

MONTANA

BOARD OF INVESTMENTS

Montana Down Payment Assistance Loan Program

Summary of Terms and Conditions

Purpose

The **Montana Down Payment Assistance Loan Program** objective is to allow growing businesses to retain valuable working capital during the growth phase vs. depleting cash to fund down payments on necessary equipment or building purchases/expansions. There is \$37 million available for the program.

Approved Lender

To participate in the Montana Down Payment Assistance Loan Program the Lender needs to be an approved lender with the Montana Board of Investments (BOI). Financial Institutions wishing to become an Approved Lender with the Montana Board of Investments should contact Doug Hill, Director of In-State Loans at dhill@mt.gov.

Loan Structure

The Lender will underwrite, originate and service both loans (Lender's and BOI's).

The Business must provide at least 5% of the loan-to-value (LTV).

The Lender will provide a minimum of 65% of the LTV and will be in a senior lien on the collateral. The Lender determines the interest rate and term of the Lenders loan. The interest rate and term of the Lenders loan does not have to match the BOI loan.

The BOI will provide a maximum of 30% of the LTV and will be in a junior lien on the collateral.

The LTV is based on the lessor of reasonable project costs or market value appraisal. The LTV not to exceed 95%.

The Lender and BOI loans will have the same collateral.

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.

Borrower must be an existing Montana-based business in good standing with no current outstanding State of Montana obligations.

Loan must be to an existing business which was operating on or before December 14, 2021, or an expanding business seeking to grow wages of existing employees, number of employees or net revenues and must lead to direct growth of the Montana economy.

Loan proceeds must be used for the purchase of equipment, real estate/building, real estate/building with improvements, and new construction. Loans to purchase existing businesses are not eligible.

Non-Profits are not eligible.

The BOI loan will not have a prepayment penalty. The Lender must notify the BOI 15 days prior to the payoff.

Use of Proceeds

BOI may purchase loans for acquisition of equipment, real estate purchase/building, real estate/building with improvements, and new construction after December 14, 2021.

Refinancing of existing debt is not eligible, other than permanent construction financing.

Loan Amount and Terms

Minimum BOI loan is \$250,000 and maximum is \$3,000,000.

Maximum term on BOI loan is 10 years and will be fully amortized monthly payments.

Balloon payments are not allowed.

Interest Rate and Service Fee

Interest rate is the 10 Year T Bill + 2% fixed for the term of the loan. Interest rates, effective for a one-week period, will be posted each Thursday on the BOI website at www.investmentmt.com/Loan-Programs/.

The posted rate reflects net yield to the BOI and are exclusive of the Lenders service fee.

The BOI loan is serviced by the Lender with a maximum 0.5% loan servicing fee.

How to Apply

Program Documents

The Reservation Form, Application, Terms and Conditions, and Continuing Guidance are on the BOI website at www.investmentmt.com/Loan-Programs/.

Loan Reservation

Lender submits the reservation form and pays a non-refundable .25% reservation fee. The fee is paid through the Lender's ACH account with the BOI. Reservations will be processed in the order in which they are received.

- BOI will use the interest rate in effect on the date the reservation is emailed.
- The .25% fee applies to the BOI loan amount, not the total loan amount.
- Lender must complete all necessary sections of the reservation form and sign and date the form.
- The Department of Revenue (DOR) will review all submitted reservations. The review process will include:
 1. Verifying the Business is physically located in Montana, and
 2. Verifying the Borrower is current on all other state financial obligations, and
 3. Confirming the Borrower is in good standing with the Montana Secretary of State.
- Following a review by the DOR, the BOI staff will determine if the loan is eligible.
- BOI sends the lender a confirmation of the reservation specifying the reservation rate, funding, and the expiration date of the reservation.
- The reservation period is 365 days.
- The reservation fee will be refunded if the loan is denied by the BOI.

Application

Lender submits the BOI application and Lender's loan review. Applications will be processed in the order in which they are received.

Approval Process

Each application will be reviewed to verify the information provided in the application.

Commitment

Upon approval of the application, BOI will issue a commitment letter, Schedule A & B, loan funding certificate, and loan report indicating the terms and conditions that the lender must meet for BOI to fund the loan. The commitment letter will identify the following:

- Name of Borrower – this name should be the name that will appear on the loan documents.
- Loan amount – total amount of the Lender's and BOI loan.
- BOI loan amount – the amount of the BOI loan.
- Percentage of participation – BOI portion compared to the total loan request.
- Final maturity – Term of the loan.
- Interest rate – indicates the BOI committed rate and the service fee to the bank.
- Repayment schedule – monthly payments.
- Purpose of loan - what the loan proceeds are to be used for.
- Security – identifies the collateral supporting the loan. The BOI loan will be subordinate to the Lender's loan.

The lender has 30 days in which to accept or reject the terms and condition of the commitment letter. If the Lender accepts it will sign and return the commitment letter. The Borrower must also sign the commitment letter.

The commitment letter has an expiration date. This date is the original expiration date of the interest rate reservation form which locked in the interest rate.

The loan must be closed within the commitment period.

Funding

The Lender submits the Schedule A & B with the Loan Funding Certificate via email to downpaymentassistance@mt.gov. BOI will fund the loan through the Lender's ACH account.

Withdrawing Applications

If the Borrower wishes to withdraw their application, they will be required to inform their Lender. The Lender will notify BOI of the decision to withdraw. Upon notification, the application will be deleted and no longer considered for the program. BOI will notify the Lender when the application has been withdrawn.

Servicing

The lender is responsible for servicing the loan in compliance with the Loan Servicing Agreement entered into between the Approved Lender and the BOI.

Lender will need to provide a Loan Report to BOI via email to downpaymentassistance@mt.gov. within 5 business days of receiving the Borrower's payment.

In the event the Borrower does not make the full payment due on both notes, any payment will be pro-rated (based on the original principal amount of each note) between the notes.

Taxability

Lenders are responsible for issuing any necessary tax reporting documentation as part of their loan servicing.

Rural/Disadvantaged

25% of program funds are reserved for rural and underserved businesses. To qualify, a business must be 51% owned by a socially and economically disadvantaged individual(s). ("Disadvantaged" means a member of a group of persons the State of Montana considers as disadvantaged. The State of Montana presumes certain groups are disadvantaged, including women, Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian-Pacific Americans, or other minorities found to be disadvantaged by the U.S. Small Business Administration (SBA). Persons who are not members of one of the above groups and own and control their business may also be eligible if they establish their "social" and "economic" disadvantage. A determination of whether an individual with a disability meets DBE eligibility criteria is made on a case-by-case basis. More information on how a social and economic disadvantage is determined can be found in Appendix E to 49 CFR Part 26.

As a test, if any of the following criteria are met, the business is eligible for any portion of the program allotment of funds. If none of the criteria are met, the business is only eligible for award from 75% of the program allotment of funds.

- 51% of the business is owned by:
 - Women,
 - Black Americans,
 - Hispanic Americans,
 - Asian-Pacific Americans,
 - Subcontinent Asian-Pacific Americans, or
 - Other minorities found to be disadvantaged by the U.S. Small Business Administration (SBA).
- Located outside Butte, Great Falls, Billings, Missoula, Helena, Bozeman, or Kalispell.
- Has been determined to be socially or economically disadvantaged by BOI staff upon request of the Lender and Borrower.