

MONTANA

BOARD OF INVESTMENTS

Montana Down Payment Assistance Loan Program

Continuing Guidance

Last updated: January 14, 2021

This document has been created to provide additional guidance into the process of applying for and receiving funds from the Montana Board of Investments (BOI) for the Montana Down Payment Assistance Loan Program. It is updated frequently with answers to questions and responses to concerns.

1. Does the business have to occupy 100% of a property?
 - a. No, but it must occupy at least 51% of the subject property, which may include leases for at least 51% of the subject property between the primary operating company and real estate holding company.

2. Will the BOI participate in the construction loan, or will it be permanent financing after construction is completed?
 - a. The BOI is not able to participate in the construction loan. The Lender can submit the loan reservation and application to BOI at the start of the construction and obtain a one-year commitment from the BOI. The Lender would advance the funds pro-rata (using only bank funds) between the 65% 1st and 30% 2nd notes and collect and retain the interest on both notes throughout the construction process. Once construction is completed the 30% note would be modified to P&I payment over 10 years and sold to the BOI with servicing retained.

If the construction project is not completed before the commitment expiration the Lender can advance the remaining available funds into a controlled account to complete the project. The 30% note would be modified to P&I payment over 10 years and sold to the BOI with servicing retained.

Example: Assume the BOI note is for \$250,000 and only \$200,000 has been advanced at the one-year maturity. The Lender would advance the remaining \$50,000 into a controlled account and complete the modification and sale of the note to BOI. The Lender would advance the remaining \$50K, from the controlled account, to complete the project. The Borrower would have to start P&I payments, at that time, on the BOI note.

3. What will the business need to provide to document impact from COVID to conform with ARPA regs?
 - a. ARPA funds are not tied to COVID economic impacts and, therefore, no documentation of COVID impacts is necessary.

4. What constitutes an 'established and growing business?
 - a. The business was in existence on December 14, 2021. Funds must be used to grow wages of existing employees or hire new employees, expand business operations, or increase the tax base.
5. Will Ag producers be allowed to participate in the program?
 - a. Businesses who file a Schedule F for tax purposes are ineligible.
6. Can the Lenders 65% loan be participated with the BOI Coal Tax Participation Loan Program?
 - a. Yes.
7. Will the BOI subordinate to an SBA 504 loan?
 - a. No, the BOI will only subordinate to the Lender.
8. Will the BOI refund the Reservation fee if the loan is denied.
 - a. Yes, the BOI will refund the Reservation Fee if the BOI denies the loan.
9. How does the BOI determine the 1.25-to-1 debt service coverage?
 - a. Minimum debt service coverage (DSC) is 1.25-to-1 based on the global average historical cash flow or projected cash flow from established businesses based upon an additional or new production line. Global DSC is defined as cashflow coverage provided by the obligor and guarantors.
10. Is there a prepayment penalty on the BOI Loan?
 - a. No, there is no prepayment penalty on the BOI loan. The Lender must notify the BOI 15 days prior to the payoff.
11. Can a tenant purchase the building they currently rent with program funds? [\(Updated January 14, 2021\)](#)
 - a. Generally, no, however, if they meet any one or more of the criteria below, the project is eligible:
 - i. The business is expanding operations as a result of the building purchase, or
 - ii. The business is hiring additional staff or hire new employees as a result of the building purchase, or
 - iii. The business is increasing the tax base as a result of the building purchase.

