EXHIBIT 16

RULES FOR COMBINING HOME FUNDS AND LOW INCOME HOUSING TAX CREDITS (LIHTC)

	Tax Credit Program Rules[1]	**Combining Tax Credits with HOME**
Occupancy Requirements	At least 20% of the assisted units must be reserved for households with incomes at or below 50% of area median **--OR--** 40% of the units must be reserved for households with incomes at or below 60% of area median	If HOME funds are provided below the market interest rate, at least 40% of the units must be reserved for households with incomes at or below 50% of the area median income to qualify for the 9% credit. Otherwise, at least 20% of the units must serve households with incomes at or below 50% of area median income (to meet HOME requirements).
Rent Requirements	Rents for qualified units must not exceed the rent limit set for the program. These limits are set by bedroom size and are based on the qualifying incomes of an imputed household size. They are published by HUD.	For units to qualify as both tax credit and HOME-assisted units, rents cannot exceed either program limit (i.e., the most stringent rent limit must be followed). Low HOME rent units are subject to Low HOME rents and tax credit limits and High HOME rent units are subject to High HOME rents and tax credit limits.
Establishing Tenant Eligibility	<u>Documentation</u>: Tenants must provide acceptable documentation of income for third party source. All sources of income are verified. <u>Definitions</u>: The tax credit program defines income using the Section 8 definition of annual (gross) income. <u>Asset Income</u>: *Assets $5,000 or less*: Tenants certify asset amount and income. Use actual income. *Assets above $5,000*: Verify amount and income. Use larger of actual income from assets or imputed asset income.	<u>Documentation</u>: Initial tenant eligibility documentation for both programs is the same <u>Definitions</u>: Use the Section 8 definition of income. <u>Asset Income</u>: Follow more stringent HOME rules and verify all asset income.
Reexamination of Income	Reexaminations are performed annually following the same procedures as at initial certification; however, an owner may request a waiver from reexamination requirements if all units in the project are tax credit units. State housing credit agency (MBOH) determines the frequency.	Tax credit/HOME projects may request waivers from tax credit allocating agency to perform reexaminations similar to HOME. Otherwise, the project must follow the more stringent tax credit requirements.

[1] Check with the MBOH Multi-Family Program for Montana-specific requirements.

	Tax Credit Program Rules[1]	Combining Tax Credits with HOME
Over-Income Tenants	Rent for over-income tenants remains restricted. An owner *may* increase an over-income tenant's rent, but *only* ***after*** the unit is replaced with another low-income unit in the project, thereby keeping the portion of low-income units above the minimum amount required for the owner to be eligible for the credit. "Over-income" is defined as 140% of the project rent limit.	HOME rules defer to tax credit rules – rent remains restricted. (In other words, in no case can the rent exceed limits set by the tax credit program).
Monitoring	Projects are monitored annually throughout the affordability period. Affordability period: 30 years (15-year compliance period, 15-year extended use period). On-site inspections are required at least every 3 years for at least 20% of Sec. 42 units. Uses UPCS (Public Housing Inspection Standards).	The HOME Program and the tax credit allocating agency (MBOH) will each monitor according to their program requirements.