Fannie Mae, Freddie Mac, Credit Union Portfolio Loan, etc.
  - Average cost of home purchased
  - Average amount of assistance provided by CRO

# Application Timeline

- January 15, 2025
  - GOED must certify CROs
- December 31, 2024
  - CROs must be established
  - Deadline for applications to be submitted to GOED
- Application process will begin as soon as the application is finalized. Targeting early 2024.
  - At least one county must be committed to participating in a particular CRO prior to an application being submitted.