MONTANA
BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 70.753 DRAFT

EFFECTIVE DATE: June 4, 2025

TITLE: Resident-Owned Cooperative/ Multifamily-Owned Cooperative (ROC/MOC) Loan Program

SUPERSEDES: NEW

BOARD ADOPTION: June 4, 2025

REVIEWED: June 4, 2025

I. Resident-Owned Cooperative/Multifamily-Owned Cooperative Loan Program (Program)

A. General Parameters

1. Participating loans under the Program are made on a first-come, first-served basis and are held in a Separately Managed Account (SMA).
2. The Board does not lend directly to borrowers and participates only with Approved Lenders.
3. Approved Lenders originate all loans and submit loan applications and loan reservation forms.
4. The term Borrower refers to the entity applying for a loan from the Lender.
5. The submission of a fee with the Loan Reservation Form reserves funding.
6. Loans may be to a resident-owned cooperative to purchase, acquire, convert, or refinance the mobile home park land and appurtenances, if any, on which the co-op members reside as their primary residence, or to a multifamily-owned cooperative to purchase, acquire, convert, or refinance the apartment complex they are currently renting as their primary residence.
7. The Board will participate in up to 90% of the loan.
8. The maximum loan term is 30 years.
9. The maximum loan amortization period is 40 years.
10. The loan will have a fixed interest rate.
11. Leases may not contain a tenant option to purchase the pad site for the duration of the note.
12. The percentage of tenant-occupied homes may not exceed 35%.

B. Interest Rates

1. The interest rate is based on the on-the-run U.S. Treasury yield nearest to the loan maturity plus 0.10%.
2. The ROC/MOC Rate Sheet is posted weekly on the Board's website.
3. The interest rates reflect net yield to the Board and are exclusive of any Lender fees.
4. The initial interest rate is determined by the interest rate posted on the Board's website on the date the loan reservation form is received.

C. Loan Reservations

1. Reservations with an Identifiable Borrower(s)
   a) Lenders with an Identifiable Borrower(s) at the time of the reservation may reserve funds for one year (365 days) with a fee of one-quarter percent (0.25%) of the reserved amount.

b) Lenders may lock interest rates at any time during the one-year (365 days) period at the rate last set.

c) If the loan has **not** been committed and the Board's interest rates decline after a Lender has locked interest rates during the one-year (365 days) period, a reservation at the lower rate for an additional one-year (365 days) may be obtained via payment of another one-quarter percent (0.25%) fee.

d) If the loan has been committed and the Board's interest rates decline after a Lender has locked interest rates during the one-year (365 days) period, the lower rate may be obtained via payment of another one-quarter percent (0.25%) fee, but the original commitment letter expiration date will remain the same.

e) Lenders must offer, underwrite, accept, and close the loan during the one-year (365 days) period.

f) All applicable checklist items must be received within ninety (90) days after expiration of the one-year (365 days) period.

g) The reservation may be extended as Section C.2. of this Policy outlines.

h) Blended interest rates may be applied for increases in the reserved amount of an existing reservation.

i) The last fee paid is refundable if the application is rejected.

2. Reservation Extensions

a) If the project for which the loan proceeds will be utilized is not completed within the initial one-year (365 days) reservation period, up to two (2) additional one-year (365 days) increments may be granted upon written request and payment of an additional one-quarter percent (0.25%) fee for each extension.

b) Additional one-year (365 days) extensions will not be granted if the project has been completed within the existing reservation/commitment period.

c) Extension fees must be received via ACH within fifteen (15) working days after the expiration date of the current one-year (365 days) period in order to keep the reservation in force.

D. Interest Rate Buy Down on Existing Loans

a) The Board's portion of an outstanding loan interest rate may be reduced to the Board's current rate at the time the Loan Reservation Form and fee are received.

b) The interest rate will be calculated by rounding the remaining term up to the nearest year and applying the buy-down interest rate for that specific year. The fee is:

- One percent (1%) of the outstanding Board loan balance, for sixty (60) months or less; or
- One and a half percent (1.5%) of the outstanding Board loan balance for sixty-one to one hundred and twenty (61 to 120) months,

c) Interest rate reductions are effective on the next payment due date after the fee is received and the reduction is approved by the Board.

E. Collateral Requirements

1. Collateral requirements include:

a) A first mortgage/lien position shared proportionately with Lender;
b) Sufficient economic life to support the term of the loan;
c) Due-on-sale clauses, requiring Lender's consent prior to loan transfer; and
d) Other collateral as required by Lender or the Board.

F. Appraisal Requirements
   1. Licensed Montana appraisers are preferred unless a specialized property collateral requires an out-of-state appraiser.
   2. Requirements apply to all appraisals irrespective of the Lender's appraisal or loan policy appraisal requirements and are based on the total loan amount shown below:
      a) Up To $500,000 - As required by Lender to provide the basis for value; or
      b) Over $500,000 - Appraisal Report, as defined by the Uniform Standards of Professional Appraisal Practice.
   3. Appraisal requirements are based on the total loan amount.

G. Loan-To-Value Requirements
   1. Loan-To-Value (LTV) is based on the lesser of reasonable project costs or market value appraisal. Reasonable project costs do not include any form of payout to an owner, developer, or shareholder. The LTV must be seventy-five percent (75%) or less.

H. Other requirements:
   1. Borrowers must partner with a technical assistance provider and property manager for the term of the note.
   2. Reserves may be established to limit the risk of default.

I. Fundings
   1. The loan in which the Board is to participate must be closed prior to the commitment letter expiration date.
   2. Funding documents required in the commitment letter must be received within ninety (90) days following the first principal and interest payment due date of the project term note or the commitment date expiration, whichever comes first.
   3. Fundings should occur on or around the tenth (10) day of the month.
   4. At least thirty (30) days' notice must be provided to be eligible for fundings.

J. Ineligible Loans
   1. The following loans are ineligible:
      a) Loans classified as substandard, doubtful, loss, or similar category in Lender's most recent examination report;
      b) Loans to a borrower with classified loans at the Lender, other than the loan offered to the Board;
      c) Loans to trusts;
      d) Revolving lines of credit, working capital, or operating money; and
      e) Loans to pay delinquent taxes.

K. Other Considerations
   1. Balloon payment loans are eligible, provided the Loan-To-Value at maturity is acceptable to the Board.
   2. The Board will proportionately participate in any prepayment penalty required by the Lender.
   3. Loan assumptions are permitted upon Board approval with a loan assumption fee of $500.00.
   4. Escrow impounds may be required for taxes and hazard insurance.
   5. The Board may apply different criteria to loan requests from nonprofit Borrowers.
   6. All loans submitted for participation by Board members or staff shall first be approved by the Board before they are committed and funded.
   7. Any time an approved Lender downgrades a loan participated with the Board; the approved Lender must notify the Board of the downgrade within thirty (30) days. Notification must include the most recent Lender credit review and an explanation of why the credit was downgraded.

8. If the approved Lender applies a default interest rate to a participated loan, the Board interest rate will also be increased to that default interest rate and remain effective for the same period of time as for the approved Lender.
9. The Board may require additional due diligence and research on loans at its sole discretion.

Authority: Montana Code Annotated, Art. VIII, Section 13
Section 2-15-1808, MCA
Section 17-6-201, MCA
Title 17, chapter 6, part 3, MCA
ARM 8.97.1301, and 8.97.1308 through 8.97.1310
Laws of 2025 (House Bill No. 505)

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