



FIRST-TIME HOMEBUYER PROGRAM

Glacier Affordable Housing Foundation
Glacier Bank



PARTICIPANT PROFILES

Glacier Bank is a state-chartered savings bank with assets of approximately \$365 million. The Bank was chartered in 1955 and has a dominant presence in western Montana. Glacier Bank is a wholly-owned subsidiary of Glacier Bancorp, Inc. ("Bancorp"), which also owns Glacier Bank of Whitefish, Glacier Bank of Eureka and First Security Bank of Missoula. Glacier Bank has 13 offices located primarily in small rural towns in northwest Montana.

Glacier Bank has a significant commercial loan portfolio. However, it also makes home mortgage loans and consumer loans, and has aggressively offered and promoted a free checking program. In addition, the Bank is an active participant in government loan programs and it typically originates one-third of its real estate loan volume in FHA, VA and U.S. Department of Agriculture ("USDA") Rural Development loan programs. For example, in 1997, Glacier Bank was recognized by USDA Rural Development as the number one rural development lender in the state of Montana. Glacier Bank also has the distinction of being one of the first financial institutions to participate in the FHA's 184 pilot project for making loans on tribal lands.¹ Also, the bank is among the top SBA lenders in the state.

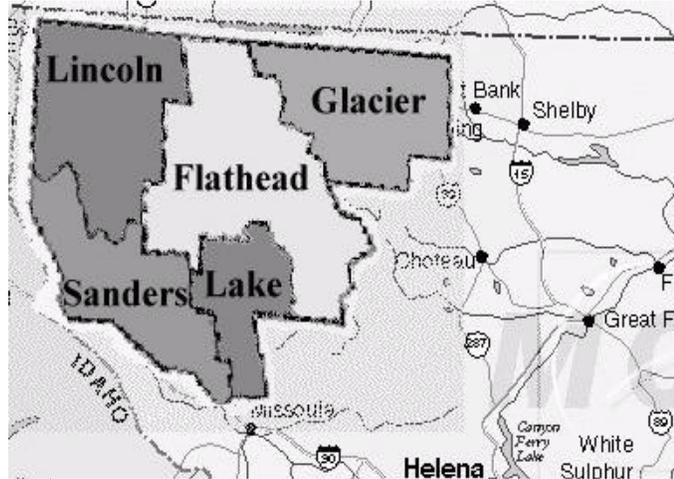
Glacier Affordable Housing Foundation ("the Foundation") was established by Glacier Bank in 1995 as a separate non-profit organization to provide down payment and closing cost assistance to low- and moderate-income first-time home buyers. The Foundation applies for grants that are leveraged with private funds to provide affordable housing in high cost rural areas of northwest Montana. The Foundation, although established by Glacier Bank, is governed by its own separate board of directors.

¹ The purpose of this project is to provide access to sources of private financing to Indian families, Indian housing authorities, and Indian tribes, who otherwise could not obtain housing financing because of the unique legal status of Indian lands and lack of access to private financial markets.

COMMUNITY BACKGROUND

Glacier Bank's primary lending market is northwest Montana and includes the counties of Flathead, Lake, Lincoln, Sanders and Glacier. As of the 1990 Census, the population of this five-county region was 118,530. The Montana Department of Commerce estimates that as of July 1, 1997, the population in these counties had climbed to 137,760. The median income for the area in 1993 was \$23,642. According to June 1998 Montana Department of Commerce data, the region suffers from an unemployment rate of 9.6 percent. Almost 20.3 percent of the region's population lives below the national poverty level.

This area has a diversified economic base composed of wood product harvesting, primary metal manufacturing, mining, energy exploration and production, agriculture, high-



tech related manufacturing, and tourism. Tourism is heavily influenced by the area's close proximity to Glacier National Park, which has in excess of 1.5 million visitors per year. The Big Mountain Ski Areas and Flathead Lake, the largest natural body of fresh water west of the Mississippi River, also attract a large number of visitors.

COMMUNITY NEEDS

Many people have found the clean air, lakes, skiing and other amenities of northwest Montana very appealing and are willing to pay higher prices for housing to live there. The real estate market escalated in response to this demand and many of the existing residents, particularly those of low- and moderate-income means, are now unable to afford their dream of home ownership. The Foundation's Chairman observed that prior to its creation no one was prepared to address the affordable

housing crisis in such a rural area. Even government programs with minimal down payments could not help the low and moderate-income home buyers because monthly mortgage payments were still unaffordable. Income in Glacier Bank's market area has not kept pace with the rising costs of homes.

BEST PRACTICE PROGRAM OR PRODUCT

As noted briefly above, Glacier Bank's response to these problems was the establishment of the Foundation.² The idea for the Foundation originated with the manager of the Bank's real estate department who proposed that Glacier Bank establish an affordable housing foundation that would apply for grants and make those funds available to first time home buyers increasing their down payment so that the monthly mortgage payment would be manageable. It was also envisioned that the Foundation should be able to share in any upside that the families realized through the eventual sale of these properties that were acquired with this generous assistance.

It took several months for the Foundation to be designated by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, but



With a loan of \$26,714 from the Glacier Affordable Housing Foundation, a family of two was able to purchase the above home in Flathead County, MT.

approval was finally obtained in the fall of 1995. In the interim, Glacier Bank applied for and obtained a \$610,000 grant from the Federal Home Loan Bank of Seattle to fund

the initial operation of the Foundation. This money was used as matching funds for additional HUD Community Development Building Grants and HUD HOME grants to the counties served by the Bank, the first time all of these counties had an opportunity to participate in solving an affordable housing problem.

To be eligible for assistance from the Foundation, borrowers are required to satisfy four requirements: (i) stable employment, (ii) income that is less than 80 percent of the area's median income, (iii) acceptable credit history, and (iv) completion of a 9-hour First-Time Home Buyers Course sponsored by the Foundation at a local college. The Foundation's organizers and operators feel strongly that education is critical to the long term success of their operation. The courses are customized by using local builders, realtors, credit bureaus and loan officers of the Bank to teach the program.

The Foundation provides second mortgages at zero percent interest and no monthly payment. These funds, which generally range between \$15,000 and \$25,000, are combined with the borrower's funds, 1 to 2 percent of the sales price, to make up the down payment on the home. Sometimes borrowers who are not able to provide the 1 to 2 percent required down payment can donate sweat equity to the transaction in lieu of funds. The Foundation's funds do not need to be repaid until the property is sold. At that time, the borrower must repay the Foundation's second mortgage, together with

a percentage of the appreciation on the property, to ensure that sufficient funds are available for use by the next low-income borrower.

In 1996, the Foundation was able to leverage the grant funds received and assist a larger number of low- and moderate-income residents when the Montana State Board of Housing ("Housing Board") agreed to purchase up to \$5.5 million in 30-year fixed rate first mortgages at substantially below market rates. The interest rates ranged from 5.5 percent to 6.5 percent, depending on the income category of the borrower. Three of Bancorp's subsidiary banks, Glacier Bank, Glacier Bank of Whitefish and Glacier Bank of Eureka, each agreed to originate the loans and service them for the Housing Board. The Housing Board and the Bancorp banks also agreed to reduce their fees by half to make the program even more affordable. Community outreach to the borrowers was administered by Northwest Montana Human Resources, Inc., a

local non-profit agency.

The combination of low interest rate first mortgages and the down payment assistance provided by the Foundation served to create a home buyer's program that truly meets the needs of this community. With no monthly repayment required until the property is sold, and with the very low interest rate provided by the long-term financing, many homeowners' mortgages are lower than what they previously paid in rent.

² For a discussion of the various types of foundations, readers may access the document titled "Types of Foundations" at the Council on Foundations website at www.cof.org/basics/types.html. The legal definition and essential elements of a community foundation is covered in the electronic document titled "Legal Definition of a U.S. Community Foundation" at the Council on Foundations website at www.cof.org/community/legaldef.html. The Council on Foundations website contains an extensive collection of useful information on Foundations.

EXPERIENCES AND OBSTACLES

In October, 1996, after the necessary capital, partnerships and legal documentation were in place, the Foundation began making loans to low-income, first-time home buyers. The first loan closing was a big event attended by most of the partners in the Foundation, including the Federal Home Loan Bank of Seattle, the Housing Board, and Tony Hernandez, the Assistant Secretary, from the Denver office of HUD. Response to the program was so enthusiastic that the Foundation had to hold a lottery to choose its first home buyers.

One of the most significant undertakings for the Foundation was the extensive amount of training necessary for all parties involved in

the process. It began with the first-time home buyers, and extended to the mortgage loan officers, loan processors and closers, and realtors. This was a large task because it had to be done in each of the five counties being served. The Foundation was able to structure a nine hour first-time home buyer course through a local college, which was extended into each of the marketing areas. This was the first time that residents in these communities had ever received formal training in purchasing and maintaining a home. The Foundation strongly believes that a comprehensive home ownership education is one of the major components to a successful affordable housing program.

The single most critical ingredient in the success of the Foundation was the level of cooperation from the program's varied partners. Each partner was able to bring a specialization to the process and was willing to do what was needed to ensure that the Foundation met its objectives. For instance, Glacier Bank housed the program and

provided home ownership counseling, while the Northwest Montana Human Resources Center provided marketing and outreach and the Housing Board created a secondary market for the low interest rate loans. No one entity acting alone could have accomplished these goals.

CURRENT STATUS

To date, the Foundation has received a total of \$2.1 million in grant funds. By the end of 1997, the Foundation had assisted 69 low- and moderate-income borrowers, and, impressively, 85 percent of them earn less than 70 percent of the median income for the area. More than half of these borrowers earn less than 60 percent of the median. To date, first-time home buyers have purchased homes worth \$4.7 million, for which the Foundation has provided down payment and closing cost

assistance totaling \$1.1 million. The Foundation's goal with its existing grant funds is to assist approximately 150 families. The program appears to be working as envisioned. The payment histories on the first mortgages in the program have been excellent, indicating that the financing as structured really is meeting the needs of these low- and moderate-income families, many of which are single parent households.

PARTNERSHIPS

The Foundation has grown into a large partnership that includes the Federal Home Loan Bank of Seattle, the Federal HOME Investment Partnership Program and the Community Development Block Grant Program, the Department of Housing and Urban Development, the Rural Housing

Services (502) program, the City of Kalispell, the county commissioners of Flathead, Lake, Lincoln, Sanders and Glacier counties, the Ronan Public Housing Authority and Northwest Montana Human Resources, and the Housing Board.

ADDITIONAL INFORMATION CONTACTS

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ADDITIONAL RESOURCES

Census & Economic Information Center

Montana Department of Commerce

1424 Ninth Ave

P.O. Box 200501

Helena, Montana 59620-0501

Phone: (406) 444-2896

Fax: (406) 444-1518

Internet Home Page:

<http://commerce.state.mt.us/ceic>

Housing Division

Montana Department of Commerce

836 Front Street

Helena, MT 59601

Phone: (406) 444-3040

Internet Home Page:

[http://commerce.state.mt.us/housing/
index.htm](http://commerce.state.mt.us/housing/index.htm)

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79 Fifth Avenue/16th Street

New York, NY 10003-3076

Phone: (212) 620-4230

or (800) 424-9836

Fax: (212) 807-3677

Internet Home Page: <http://fdncenter.org>

Join Together

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Boston, MA 02116

Phone: (617) 437-1500

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Internet Home Page: www.jointogether.org

Gopher Site: [gopher://](http://gopher://gopher.igc.apc.org:7003)

gopher.igc.apc.org:7003

Council on Foundations

Human Resources Department

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