



VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Association of General Contractors Office
148 State Street
Montpelier, Vermont

Thursday, January 21, 1999

PRESENT: Chairman White; Commissioners Seelig, Randall, Canney, Douglas, Smith (designee of Douglas), Brown (designee of Lambert), Candon (designee of Costle), Costle

Staff: Ms. Carpenter, Mr. McNamara, Ms. Caragher, Ms. Loller, Ms. Gent, Ms. Santerre, Mr. Schoenbeck, Ms. Cunningham, Ms. Crady

At 12:00 p.m. a motion to go into Executive Session pursuant to 1 VSA Section 313 (a) (3) was made by Mr. Seelig and seconded by Ms. Randall. The motion to come out of Executive Session at 1:00 p.m. was made by Ms. Randall and seconded by Mr. Seelig.

Chairman White called the meeting to order at 1:10 p.m. A motion was made by Mr. Seelig to approve the minutes of December 17, 1999. The motion carried unanimously after being seconded by Mr. Candon. There was a brief discussion surrounding the length and format of the minutes. It was agreed that the minutes should be shortened and focused more on the highlights of discussion and actions taken at the meeting.

Executive Directors Report

Ms. Carpenter briefly reviewed her report, indicating that she did the report a little differently than it has been done in the past. She used the report as a way to summarize the highlights of each of the memos enclosed in the Board packet.

Ms. Carpenter mentioned that we have made some internal changes, noting that our phones are now being answered by a live voice. She also noted that at the end of the month our voicemail system would be made more "user" friendly.

The Low Income Housing Tax Credits are slightly behind schedule, but the public hearing should take place soon. She noted that there weren't many changes made to the Allocation Plan.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Ms. Carpenter indicated that in late February she would be traveling around the state to 8 different locations to meet with lenders about our various programs and to discuss VHMGB.

Ms. Carpenter noted that, in reviewing Vermont's most recent draft definition of assisted living and some clarifications by the IRS, VHFA may not need to explicitly add assisted living to our statute. Mr. Smith noted that last year we felt we needed Legislature's approval to do this. The Board agreed, after reading legal counsel's memo, this is an issue that we could address in the future. In the meantime, it was suggested that staff write a letter to John Taylor regarding this matter to let the Dean Administration know the reasons for our interpretation.

FINANCE

Mr. Schoenbeck noted that the General Fund Budget is where we projected it would be, except for the unforeseen VHMGB expenses. VHMGB was billed only for consultant charges from VHFA because a budget wasn't approved for operating costs.

As the audit stated last year, the amount of our surplus is mostly due to the change we made to a market value basis. The loan losses as compared to last year are consistent.

Mr. Schoenbeck indicated that VHMGB is experiencing tremendous loan losses, noting that within one month it has accumulated \$500,000 in losses. Ms. Cunningham indicated that we have changed the method of the way we collect claims. Effective April, 1998 lenders must place the VHMGB claim within 60 days, instead of waiting for the REO to sell, which took up to 10 months.

SINGLE FAMILY OPERATIONS

The 90-day delinquencies have increased from last month. Ms. Cunningham noted that she believes the delinquencies jumped up due to the holidays and because there has been some changeovers with some of our lenders. Ms. Cunningham also noted that she is in the process of setting up a meeting with our servicers to discuss getting EDI (Electronic Data Information) so that we are receiving information more rapidly on the delinquencies.

Ms. Cunningham noted that another reason delinquencies increased is because some lenders are not calling their borrowers when they have reached 60-days delinquent if it is during the holiday season. Ms. Randall would like to discuss this at the next scheduled Board meeting and find out why the lenders aren't placing that call.

COMMUNICATIONS

Ms. Gent noted that our Home Buyer Fair will be held on March 13th in Colchester. She also noted that we are reducing the price on booths for lenders this year to encourage more to attend. Ms. Randall suggested that perhaps we give the lenders the space for free, to get more involvement and to help promote our programs. The Board agreed that it is very important for us to have the lenders support and that it could prove to be beneficial to have a lot of lenders present at the Fair to help promote our 25th anniversary.

LEGAL

In Mr. Jarrett's absence, Chairman White noted that, with the possible change to VHMGB, staff would like to explore the possibility of transferring the Property Transfer Tax Exemption benefit to VHFA borrowers. To accomplish this change, the language in the statute would have to be changed, which requires Legislative approval. Ms. Carpenter indicated that we wouldn't be asking the Legislature for more money; we would transfer the funds over to VHFA. The Board agreed that staff should pursue the option with the Legislature.

DEVELOPMENT

Ms. Crady indicated that staff is determining appropriate purchase price and income limits for consideration at the March Board meeting, for all single family programs. The goal is to try to serve a larger number of households. More information will follow at the March Board meeting.

INFORMATION TECHNOLOGY

Ms. Loller indicated that we have signed a contract with Panurgy to test our software and to make sure we are Y2K compliant. The testing is scheduled to begin February 15th. Ms. Loller stated that they hope to have all the testing phases finished by June 30, 1999.

Ms. Carpenter indicated that she and Ms. Loller would be making a trip to Texas to meet with the MITAS group. They will address some staff concerns as well as introduce Ms. Carpenter to Mitas.

VHFA AND VHMGB JOINT MEETING

Ms. Carpenter began by indicating that we are currently waiting for the proposals to come back from the mortgage insurance companies, which are due January 29th.

A discussion then ensued regarding whether to suspend or terminate VHMGB. The Board members had different views; some believed terminating VHMGB would be the best option, while others felt suspension was more appropriate. One reason mentioned supporting the suspension was that, if private mortgage insurers begin to reduce their level of business in the state, VHMGB could again start insuring mortgages. A reason

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supporting the termination of VHMGB was that the model that VHMGB is based upon is outdated. After further discussion, both Boards agreed to continue reviewing the options and that a decision would be made at a later date.

The discussion then turned to VHFA's ability to obtain mortgage insurance for future loans. Ms. Santerre indicated that staff has had discussions with three private mortgage insurance companies. Those three mortgage insurance companies were; Mortgage Guaranty Insurance Corp (MGIC); General Electric Mortgage Insurance Corp. (GEMICO) and Commonwealth Mortgage Assurance Corp (CMAC). Of the three, MGIC was the most prepared and presented the best offer. MGIC is willing to allow a 6-month transition period. During this time MGIC will insure all VHFA loans under VHFA's current underwriting policies and guidelines. Also during this transition period VHFA and MGIC would negotiate terms and conditions for future mortgage insurance for VHFA's products.

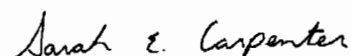
One issue that was consistently brought up during these meetings with the mortgage insurance companies was their reluctance to insure single wide mobile homes. The Board members agreed that it was important for VHFA to continue offering some financing for single wide mobile homes. The Board then discussed ways for VHFA to continue financing single wide mobile homes by self-insuring these loans. It was agreed that self-insuring would bring along additional risk to VHFA. The Board noted that more information is needed to determine the level of risk involved and source of funding for needed reserves.

An overall concern of the Board was which consumers would VHFA no longer be able to assist without VHMGB. Staff was directed to contact the three private mortgage insurance companies and request a written outline of the differences between their requirements and VHMGB's. This information will allow the Board to determine which consumers would not be eligible for VHFA's programs.

Both Boards agreed that further information was required and a second Board meeting to further discuss these issues was warranted. A joint Board meeting was scheduled for February 4th.

There being no further business, the meeting adjourned at 4:15 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary

**RESOLUTION PERTAINING TO
LETTER OF INTEREST AND COMMITMENT LETTER
RE: ALLEN APARTMENTS (WINOOSKI)**

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corp., of Burlington and Housing Vermont, (the "Sponsors") involving the acquisition and rehabilitation of a scattered site development on West Allen and West Canal Streets in Winooski, with five buildings on five lots containing 17 rental apartments (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to \$525,000 with an amortization period of 20 years, with an interest rate to be determined based on the Agency's cost of funds, and the source of the funds to be determined as well as a loan of \$199,000 in 0 percent funds from the 1995 multifamily bond refunding; and

WHEREAS, the Sponsors expect to secure low income housing tax credit equity for the development; and

WHEREAS, the Sponsors qualify as housing sponsors and expect to form a limited partnership that would also qualify as a housing sponsor, within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board has been presented with a memorandum dated December 11, 1998 from Cynthia L. Reid (the "Memorandum"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsors undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's

loan after the rehabilitation.

6. The Sponsors are financially responsible organizations and qualify as housing sponsors within the meaning of the Act.


WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in her discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed \$525,000. The loan shall bear interest at a rate to be determined and shall be amortized over a period of 20 years.
2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director may, in her discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed \$525,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate to be determined, based on the Agency's cost of funds. The Commitment Letter may be issued to Lake Champlain Housing Development Corporation and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:
 - a) Sponsor must obtain Level 1 Environmental Site Assessments for each property satisfactory to VHFA. Any findings must be adequately addressed in the rehab scope of work;
 - b) Sponsor must test for lead paint in all units prior to initial rehab and provide VHFA with test results; sponsor must address any lead paint which is present through remediation measures as each unit undergoes rehabilitation which disturbs lead paint surfaces;
 - c) Sponsor to execute a Preservation Agreement at closing which stipulates affordability requirements until the year 2030;
 - d) Sponsor to execute an agreement at closing (to be contained in the Regulatory Agreement) which commits owner to phasing in rehabilitation of a minimum of all 17 units over a period of ten years, to be paid for out of operating income, and requiring the submission of a yearly plan for rehabilitation with the annual

operating budget, to be approved by VHFA Multifamily Management staff;

- e) Sponsor commits that at least 15% of the amount of the net bond proceeds used for acquisition must be expended on qualified rehab within two years of closing (this condition to be contained in the Regulatory Agreement);
 - f) Sponsor must provide final rehab plans and specifications for VHFA approval by closing;
 - g) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.
- 4. The Commitment Letter may also include a commitment for a loan of \$199,000 at a rate of 0 percent per annum, deferred for 20 years. These funds will be from the proceeds of the Agency's 1995 multifamily bond refunding.
 - 5. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and one half percent (1.5%) of the principal amount of the first mortgage loan.
 - 6. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 17, 1998.


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION AMENDING
RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, JULY 23, 1998

WHEREAS, the Agency has a new Executive Director; and

WHEREAS, the Board of Commissioners wishes to amend the Resolution adopted at the annual meeting of Vermont housing finance agency, July 23, 1998 (the "Resolution") to reflect this change;

NOW, THEREFORE, it is hereby RESOLVED:

1. The individual whose signature and title appears below is authorized to do those acts provided for her position in the Resolution, as amended.

Executive Director

Sarah E. Carpenter

2. The Executive Director may perform any act authorized to be performed by any employee of the Agency.

3. The remainder of the Resolution not affected by these changes will continue in force as written.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 17, 1998.


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A
GENERAL OBLIGATION BOND TO STRATAVEST & COMPANY IN A
MAXIMUM AMOUNT OF \$975,000 AND USING THE PROCEEDS TO
MAKE A LOAN IN SUCH AMOUNT TO NORTH BENNINGTON II
LIMITED PARTNERSHIP TO FINANCE THE CONSTRUCTION OF A
17-UNIT PROJECT IN NORTH BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys on the basis of its general credit and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$975,000 aggregate principal amount to Stratavest & Company (the "Company") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to North Bennington II Limited Partnership (the "Borrower") to construct a 17-unit project (the "Project") in North Bennington, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$975,000 principal amount of tax-exempt bonds to the Company (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Company with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed five years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. A construction loan of not more than \$975,000 to the Borrower to finance the construction of the Project is hereby authorized and approved, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

3. The Executive Director, Deputy Director or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the

amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

4. The Executive Director, Deputy Director, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

5. This Resolution shall become effective immediately.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 17, 1998.



*Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency*

RESOLUTION AMENDING THE DECEMBER 3, 1998 BOND RESOLUTION FOR
THE LAKEVIEW HOUSING LIMITED PARTNERSHIP DEVELOPMENT AND
RATIFYING STAFF'S ACTION IN ISSUING A BOND TO STRATEVEST & CO.

WHEREAS, on December 3, 1998, the Agency adopted a resolution entitled
"Resolution Authorizing The Issuance And Sale Of A General Obligation Bond To The
Howard Bank, N.A. In A Maximum Amount Of \$850,000 And Using The Proceeds To
Make A Loan In Such Amount To Lakeview Housing Limited Partnership To Finance
The Rehabilitation Of A 16-Unit Project In Newport;" and

WHEREAS, it came to the attention of the staff shortly before the scheduled loan
closing that Stratevest & Co. was to be the purchaser of the Agency's bond rather than
The Howard Bank, N.A.; and

WHEREAS, both Stratevest & Co. and The Howard Bank, N.A. are wholly
owned subsidiaries of BankNorth Group, Inc.; and

WHEREAS, staff made a decision to proceed with the scheduled closing and seek
ratification from the Board;


NOW, THEREFORE, it is hereby RESOLVED:

1. The Resolution of the Agency dated December 3, 1998, entitled
"Resolution Authorizing The Issuance And Sale Of A General Obligation Bond To The
Howard Bank, N.A. In A Maximum Amount Of \$850,000 And Using The Proceeds To
Make A Loan In Such Amount To Lakeview Housing Limited Partnership To Finance
The Rehabilitation Of A 16-Unit Project In Newport" is hereby amended as follows:

The words "The Howard Bank, N.A." and "Bank" are changed to "Stratevest &
Co." and "Company," respectively.

2. The actions of the staff of the Agency in closing the Project loan, issuing a
bond to Stratevest & Co. rather than The Howard Bank, N.A. and doing
all acts necessary to complete the closing and the bond sale are hereby
approved and ratified by the Agency.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance
Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency
held at Burlington, Vermont, on December 17, 1998.*


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A
GENERAL OBLIGATION BOND TO STRATAVEST & COMPANY IN A
MAXIMUM AMOUNT OF \$975,000 AND USING THE PROCEEDS TO
MAKE A LOAN IN SUCH AMOUNT TO NORTH BENNINGTON II
LIMITED PARTNERSHIP TO FINANCE THE CONSTRUCTION OF A
17-UNIT PROJECT IN NORTH BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys on the basis of its general credit and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$975,000 aggregate principal amount to Stratavest & Company (the "Company") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to North Bennington II Limited Partnership (the "Borrower") to construct a 17-unit project (the "Project") in North Bennington, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$975,000 principal amount of tax-exempt bonds to the Company (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Company with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed five years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. A construction loan of not more than \$975,000 to the Borrower to finance the construction of the Project is hereby authorized and approved, and the Executive Director, Deputy Director and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

3. The Executive Director, Deputy Director or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the

amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

4. The Executive Director, Deputy Director, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

5. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this _____ day of December, 1998.

VERMONT HOUSING FINANCE AGENCY

By *David Carpenter*
Executive Director

Attest:

By _____
Authorized Officer



VERMONT HOUSING FINANCE AGENCY

Memorandum

To: VHFA Board of Commissioners

From: Sarah Carpenter, Executive Director

LC

Date: February 12, 1999

Re: 1999 Tax Credit Allocation Plan Changes

A Public Hearing was held on February 10th to receive comments on proposed changes to the 1999 Tax Credit Allocation Plan. Five developers met with staff to review the changes outlined in Joe Erdelyi's memo of January 25th (enclosed) and to discuss three other issues in addition to the memo. The Minutes of the Public Hearing (also enclosed) outline these three issues as well as the major concerns with changes proposed in the memo.

I would like to highlight two changes that I think warrant closer attention by the VHFA Board: disclaimer language and development cost guidelines.

You will find the **disclaimer language** on page two of the January 25th memo. In it, Joe tried to list out a number of circumstances that might lead the Joint Committee on Tax Credits (JCTC) to make a recommendation contrary to an application's rank or score. No matter how well we refine the Allocation Plan from year to year, it is impossible to foresee all of the circumstances that can emerge during a funding round. Many other states have adopted similar disclaimer language to give them some leeway in the process and to protect themselves from potential lawsuits that could result.

The second change came out of the Public Hearing and deals with **development cost guidelines**. The original cost guidelines were benchmarked to HUD 221(d)3 projects in 1993 and were implemented in the 1994 application round. Cost guidelines have remained at the 1994 level ever since. It is becoming fairly common for construction bids to come in 10 to 15 percent more than professional estimates. The developers at the Public Hearing felt very strongly that we need to (at least) adjust the cost guidelines up at once and consider doing away with them altogether.

Recommendation: I recommend that the Board adopt the changes outlined in the January 25th memo, including disclaimer language of some kind. We can discuss whether the proposed language be used or to strip it down to a much more concise version. As to development cost guidelines, I recommend that we increase them by 15% across the board for the 1999 round and to revisit this issue in 2000 using actual data from the 1997 through 1999 funding rounds.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Minutes
Tax Credit Public Hearing
February 10, 1999

Present: Peter Richardson and Rich Wickman, Housing Vermont (HVT); Amy Wright and Jay Ladd, Lake Champlain Housing Development Corp. (LCHDC); Charles Brush, Green Mountain Development Group (GMDG).

Staff: Sarah Carpenter, Executive Director; Joe Erdelyi, Multifamily Development Underwriter; Mike McNamara, Deputy Director.

Joe opened the hearing with three topics not covered in the original memo: cost limits, a Memorandum of Understanding with Rural Development and adding language that would allow the rejection of new applications outright from developers with other non-compliant projects.

Cost Limits: Two letters and numerous telephone comments were received on this issue, indicating that the current Cost Guidelines are too low. These guidelines were set in 1993 and have not been adjusted since. Peter Richardson indicated that Vermont is not out of line nationally development cost-wise, but the guidelines have lagged behind and need to be corrected, then indexed moving forward. Amy Wright said that the cap should be eliminated entirely on smaller projects (less than 30 units); staff would still need to determine that costs are reasonable. Charles Brush thought that caps be eliminated entirely in Chittenden County, but there should also be some kind of incentive for projects that contain costs. There was general consensus that the guidelines are no longer realistic and need to be either trended upward or eliminated altogether. Joe Erdelyi cautioned that Congress might be wary if a lot of states were to eliminate caps altogether, but it should not be remarkable if a small state like Vermont moves in this direction. *Staff will confer and recommend an appropriate strategy on Cost Guidelines in the final proposed Allocation Plan changes.*

Rural Development MOU: RD 515 applications now get 20 additional points in the national scoring if there is a formal MOU between RD and the Tax Credit allocating agency. Until now, 515 developers who needed tax credits would apply in the regular funding round for ceiling credits. Under the scenario Joe has worked out, VHFA will provide construction financing to all RD 515 projects using tax-exempt bonds. The financing will be taken out at construction completion so that Rental Assistance can begin immediately. In this way, 515 project developers can now automatically get the same amount of 4% credits without having to apply in the competitive round. These credits are in addition to the limited ceiling credits, thereby slightly increasing overall resources for creating affordable housing. If a 515 developer does not choose to go this route, Peter Richardson thought the burden of proof should be on the developer to show why the bond financing doesn't work. There was general consensus on using this approach with 515s and adding the necessary language to the plan.

Rejecting new applications for prior non-compliance: Joe indicated that this has not been a problem in Vermont, but other states are starting to see it. Some states have added language to their plans that allow for an application to be rejected outright if a developer has not lived up to the benchmarks set in the original application (no. of units, affordability, etc.) on another tax credit project. It was pointed out that the current process requires some due diligence on the development team, which should be sufficient to deal with this problem. There was no strong feeling that new language should be added at this time.

The hearing was then opened-up to questions and comments about the proposed changes outlined in the memo.

Charlie Brush indicated that there should be a priority in the plan for projects that do not rely on other public resources (HOME, CDBG, etc.). He would like to see a level playing field between the for-profits and non-profits. Joe pointed out that "stand alone" tax credit projects must be larger scale to work without other resources and that it is clear that historic rehab projects virtually always require other sources of funding.

The discussion turned to one of the "top tier" Consolidated Plan priorities which added the language, "*...or infill new construction in communities with a vacancy rate of 2% or less...*". Clarification was made that *infill* did include build-out of downtown areas such as the Thelma Maple Co-Op on Archibald Street and new construction (like The Pines) in South Burlington's City Center. Discussion then centered on determining the vacancy rate in a *community*. Amy Wright said that there was no difference in vacancy rate between Burlington and South Burlington, for example. All participants agreed that changing *community* to *housing market area* would be an improvement. It will be incumbent on the applicant to define the market area that a new construction project is located within to the satisfaction of VHFA using appraisals, market studies and other resources.

The new disclaimer section was then discussed. Joe indicated that many states have incorporated such disclaimer language. Mike McNamara pointed out that, even though we refine the plan each year, it will never be perfect. This language gives the JCTC and the VHFA Board the ability to deal with an unusual situation during the tax credit allocation round. Charlie Brush was concerned that developers could play by the rules and still be knocked-out--literally a \$50,000 gamble. He said he would feel better about it if Vermont had a more quantifiable point system. Charlie went on to indicate that the JCTC itself is conflicted with members from agencies coming to the table with their own agendas. He is afraid that this language will open the door to the JCTC not funding projects that they don't like, even though they meet the criteria. Joe said that it might not be as problematic as Charlie thinks given the other changes that are proposed in the plan.

As the hearing came to a close, there was a general discussion about timeframes. Joe said that we should be able to begin the round in late February/early March with

recommendations in May. There was general consensus that the process should begin earlier next year, especially if the bill to raise the per capita from \$1.25 to \$1.75 is successful. Joe indicated that the changes to the plan took longer than expected this year and that we should be able to move more quickly next year if the changes are only incremental.

A handwritten signature in cursive script, appearing to read "Mike McNamara".

Mike McNamara
Deputy Director



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Interested Parties in the Housing Credit Program
From: Joe Erdelyi, Multifamily Development Underwriter
Date: January 25, 1999
Re: Proposed Changes to 1999 Allocation Plan and Public Hearing Notice

A Public Hearing regarding these proposed changes will be held at the VHFA Office on Wednesday, February 10th at 2:00 p.m.

Staff and the Joint Committee on Tax Credits (JCTC) have met and discussed proposed changes to the 1999 Allocation Plan. The purpose of this memo is to summarize the changes that are being proposed as a result of those meetings. There was general agreement on making the following changes:

- ◆ Changing the order of the first and second evaluation criteria, so the most weight is given to the State's Consolidated Plan priorities and then to projects serving the lowest income to the longest term.
- ◆ Using a weighted average method to evaluate which projects serve the lowest income to the longest term, versus the current method of looking at the project that has the highest percentage of total units with rents affordable to incomes at or below 30% of median.
- ◆ Adding disclaimer language that permits the Committee and the VHFA Board to reserve or allocate credits to projects regardless of their ranking. This is consistent with many other States' Allocation Plans.
- ◆ Within the "State's Consolidated Plan" category, not all items do (or should) carry equal weight when evaluating Housing Credit applications, despite the fact that the Consolidated Plan does not address the weight of the relative priorities.
- ◆ Rather than looking only at the town or city in which a development is proposed, staff should evaluate the Geographic Targeting criterion by looking at the town and all adjacent towns, utilizing the recently published "Directory of Affordable Housing in Vermont."
- ◆ The "Federally Subsidized and At Risk" category of the "Consolidated Plan" evaluation criterion has been made into a separate evaluation criterion.

The changes proposed to the evaluation criteria are summarized on the attached *1999 LIHTC Evaluation Checklist*

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364

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DISCLAIMER LANGUAGE

The following language is proposed as the “disclaimer” language for the Plan: “The Joint Committee on Tax Credits (JCTC) may at its sole discretion elect to not recommend the reservation or allocation of credits to any application regardless of its rank or score. Reasons that this might occur include (but are not limited to) that the JCTC believes that a development: 1) is not financially feasible; 2) is unlikely to secure requisite financing in a timely manner; 3) is not consistent with the State’s Consolidated Plan; 4) is sponsored by a developer whose prior performance with the Housing Credit program (or other state or federal program) is less than adequate in Vermont or in other states (this may include failure to meet reservation/allocation conditions or deadlines, poor compliance practices, failure to pay fees, etc.); or, 5) might have a significant and negative impact on the existing rental housing and/or the stock of assisted housing in the area. Developers are strongly encouraged to provide (and in some cases are required to provide) good, independently-prepared market studies **with their applications** for Housing Credits, studies that clearly detail the impact the proposed housing will have on the existing housing stock and the demand and need for the proposed housing.

The JCTC may at its sole discretion recommend to reserve or allocate credits to any application regardless of its rank or score. Reasons that this might occur include (but are not limited to) that the JCTC believes that a development: 1) is likely to lose committed funding if it does not receive a reservation, allocation, or binding commitment of credits immediately; 2) is facing a long and difficult approval process and the developer might not invest the time and money to advance the proposal through this process without the commitment of Housing Credits; 3) is requesting a smaller amount of credits that could be funded from the current year’s ceiling, versus another application that is requesting a larger amount of credits that cannot; 4) the project demonstrates innovation; 5) the project can leverage funds otherwise unavailable in the State of Vermont in meeting its housing and community development missions. One consequence of awarding credits to an application of lower rank or score is that an application of higher rank or score that round may not receive credits.

The final decision regarding reservations and allocations of credits lies with the VHFA Board of Commissioners. The VHFA Board will consider recommendations of staff, the recommendations of the JCTC, and its own experience and interpretation of the Plan in making the final reservation or allocation decision.”

CONSOLIDATED PLAN PRIORITIES

The two proposed changes are to: 1) add “in-fill” language to the “rehab” item (a); 2) create a two-tiered system by which to rank projects. The following priorities would be in the “top tier”: rehab; family housing; downtown location; downtown blight; special needs. The remaining priorities would be in the “second tier”: mixed income; growth center location; affordability to households <30% median; serving families on public housing waiting lists. Each top tier priority will receive twice as much weight in the ranking as each second tier priority.

The “in-fill” language is being proposed to keep the Allocation Plan consistent with the State’s Consolidated Plan. The revised priority will read as follows: “Rehabilitation, including lead-

based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill new construction in communities with a vacancy rate of 2% or less, or in communities where there is insufficient rehabilitatable housing stock or a lack of affordable housing stock.”

EVALUATION OF LOWEST INCOME TO LONGEST TERM

In comparing the affordability of projects, staff recommend using a new method. Previously, projects were ranked by a system which compared tax credit rents to the total project rents: the number of tax credit units serving each income tier was the numerator, and the number of total units was the denominator. Staff propose instead ranking the projects looking solely at the tax credit rents: the number of tax credit units serving each income tier over the number of total tax credit units. In addition we propose a “weighted average” ranking of all projects by which the percent of Housing Credit units in each income tier is multiplied by that income level (or the midpoint if an income range is used). The lowest weighted average number would get the highest ranking, as this project would be serving the “most lowest” income tenants. *See enclosed chart for illustration.*

This method does not penalize mixed income projects, but rather looks just at how the tax credit units are targeted. Projects which have the maximum tax credit rents allowable but only a few rents serving very low income will now not rank as well as projects which have more meaningful targeting – that is, those which serve greater numbers of lower income households.

The proposal is to arrange the projects in order once the weighted averages are computed, then looking for a natural break point between those which rank higher in this criteria and those which don't. Projects above the break point will receive credit for this criteria; those below will not.

FEDERALLY SUBSIDIZED AND AT-RISK HOUSING

The definition of “Federally Subsidized and At Risk” proposed is: “Any development currently occupied by low income households that faces, within the next five years: 1) a loss of deep rental assistance or other operating subsidy; and 2) faces prepayment of its mortgage or other action by its owner that would terminate federal low income use restrictions. In addition, any project(s) that is slated to receive federal funding specifically for the preservation of the units as affordable housing.”

READINESS TO PROCEED

The proposal is to look at permitting readiness and funding readiness separately. Staff would evaluate projects based on giving higher ranking to projects with more financing commitments in hand and fewer permitting issues outstanding, as illustrated on the attached Checklist. (Note: Elsewhere in the Allocation Plan there is a provision for providing Advanced Binding Commitments to projects that are facing local opposition). Projects would then be ranked (e.g. +/0 or 0/0) with other applications.

GEOGRAPHIC TARGETING

In order to both make use of the new and current Affordable Housing Directory, as well as to incorporate the Committee's concerns, staff would check the town/city where the project is located in the Directory, as well as all adjacent towns, for the type of housing which is being

proposed, to determine whether there is assisted housing of the type proposed in that community already. Areas which already have assisted housing such as the type proposed will not get credit for meeting this criterion.

Attachments

VHFA -- 1999 LIHTC EVALUATION CHECKLIST
S U M M A R Y

D R A F T

EVALUATION CRITERIA (1 - 5 are in order of priority)	RANKING																		
<p>1. State Consolidated Plan Priorities / Other Priorities (not in order of priority within each tier):</p> <p>Top Tier (weighted higher than second tier):</p> <ul style="list-style-type: none">(a) Rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill new construction in communities with a vacancy rate of 2% or less, or in communities where there is insufficient rehabilitatable housing stock or a lack of affordable housing stock;(b) Family housing (unless local or regional need for other housing is a greater need);(c) Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside;(d) Downtown blight (as defined in Consolidated Plan & downtown bill H.278). Submit map outlining downtown.(e) Any project that incorporates special needs populations (as defined in Consolidated Plan and Allocation Plan), including SRO's, the mentally disadvantaged, the physically challenged. <p>*****</p> <p>Second Tier (weighted less than top tier):</p> <ul style="list-style-type: none">(f) Mixed income developments;(g) Project is located in growth centers designated on regional plans or on local plans that have been approved by a regional planning commission;(h) Housing affordable to households $\leq 30\%$ AMGI;(i) Project serves families currently on public housing (state or local) waiting lists.	<p>Top tier items (a-e) are weighted twice as high as second tier items (f-i).</p>																		
<p>2. Preference must be given among selected projects to proposals serving:</p> <ul style="list-style-type: none">(a) the lowest income tenants, and(b) qualified tenants for the longest period <p>(There must be a satisfactory mechanism to enforce income and rent restrictions.)</p>	<p>Weighted averages are used to rank projects by affordability. Projects are ranked in descending order; projects above a natural break point get credit for meeting this criteria; projects below the natural break point do not.</p>																		
<p>3. Acquisition and rehabilitation of existing "at risk" federally subsidized projects, defined as: any development currently occupied by low income households that faces, within the next 5 years: 1) a loss of deep rental assistance or other operating subsidy; and 2) faces prepayment of its mortgage or other action by its owner that would terminate federal low income use restrictions. In addition, this includes any project(s) that is slated to receive federal funding specifically for preservation.</p>	<p>A project meets this criteria and gets credit for it, or not.</p>																		
<p>4. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date; project has some financing/funding committed.</p>	<p>Permitting & Funding are weighted separately as follows:</p> <p><u>Permitting:</u></p> <table><tr><td>Nothing needed/all approved</td><td>+</td></tr><tr><td>Have local need Act 250</td><td></td></tr><tr><td>(or just need local and no Act 250)</td><td>0</td></tr><tr><td>Need everything</td><td>-</td></tr></table> <p><u>Funding:</u></p> <table><tr><td>Have everything but tax credits</td><td>+</td></tr><tr><td>Have 50% or more of total sources</td><td></td></tr><tr><td>Committed (excluding tax credits)</td><td>0</td></tr><tr><td>Have less than 50% of total sources</td><td></td></tr><tr><td>Committed</td><td>-</td></tr></table>	Nothing needed/all approved	+	Have local need Act 250		(or just need local and no Act 250)	0	Need everything	-	Have everything but tax credits	+	Have 50% or more of total sources		Committed (excluding tax credits)	0	Have less than 50% of total sources		Committed	-
Nothing needed/all approved	+																		
Have local need Act 250																			
(or just need local and no Act 250)	0																		
Need everything	-																		
Have everything but tax credits	+																		
Have 50% or more of total sources																			
Committed (excluding tax credits)	0																		
Have less than 50% of total sources																			
Committed	-																		
<p>5. Geographic targeting: Project is in a location that has been underserved historically in having its affordable housing needs met (not just underserved by the Housing Credit program).</p>	<p>Town/city of project and all adjacent towns/cities not having housing of the type proposed get credit for this criteria.</p>																		

*Note: The sample¹ 515 was put in for comparison purposes only. The 515 program gives "preference" for very low income (below 50% of median). The households that are above 60% are due to increases in household income.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: February 8, 1999

RE: Executive summary of Single Family Operations submissions

VHFA ended up the calendar year with just under \$30 million in mortgages purchased. This is well below historical performance, but very close to the level our financial advisor indicated would not adversely impact our financial position. Of more concern is the continued run-off of loans in the portfolio.

As a percentage delinquencies again increased in the month of December. However, the total number of loans only increased by 4 loans as compared to last month and decreased by 69 loans from a year ago. . Major increases (over 1%) in delinquencies were incurred by BankNorth, Brattleboro Savings & Loan, Chittenden Bank, Bennington Co-Op, First Nationwide Mortgage, and Lyndonville Savings, consisting of 7, 1,15, 1 and 1 loans respectively. Major decreases (over 1%) in delinquencies were made by Charter One (Albank), Northfield Savings Bank, Vermont Development Credit Union and Factory Point National Bank consisting of 9, 4, 2 and 4 loans respectively.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners
From: ^{GAS} Glenn A. Jarrett, General Counsel
Date: February 11, 1999
Re: Allen Apartments

The Allen Apartments closing is scheduled for February 24. Because the Agency will be funding the acquisition with a general fund loan at closing and will later replace the general fund money with tax-exempt bond proceeds, it is advisable for the Board to pass a reimbursement resolution to insure our ability to recover any money put into the deal at this point. An example is attached.

REQUESTED ACTION:

Adoption of the attached resolution.

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RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY
ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN WINOOSKI

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$525,000 aggregate principal amount (the "Bonds") to finance a loan to Allen Canal Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Winooski Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
3. This Resolution shall become effective immediately.



VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MINUTES

State Treasurer's Office
133 State Street, Room # 3
Montpelier, Vermont

Thursday, February 4, 1999 at 9:00 a.m.

PRESENT: Chairman White, Commissioners Seelig, Douglas, Canney, Randall, Brown (designee of Lambert), Smith (designee of Douglas), Candon (designee of Costle)

Staff: Ms. Carpenter, Mr. McNamara, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Ms. Santerre, Mr. Lothrop, Ms. Crady, Ms. Gent, Mr. Jarrett

Other: Ms. Batte (Mortgage Dynamics, Inc.)

Chairman White called the meeting to order at 9:00 a.m. At this time, a motion was made by Mr. Seelig to go into Executive Session pursuant to 1 VSA Section 313 (a)(1) to discuss a contract where premature general public knowledge would clearly place the Board or the bidders at a substantial disadvantage. The motion carried unanimously after being seconded by Ms. Canney. The motion to come out of Executive Session was made by Mr. Seelig and seconded by Mr. Smith.

Ms. Randall made a motion that we give the Executive Director the authority to enter into an agreement for contract with a mortgage insurance company to provide contract underwriting for VHFA and that we pursue adapting VHFA programs to be used with Loan Prospector and Desktop Underwriter. The motion carried unanimously after being seconded by Mr. Seelig.

The Board discussed the timeline for when lenders should be notified of the changes that are taking place. It was agreed upon that a letter would be sent out to the lenders within two weeks after the following terms have been met: (1) a contract for contract underwriting is negotiated; (2) the contract with the mortgage insurance company that is buying VHMGB's book of business is negotiated; and (3) the legislature approves the Appropriations Bill and termination agreements. The letter will indicate that VHMGB is terminating and that VHMGB will provide the lenders with a 30-day notice to finalize all new applications that are received. VHFA will then send a letter out to the lenders outlining an alternative option for them due to the termination of VHMGB.

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VHFA BOARD MINUTES

February 4, 1999

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Ms. Carpenter noted that, in the event that Mortgage Guarantee Insurance Corporation (MGIC) or another mortgage insurance company won't go beyond the six months discovery period, perhaps staff could proceed with pricing out some alternatives such as self insuring mobile homes, cross subsidize premiums, etc.

There being no further business, following a motion made by Ms. Randall and seconded by Mr. Candon, the meeting adjourned at 12:20 p.m.

Sincerely,

A handwritten signature in cursive script that reads "Sarah E. Carpenter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Sarah E. Carpenter, Secretary



VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

State Treasurer's Office
133 State Street
Room #2
Montpelier, Vermont

Thursday, February 18, 1999 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Seelig, Douglas, Randall, Canney, Candon (designee of Costle), Smith (designee of Douglas)

Staff: Ms. Carpenter, Ms. Caragher, Mr. Lothrop, Ms. Gent, Ms. Santerre, Ms. Loller, Ms. Crady, Ms. Cunningham, Mr. Jarrett, Mr. Falzone, Mr. Schoenbeck, Mr. Erdelyi

Chairman White called the meeting to order at 1:07 p.m. A motion was made by Ms. Randall to approve the minutes of January 21, 1999. The motion carried unanimously after being seconded by Mr. Seelig.

Executive Director's Report

Ms. Carpenter noted that prior to this meeting, the Board Human Resources Committee met to discuss the employee handbook. The Committee is hoping to get the changes to the handbook finalized within the next couple of months so that it may be distributed to the Board for final approval. Ms. Randall mentioned that Ms. Carpenter would be summarizing the major changes that were made to the handbook so that the Board could focus more easily on those changes.

Ms. Carpenter announced that Mr. Lothrop is retiring effective April 30, 1999. Chairman White and Mr. Seelig thanked him for his dedicated service to the Agency for the past fifteen years and wished him good luck in his future endeavors.

Ms. Carpenter suggested that, during the March Board meeting, we set aside time to discuss VHFA's role in supporting the Homeownership Centers in the future. She noted that if we do intend to fund them again this year, we will need to let them know fairly soon. There was discussion among the Board members that they would like to see what the Homeownership Centers are doing before they commit funding for another year. It was suggested that a representative from each of the Homeownership Centers come to a Board meeting to familiarize the Board with what they have been doing in the past year and to allow the Board to ask them any questions they might have. The Board feels that the Homeownership Centers are very important, but they want to be reassured that VHFA borrowers are benefiting from their services.

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BOARD MINUTES

February 18, 1999

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Ms. Carpenter briefly noted that she would like to form a lender/real estate advisory committee. The Board felt that it was a great suggestion and that it should be appointed informally and does not need to be selected by the Board. Ms. Carpenter will begin working on this and will keep the Board informed.

TAX CREDIT ALLOCATION PLAN

Ms. Carpenter stated that there was a Public Hearing held to receive comments on proposed changes to the 1999 Tax Credit Allocation Plan. Two changes discussed at the hearing were the disclaimer language and the development cost guidelines.

The original cost guidelines were implemented in the 1994 application round and have since remained the same. It is very common for construction bids to come in at least 10 to 15 percent more than professional estimates. The developers who attended the hearing felt that it was imperative that we adjust the cost guidelines up and possibly consider doing away with them all together. After a brief discussion, a motion was made by Mr. Candon to increase the development cost guidelines as indicated in the memo. The motion carried unanimously after being seconded by Ms. Randall.

The disclaimer language that is being recommended gives leeway in the process and protects VHFA from potential lawsuits that could result. The Board felt that the disclaimer language being recommended was too broad and would make the process hard to follow, leading people to believe that we would make exceptions. After further discussion, Ms. Canney made a motion to adopt the recommended disclaimer language: The Joint Tax Credit Committee (JCTC) may, at its sole discretion, recommend to reserve or allocate credits to a project regardless of its rank or score, provided the JCTC finds that the project serves a positive community development need or the public good. The reason for such findings will be forwarded to the VHFA Board of Commissioners. The final decision regarding reservations and allocations of credits lies with the VHFA Board of Commissioners. The VHFA Board will consider recommendations of staff, the recommendations of the JCTC and its own experience and interpretation of the Plan in making the final reservation or allocation decision. The motion carried unanimously after being seconded by Mr. Seelig.

The Board also felt that in the Geographic Targeting section the word "adjacent" should be changed to "surrounding." Mr. Seelig made a motion to change the word "adjacent" to "surrounding" and to approve the remainder of the staff recommendations presented in the memo. The motion carried unanimously after being seconded by Mr. Douglas.

SINGLE FAMILY OPERATIONS

Ms. Carpenter indicated that Ms. Cunningham and Mr. Lothrop are examining the servicing contracts and will be looking at the Fannie Mae requirements to see if we can be consistent with them. We are also looking at a potentially more aggressive system for rewarding the good servicers and being firmer with those who aren't as good.

Ms. Cunningham responded to a question that Ms. Randall asked at the January Board meeting, which was why lenders aren't making a phone call to the borrowers during the holidays when they have gone 60 days delinquent. Ms. Cunningham indicated that the lenders are making the phone calls, but the calls aren't as productive during the holiday season.

Mr. Lothrop indicated that we received five proposals for contract underwriting. Mortgage Guaranty Insurance Corporation (MGIC) offered the most complete package, including a twelve-month

"discovery" period that would allow VHFA to offer all of its current programs without any risk share agreement in place. MGIC was the most aggressive and most flexible during negotiations.

It was a general concern of the Board that, with PMI buying the VHMGB book of business, they wanted to make sure that PMI knew about VHFA contract underwriting with MGIC and not with them. Mr. Lothrop assured the Board that PMI knows that we may not pursue contract underwriting with them and they are fine with that possibility.

After further discussion, Ms. Randall made a motion to approve: (1) MGIC as the provider of contract underwriting services to VHFA; (2) authorize the Executive Director to enter into an appropriate agreement with them; and (3) negotiate some of their fees with them. The motion carried unanimously after being seconded by Mr. Seelig.

MULTIFAMILY MANAGEMENT

Mr. Falzone noted we would soon be legally able to refund the bonds for Winchester Place. Mr. Falzone mentioned that staff met with Housing Vermont and Saint Michael's College to discuss student housing for the College. Saint Michael's is interested in having some units at Winchester Place serve as student housing. Mr. Falzone indicated that he would keep the Board updated on this topic as discussions ensue.

Mr. Falzone then updated the Board on South Meadow. A year ago, VHFA gave permission to South Meadow to prepay their loan 3 years early in exchange for extended affordability, although the transaction was not completed. They are now looking to refinance their loan and it appears that VHFA can be competitive with outside lenders. South Meadow is looking for a commitment letter from us and, while we can't give them a lock on a rate at this point, we have given them a draft of terms and a conditions letter that outlines the financing. Staff is looking for approval from the Board to issue a letter of commitment. After further discussion, Mr. Candon made a motion to authorize the Executive Director to send a letter of commitment to South Meadow. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Falzone briefly updated the Board on Parsons Hill in Castleton. Currently there is only one vacancy. Mr. Falzone noted that the owner of the water system, who provides the water to the property, has just given six months notice to Parsons Hill, indicating that he will no longer provide water to them. Mr. Falzone indicated that staff would continue to work on a solution and will keep the Board updated with their progress.

LEGAL

Mr. Jarrett indicated that the Allen Apartments closing is scheduled for February 24th. Our Bond Counsel has suggested that the Board approve a reimbursement resolution to insure our ability to recover any money advanced prior to the issuance of bonds. After a brief discussion, Mr. Seelig made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a 17-Unit Project in Winooski." The motion carried unanimously after being seconded Mr. Candon.

VHMGB UPDATE

Mr. Smith indicated that the Supplemental Bill came out of the committee last night with the sale of VHMGB for \$4.2 million and the appropriate language included. Everything is on track.

BOARD MINUTES

February 18, 1999

Page 4 of 4

At this time, Chairman White left the meeting and turned the meeting over to Mr. Seelig.

FINANCE

During a meeting staff had with bond counsel on February 3rd, we asked them how we could offer more competitive rates for single family mortgages. We discussed converting the convertible option bonds (COBS) to long term bonds when they mature on May 1, 1999. This would enable us to save 10 - 15 basis points on a mortgage rate by using these bonds instead of starting over with new bonding authority.

We would be issuing tax-exempt bonds in conjunction with the bonds that we issued in 1996, which would save us 35 basis points on our mortgage rates. In today's market, we would be able to offer borrowers 5.8% as opposed to 6.45% with one point. Since rate differential is a significant problem with our competitiveness it was suggested that perhaps we could offer a special 25th anniversary rate to borrowers. It was also mentioned that we consider adding back up to ¼ % on mortgage rates as legally allowed covering loan losses with a future reduction in rate if needed to stay competitive. Converting the COBS would be beneficial to the Agency and staff is asking for the Board's approval to continue working on this plan.

After further discussion, the Board encouraged staff to continue working on the plan.

There being no further business, the meeting adjourned at 4:01 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY
ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN WINOOSKI

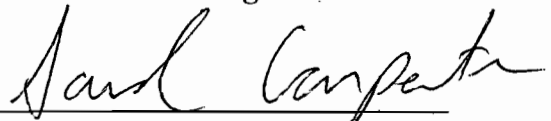
WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$525,000 aggregate principal amount (the "Bonds") to finance a loan to Allen Canal Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Winooski Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
3. This Resolution shall become effective immediately.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Montpelier, Vermont, on February 18, 1999.


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION REGARDING THE TRANSFER
OF LIABILITY FOR CONSUMER LOANS FROM
VERMONT HOME MORTGAGE GUARANTEE BOARD TO
VERMONT HOUSING FINANCE AGENCY

WHEREAS, the Vermont Home Mortgage Guarantee Board ("Board") is in the process of selling the majority of its book of business to a private mortgage insurer; and

WHEREAS, pursuant to legislation pending in the Vermont General Assembly, the Board will go out of existence once the sale of its book of business is completed and the Board certifies to the Secretary of Administration that the Board has wound down its business; and

WHEREAS, the pending legislation transfers responsibility for guarantees pursuant to sections 398 and 400 of Title 10, which are guarantees of energy conservation loans, on-site septic loans and lead-based paint hazard reduction loans (the "Guarantees") to Vermont Housing Finance Agency (the "Agency"); and

WHEREAS, the Agency and the Board wish to enter into an agreement to facilitate the transfer of the Guarantees from the Board to the Agency and have been presented with a proposed agreement;

NOW, THEREFORE, it is hereby RESOLVED:

1. The proposed agreement between the Board and the Agency attached to this Resolution is hereby approved.

2. The Executive Director is hereby authorized to execute the proposed agreement in substantially the form attached to this resolution and take all other steps necessary to accomplish the transfer of the Guarantees from the Board to the Agency.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator *PC*

DATE: March 12, 1999

RE: Assisting VHFA Borrowers with Mortgage Insurance Costs

OVERVIEW

With the sale of VHMGB, VHFA borrowers who do not qualify for coverage through the Rural Housing Guarantee Program will pay substantially higher up front premiums for mortgage insurance. The average VHFA MOVE borrower will see an increase in closing costs of \$1,086, and the average HOUSE borrower will pay an additional \$638 in mortgage insurance costs at closing. Homebuyers have the option of a monthly mortgage insurance premium, and VHMGB has offered a monthly option for several years; however, very few VHFA borrowers choose the monthly payment option because of the impact on affordability. The lack of cash for downpayment and closing costs continue to be a barrier for many low- and moderate-income potential homebuyers. (Attached is a table that shows a comparison of VHMGB, RD, and MGIC single premium options at various loan amounts and LTVs, the monthly mortgage insurance premium for MGIC, and the monthly premium amount for the average MOVE and HOUSE loan purchased in 1998.)

VHFA receives approximately \$60,000 - \$70,000 annually from the interest on real estate trust accounts (IORTA). As of December 31, 1998, VHFA has approximately \$200,000 in IORTA funds that are not committed to a special risk-share agreement with VHMGB for the "No Downpayment Loans". Staff proposes using some of the IORTA funds to assist VHFA HOUSE borrowers and other clients of the Homeownership Centers with their mortgage insurance costs. Funds would be allocated to the Homeownership Centers and other HOUSE participating nonprofit organizations to provide grants to eligible buyers.

SUMMARY OF PROPOSAL

HOUSE Program Borrowers

IORTA funds would be used to cover the actual mortgage insurance costs for all VHFA HOUSE borrowers. The loan to value of the average HOUSE loan purchased in 1998 was 85%; the average loan amount was \$69,337. The mortgage insurance premium for an 85% LTV loan insured by MGIC would be \$936, and the RD premium would be \$693. Based on 1998 HOUSE program activity, the amount that will be needed to cover mortgage insurance costs is estimated to be approximately \$20,000.

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MOVE and YESS Program Borrowers

IORTA funds would also be used to assist clients of the Homeownership with their mortgage insurance costs. Assistance would be based on household income as follows:

- Households at or below 50% of area median income - actual mortgage insurance cost;
- Households at or below 70% of area median income - lesser of actual mortgage insurance cost or \$1,000;
- Households at or below 100% of area median income - lesser of actual mortgage insurance cost or \$750.
- Households above 100% of area median income - no assistance with mortgage insurance costs.

The Homeownership Centers indicate that they expect to assist approximately 200 homebuyers over the next twelve months. Assuming that eighty-eight (88) households receive financing from VHFA (same ratio of VHFA to total homebuyers assisted in 1998), the mortgage insurance expenses that would be paid from the IORTA funds would be approximately \$88,000.

PROGRAM OPERATION

IORTA funds would be transferred to the Homeownership Centers and other participating nonprofit organizations through an agreement with VHFA. The IORTA funds would be used to provide grant funds to eligible homebuyers to assist them with mortgage insurance costs. The agreement would require an annual report providing basic information on homebuyers assisted, and the balance of available funds.

BOARD ACTION REQUESTED

Staff requests approval for the Executive Director to negotiate and execute agreements with the Homeownership Centers and other participating nonprofits to use the interest that VHFA receives on real estate trust accounts (IORTA) to assist VHFA borrowers with their mortgage insurance costs.

Attachment A

VHMGB, RURAL DEVELOPMENT, AND MGIC UPFRONT PREMIUMS AND MGIC MONTHLY PREMIUM

Loan Amount	LTV	VHMGB	RD	MGIC*	MGIC MONTHLY
\$ 100,000	95.1-97%	\$ 1,680	\$ 1,000	\$ 3,500	\$ 75.00
\$ 100,000	90.1-95%	\$ 1,680	\$ 1,000	\$ 2,500	\$ 55.83
\$ 100,000	85.1-90%	\$ 1,110	\$ 1,000	\$ 1,600	\$ 31.67
\$ 100,000	75.1-85%	\$ 430	\$ 1,000	\$ 1,000	\$ 26.67
\$ 95,000	95.1-97%	\$ 1,596	\$ 950	\$ 3,325	\$ 71.25
\$ 95,000	90.1-95%	\$ 1,596	\$ 950	\$ 2,375	\$ 53.04
\$ 95,000	85.1-90%	\$ 1,055	\$ 950	\$ 1,520	\$ 30.08
\$ 95,000	75.1-85%	\$ 409	\$ 950	\$ 950	\$ 25.33
\$ 90,000	95.1-97%	\$ 1,512	\$ 900	\$ 3,150	\$ 67.50
\$ 90,000	90.1-95%	\$ 1,512	\$ 900	\$ 2,250	\$ 50.25
\$ 90,000	85.1-90%	\$ 999	\$ 900	\$ 1,440	\$ 28.50
\$ 90,000	75.1-85%	\$ 387	\$ 900	\$ 900	\$ 24.00
\$ 85,000	95.1-97%	\$ 1,428	\$ 850	\$ 2,975	\$ 63.75
\$ 85,000	90.1-95%	\$ 1,428	\$ 850	\$ 2,125	\$ 47.46
\$ 85,000	85.1-90%	\$ 944	\$ 850	\$ 1,360	\$ 26.92
\$ 85,000	75.1-85%	\$ 366	\$ 850	\$ 850	\$ 22.67
\$ 80,000	95.1-97%	\$ 1,344	\$ 800	\$ 2,800	\$ 60.00
\$ 80,000	90.1-95%	\$ 1,344	\$ 800	\$ 2,000	\$ 44.67
\$ 80,000	85.1-90%	\$ 888	\$ 800	\$ 1,280	\$ 25.33
\$ 80,000	75.1-85%	\$ 344	\$ 800	\$ 800	\$ 21.33
\$ 75,000	95.1-97%	\$ 1,260	\$ 750	\$ 2,625	\$ 56.25
\$ 75,000	90.1-95%	\$ 1,260	\$ 750	\$ 1,875	\$ 41.88
\$ 75,000	85.1-90%	\$ 833	\$ 750	\$ 1,200	\$ 23.75
\$ 75,000	75.1-85%	\$ 323	\$ 750	\$ 750	\$ 20.00
\$ 70,000	95.1-97%	\$ 1,176	\$ 700	\$ 2,450	\$ 52.50
\$ 70,000	90.1-95%	\$ 1,176	\$ 700	\$ 1,750	\$ 39.08
\$ 70,000	85.1-90%	\$ 777	\$ 700	\$ 1,120	\$ 22.17
\$ 70,000	75.1-85%	\$ 301	\$ 700	\$ 700	\$ 18.67

*Limited Refund Option

COMPARISON OF MONTHLY PREMIUM OPTIONS FOR VHMGB AND MGIC AND INCOME NEEDED TO AFFORD TO PURCHASE

	Loan Amt	LTV	VHMGB	MGIC	ANNUAL INCOME TO AFFORD	
					Monthly MI	Upfront MI
Average 1998 HOUSE	\$ 69,337	85%	\$ 10	\$ 18	\$ 24,528	\$ 23,057
Average 1998 MOVE	\$ 67,041	94%	\$ 36	\$ 37	\$ 23,716	\$ 22,293

Note: Monthly payment for VHMGB is due for 36 months.

Monthly payment for MGIC is due until the LTV is 80%.

RD does not offer a monthly payment option.



VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners
FROM: Joe Erdelyi, Multifamily Development Underwriter
DATE: March 11, 1999
RE: Multifamily Loan Application for The Briars, Wilder

Name:	The Briars	Location:	Wilder
Housing Type:	Family	Building Type:	Garden / Flats
Total Units:	24	HC Restricted Units:	10
Unit Sizes:	All 2 bedroom	Unit Square Footage:	950
Total Cost:	\$1,506,432	Per Unit Cost:	\$62,768
Loan Requested:	\$681,000	Credits Requested:	\$22,018
Other Funding:	VHCB, HOME, Energy Grant, Developer Loan		
Sponsors:	Housing Vermont, Twin Pines Housing Trust		

The development consists of two buildings constructed in 1988 and 1989 as condominiums. The units were unable to sell but have always maintained full occupancy as rentals because of the strong housing market in the Upper Valley. The sponsors intend to do approximately \$300,000 in rehabilitation, including a conversion to oil heat from electric baseboard heat. The units are large and in fairly good condition, and there is one carport and lockable storage space per unit. Because of the recent construction, many expensive issues often faced are avoided, such as lead paint, asbestos abatement, and historic preservation requirements. The unit cost is therefore much lower than we normally see. By utilizing the tax-exempt bond financing and out-of-cap credits, the development taps into resources less used and free up more scarce resources for other projects.

The loan amount requested is approximately 45% of the total development cost. The tax-exempt financing needs to be at least 50% in order to qualify the project for the out-of-cap credits. To maximize the tax credit efficiency, the sponsors are allowing a longer, six-year equity pay-in from the investors. The sponsors intend to use a six-year bridge loan of approximately \$240,000 to allow this. By making this bridge loan out of the tax-exempt funds, the developer meets the 50% standard, so we are actually proposing two loans for approval: up to \$681,000 amortizing permanent loan and up to \$240,000 bridge loan. Both of these loans could be made from one bond issue.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Commitment to finance this development upon satisfactory completion of staff underwriting and due diligence.

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**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST
AND COMMITMENT LETTER RE: PERMANENT FINANCING (WILDER)**

WHEREAS, a proposal has been presented to the Agency by Housing Vermont on behalf of Briars Housing Limited Partnership (the "Sponsor"), a to-be-formed limited partnership whose general partners will be Twin Pines Housing Trust and a wholly owned subsidiary of Housing Vermont, involving the acquisition and rehabilitation of 24 units of rental housing for families located in two buildings in Wilder, Vermont (the "Development"); and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, Development Underwriter, dated March 11, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of \$685,000 as tax-exempt financing to the Briars Housing Limited Partnership for the acquisition and rehabilitation of two buildings totaling 24 apartments located at 647 Bugbee Street, all in Wilder (Hartford), Vermont. The term of the loan will be up to 30 years, and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Agency is also interested in making a bridge loan to the Sponsor in a maximum amount of \$240,000, payable over a period of up to six years with an irregular amortization and with an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include conditions deemed appropriate by staff
3. The Executive Director may, in her discretion, issue a Commitment Letter for an long-term loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$685,000 and a bridge loan of not more than \$240,000.
4. The long-term loan shall be due and payable not more than 30 years from the date the loan is made; the bridge loan will be due and payable not more than six years from such date and the interest rate on both the long-term and bridge loans shall not exceed 150 basis points above the Agency's cost of funds. The Sponsor shall be responsible for loan fees, which may include the costs of issuance of tax-exempt bonds, the proceeds of which shall be used to make the loans. The Commitment Letter may be issued to Housing Vermont as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE
DATE: MARCH 11, 1999
RE: GENERAL FUND BUDGET PERFORMANCE

Attached to this memo is the budget performance report for the period ending December 31, 1998 representing the first six months of the fiscal year. In a perfectly linear world, budget categories would be at 50% of the annual budget.

INCOME. Grant income of \$54,000 has been collected from the Federal Home Loan Bank that was not budgeted. These funds are shown in the miscellaneous income category. This made up for some of the shortages in other categories and brings total income in line with the budget.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected pretty much as expected. Transfers are generally made twice a year for each bond program when debt service is paid to bondholders.

EXPENSES. Total expenses are 49.5 % of budget within the expense constraints for the fiscal year. Interest expense is higher than expected because we needed to borrow \$2.2 million that was not anticipated. These monies were used on an interim basis for collateral at the Federal Home Loan Bank. Most other items were in line with projections.

CAPITAL BUDGET. The approved capital budget for the fiscal year is \$251,000. Through December 31, 1998 we had expended \$92,000 or 37% of the capital budget.

If you have any questions, please contact me at your earliest convenience.

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**BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1998**

	<u>APPROVED</u>	<u>ACTUAL</u>	<u>PERCENT</u>
	<u>BUDGET</u>	<u>12/31/98</u>	<u>OF BUDGET</u>
<i>INCOME</i>			
Single family fees	30,000	9,411	31.4%
Multi-family fees	226,000	54,878	24.3%
Project Administration fees	95,000	36,858	38.8%
Single family servicing fees	22,000	7,594	34.5%
Interest income-loans	790,000	420,158	53.2%
Interest income-invest	100,000	33,904	33.9%
VHMGB charges	355,000	190,424	53.6%
Miscellaneous income	45,000	77,671	172.6%
TOTAL INCOME	1,663,000	830,898	50.0%
<i>FUND TRANSFERS</i>			
Single Family Housing Bonds	1,500,000	841,023	56.1%
Single Family Insured Mtg Bonds	200,000	100,000	50.0%
Single Family Mortgage Purchase	175,000	45,000	25.7%
Single Family Home Mortgage Purchase	120,000	104,400	87.0%
Multi-Family Mortgage Bonds	440,000	220,000	50.0%
Multi-Family Housing Bonds	160,000	71,581	44.7%
Multi-Family Housing Develop Bonds	20,000	10,000	50.0%
Direct Placement Bonds	35,000	23,000	65.7%
TOTAL TRANSFERS	2,650,000	1,415,004	53.4%
TOTAL INCOME & TRANSFERS	4,313,000	2,245,902	52.1%

EXPENSES

Advertising & Promotion	140,900	55,633	39.5%
Annual report	12,000	700	5.8%
Audit expense	44,500	43,000	96.6%
Commissioners expense	3,500	2,531	72.3%
Consulting fees	279,950	113,472	40.5%
Depreciation	156,000	73,448	47.1%
Dues & Subscriptions	36,065	17,465	48.4%
Insurance	205,845	100,546	48.8%
Interest expense	480,000	294,505	61.4%
Legal expense	30,000	7,632	25.4%
Miscellaneous	6,500	5,493	84.5%
Occupancy expense	67,000	29,700	44.3%
Office expenses	38,500	14,553	37.8%
Payroll taxes	125,537	65,834	52.4%
Pension expense	145,000	89,311	61.6%
Postage	23,000	7,035	30.6%
Repairs & Maintenance	35,000	16,940	48.4%
Salaries & Wages	1,653,091	822,096	49.7%
Staff travel & Training	83,650	30,828	36.9%
Telephone	48,000	21,205	44.2%
Trustee & Credit fees	225,000	89,016	39.6%
TOTAL OPERATING EXPENSES	3,839,038	1,900,943	49.5%
Organization subsidy expense	325,000	160,550	49.4%
TOTAL EXPENSES	4,164,038	2,061,493	49.5%
SURPLUS (DEFICIT)	148,962	184,409	123.8%



VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RAS

DATE: MARCH 11, 1999

RE: MULTI-FAMILY BOND FINANCING

Enclosed with this memorandum is a copy of the Multi-Family Mortgage Bonds, 1999 Series A Preliminary Official Statement (POS), a copy of the Series Resolution, a copy of the Third Supplement to the Multi-Family Mortgage Bond Resolution and a letter of explanation of the financing terms from our financial advisor, Evensen Dodge.

- The POS is the document that potential bond purchasers receive that explains the terms of the financing and provides them with the information they need to decide if they want to buy these bonds.
- The Series Resolution is the document prepared by our bond counsel, Kutak Rock that lists the parameters under which the Bonds can be sold and provides a form of the bond.
- The Third Supplement is a document, which explains the amendments to the Bond Resolution. The original resolution was written in 1977 and several areas need to be modified to make it current. The changes mainly expand the list of eligible investments, which conforms to our single family bond document list and a broader definition of eligibility for trustee. These amendments will not be effective until 60% of bondholders approve. An expected future refunding should complete this requirement.
- According to the letter from Evensen Dodge, we should be able to achieve a "full spread" mortgage rate of about 7%. In the expected assumption cash flow case, we are expecting to earn about \$60,000 per year. A contribution of approximately \$120,000 will be paid at closing from the reserves in the Resolution. We cannot bond for our costs of issuance related to the South Meadow portion of the financing due to Federal law. PaineWebber and other parties associated with the transaction, did a good job of controlling their costs.

If you have questions on the documents enclosed or the financing in general, please call Glenn or myself at your convenience.

Recommended Action

Adoption of the 1999 Series A, Multi-Family Mortgage Bond Series Resolution (which by reference approves the purchase contract with the underwriters) and adoption of the Third Supplement to the Multi-Family Mortgage Bond Resolution.

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VERMONT HOUSING FINANCE AGENCY
Multi-Family Mortgage Bonds, 1999 Series A
Cost of Issuance

Underwriters' Discount

Management Fee	\$1.50 per thousand	\$7,777
Expenses	\$4.82 per thousand	24,992
Takedown	<u>\$5.86 per thousand</u>	<u>30,384</u>
Total	\$12.18 per thousand	\$63,153

Other Costs of Issuance

Financial Advisor (including cash flows)	\$21,500
Bond Counsel	23,500
Standard & Poor's	13,500
Printing and Distribution of Official Statements	4,000
Auditor's Cold Comfort Letter	3,000
Trustee	2,000
Other Expenses	<u>2,500</u>
	\$70,000
 Total Costs of Issuance	 <u><u>\$133,153</u></u>

MEMORANDUM

DATE: March 12, 1999
TO: Vermont Housing Finance Agency
FROM: Evensen Dodge Inc.
SUBJECT: Multi-Family Mortgage Bonds, 1999 Series A
Financial Summary

The estimated sources and uses of funds is shown below.

Principal Amount of Bonds	\$5,185,000
Funds Available in Resolution	121,693
Bond Redemption Premium Paid by South Meadow	46,050
Total Sources of Funds	<u>\$5,352,743</u>
Redemption of 1986 Series A Bonds, Including Premium	\$4,651,050
Allen Apartments Mortgage Loan	515,000
Debt Service Reserve Fund	50,500
Cost of Issuance	133,153
Rounding	3,040
Total Uses of Funds	<u>\$5,352,743</u>

In conjunction with the current refunding of the 1986 Series A bonds, the South Meadow mortgage loan of \$4,196,681 will be transferred to the 1999 Series A bonds and an amount equal the maximum annual debt service of the refunding portion of the 1999 Series A bonds, estimated to be \$380,000, will transferred from the 1986 Series A debt service reserve fund.

Cost of issuance relating to the refunding bonds, which can not be funded from the refunding bond issue or from transferred proceeds, are being paid from available funds under the General Resolution rather than using the Agency's General Fund. These costs are recovered in establishing the interest rate on the loan and have a two year payback. The estimated cost of issuance is shown on the attached schedule. The underwriters' discount of \$12.18 per thousand is reasonable and comparable to similar-sized housing issues.

This economics of this bond issue are favorable to the Agency and to the projects. It is expected that the Agency will be close to obtaining the full allowable spread, including the recovery of cost of issuance, on its mortgage rate of approximately 7%. The Agency's cash flow of approximately \$60,000 per year will be available for the Agency's operating costs and affordable housing programs.

VERMONT HOUSING FINANCE AGENCY

**THIRD SUPPLEMENT TO THE MULTI-FAMILY
MORTGAGE BOND RESOLUTION**

(Adopted February 3, 1977)

Adopted March 18, 1999

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**VERMONT HOUSING FINANCE AGENCY
THIRD SUPPLEMENT TO MULTI-FAMILY
MORTGAGE BOND RESOLUTION
March 18, 1999**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has heretofore adopted on February 3, 1977 a resolution entitled "Multi-Family Mortgage Bond Resolution," as amended and supplemented (the "General Bond Resolution"), to provide for the issuance, from time to time, of Multi-Family Mortgage Bonds, which are issued pursuant to Series Resolutions thereunder; and

WHEREAS, the Agency now desires to supplement and amend the General Bond Resolution to add provisions thereto providing for a broader range of permitted investments, revised trustee requirements, additional circumstances under which the Trustee may be removed and the amendment thereof without the consent of Bondholders under certain additional circumstances, all to give the Agency more flexibility with respect to the public purposes described in the General Bond Resolution, and has determined that such supplement and amendment may be entered with the consent of sixty percent (60%) of the principal amount of the Bonds Outstanding, as provided in Article IX of the General Bond Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the commissioners thereof, as follows:

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 1.01. Authority and Purpose. This Resolution is adopted under authority and in accordance with the provisions of the Act to effect the public purposes delineated in the General Bond Resolution, all in accordance with Section 902 of the General Bond Resolution.

Section 1.02. Contract With Trustee and Bondholders. The Board hereby reconfirms its obligations and covenants made in the General Bond Resolution, particularly Article VI thereof.

Section 1.03. Definitions.

(a) Except as provided in paragraph (b) of this Section, all defined terms contained in the General Bond Resolution when used in this Resolution shall have the same meanings as set forth in the General Bond Resolution.

(b) As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"General Bond Resolution" means the Multi-Family Mortgage Bond Resolution adopted February 3, 1977, as supplemented and amended on July 16, 1986, and on

June 22, 1989, and as supplemented to date to provide for the issuance of Bonds thereunder, by and between the Agency and the Trustee.

“Resolution” means this Third Supplement Resolution dated March 18, 1999.

“Trustee” means The Howard Bank, Burlington, Vermont.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution.

ARTICLE II

AMENDMENTS

Section 2.01. Amendment to Section 105. The definition of “Investment Obligation” in Section 105 of the General Bond Resolution is hereby amended to read as follows:

“Investment Obligation” means any of the following which at the time are legal investments for moneys of the Agency: (i) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (ii) any noncallable or irrevocably called, refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof and which at their time of purchase under the Resolution bear the highest rating available from each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (iii) obligations of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding “stripped” securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (iv) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; (v) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Agency, provided that at the time of their purchase hereunder such obligations are rated no lower than the rating assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (vi) direct obligations of or obligations guaranteed by the State provided that at the time of their purchase hereunder such obligations are rated no lower than the unenhanced rating assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (vii) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase the highest rating

category available from each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (viii) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks, provided such deposits are either made with banks having a rating no lower than the rating on the Bonds or are fully collateralized and secured by obligations described in clauses (i) through (vi) above, which at all times have a market value (exclusive of accrued interest) at least equal to such deposit so secured, including interest; (ix) shares of a diversified open-end money market fund which has either been rated by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds at a level which will not adversely affect the unenhanced ratings on the Bonds or which is invested in obligations described in clauses (i) through (vi) above; (x) repurchase agreements for obligations of the type specified in clauses (i), (ii) and (iii) above, provided either such repurchase agreement is an unconditional obligation of the provider thereof and the provider is rated at a level which will not adversely affect the unenhanced rating on the Bonds or such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreement and (xi) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, the investment in which will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds.”

Section 2.02. Amendment to Section 802. Section 802 of the General Bond Resolution is hereby amended by deleting the provisions thereof and inserting the following:

“For any one or more of the following purposes and at any time or from time to time, a resolution of the Agency amending or supplementing the Bond Resolution may be adopted which resolution upon the (a) filing with the Trustee of a copy thereof certified by the Secretary and (b) filing with the Trustee and the Agency of an instrument in writing made by the Trustee consenting to such resolution shall be fully effective in accordance with its terms:

- (1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;
- (2) To provide for additional duties of the Trustee in connection with Mortgage Loans or to expand the duties or responsibilities of the Trustee;
- (3) To insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as in effect at the time of such resolution;
- (4) To make such modifications or changes that are not materially adverse to the interests of the Bondholders, in the judgment of the Trustee, which may rely on an opinion of counsel;

(5) To grant to or confer upon the Trustee for the benefit of the Holders of the Bonds or any credit provider, including any bond insurer, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Bonds or any credit provider, including any bond insurer, or the Trustee or any of them;

(6) To make any modifications or changes that shall adversely affect the Trustee's rights, immunities and protections; and

(7) To make any and all changes necessary to implement credit enhancement, including bond insurance, which do not adversely affect the ratings of the Bonds."

Section 2.03. Amendment to Section 1102. The second sentence of Section 1102 of the General Bond Resolution is hereby amended to read as follows:

"Each Paying Agent shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least ten million dollars (\$10,000,000), or be wholly owned by a bank, trust company or national banking association holding company having capital and surplus aggregating at least fifty million dollars (\$50,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Resolution."

Section 2.04. Amendment to Section 1109. Section 1109 of the General Bond Resolution is hereby amended by adding the following paragraph at the end thereof:

"Unless an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing, in the event of an acquisition, merger or sale of a Fiduciary or the sale or assignment by a Fiduciary of its rights and duties hereunder, the Agency in its sole discretion shall have the right to remove the Fiduciary at any time upon filing with the Fiduciary an instrument in writing declaring such removal."

Section 2.05. Effective Date. The foregoing amendments shall become effective only upon receipt of the consent of the Holders of at least 60% of the principal amount of the Bonds Outstanding at the time such consent is given in accordance with Section 903 of the General Bond Resolution.

ARTICLE III

MISCELLANEOUS

Section 3.01. Applicability of the General Bond Resolution. The provisions of the General Bond Resolution are hereby ratified, approved and confirmed, and shall be applicable to the authorization, execution, authentication, issuance, redemption, payment, sale and delivery of the Bonds, the custody and the distribution of the proceeds of the Bonds and the security, payment, redemption and enforcement of payment thereof. This Resolution is authorized, executed and delivered under the provisions of Section 902 of the General Bond Resolution.

Section 3.02. Privileges and Immunities of Trustee. In accepting and consenting to this Resolution, the Trustee shall be entitled to all of the privileges and immunities afforded to the Trustee under the terms and provisions of the General Bond Resolution.

Section 3.03. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 3.04. Applicable Provisions of Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 3.05. Effective Date. This resolution shall take effect immediately and shall be deemed to supplement and amend the General Bond Resolution upon the Agency receiving consent of the Holders of sixty percent (60%) of the Bonds Outstanding, as provided in Article IX of the General Bond Resolution.

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of \$5,185,000

Multi-Family Mortgage Bonds, 1999 Series A

Adopted March 18, 1999

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**VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND
SALE OF \$5,185,000 MULTI-FAMILY MORTGAGE BONDS,
1999 SERIES A**

March 18, 1999

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") has, on an interim basis, from its general fund, financed a Mortgage Loan (the "Allen Apartments Mortgage Loan") for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being Public Act No. 260 of the Laws of Vermont, 1973 (Adjourned Session), as amended (hereinafter referred to as the "Act"); and

WHEREAS, the Agency heretofore adopted on February 3, 1977 a resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to as the "General Bond Resolution"); and

WHEREAS, pursuant to the General Bond Resolution, on November 13, 1986, the Agency issued its Multi-Family Mortgage Bonds, 1986 Series A (the "1986 Series A Bonds") to finance, *inter alia*, a Mortgage Loan (South Meadow Development) for multifamily housing for persons and families of low and moderate income; and

WHEREAS, in order to obtain funds with which to provide permanent financing for the Allen Apartments Mortgage Loan, and to refund a portion of the 1986 Series A Bonds, it is deemed necessary and advisable to issue a series of Multi-Family Mortgage Bonds of the Agency as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions.

(a) Except as provided in subparagraph (b) of this Section, all defined terms contained in the General Bond Resolution shall have the same meanings in this 1999 Series A Resolution as such defined terms are given in the General Bond Resolution.

(b) As used in this 1999 Series A Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Allen Apartments Mortgage Loan" means the Mortgage Loan made to finance the Allen Apartments.

"Code" means the Internal Revenue Code of 1986, as amended.

"1999 Series A Bonds" means the Bonds of the Agency of the Series authorized by this 1999 Series A Resolution.

"1999 Series A Resolution" means this 1999 Series A Resolution of the Agency adopted on March 18, 1999 authorizing the 1999 Series A Bonds.

"Official Statement" means the Official Statement of the Agency describing the 1999 Series A Bonds, in preliminary form dated March 9, 1999 as presented at this meeting and included in the minutes hereof, the terms of which shall be completed upon the sale of the 1999 Series A Bonds pursuant to the provisions of Section 2.03 hereof.

"Rebate Account" means the 1999 Series A Rebate Account established pursuant to Section 4.01 hereof.

"Record Date" means, with respect to the payment of interest on a 1999 Series A Bond, the first day of the month in which interest is to be paid on such 1999 Series A Bond or, if such first day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on any overdue amount, the Trustee may establish a special record date, which date shall be not more than 20 business days before the date set for payment, and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice in the manner provided in the General Bond Resolution to the registered owners of all 1999 Series A Bonds Outstanding to which such special record date is applicable at least 10 days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"Refunded Bonds" means the \$4,605,000 principal amount of Multi-Family Mortgage Bonds, 1986 Series A issued pursuant to the General Bond Resolution and to be refunded with a portion of the 1999 Series A Bonds.

"Series Certificate" means the Series Certificate of the Chairman and Executive Director of the Agency dated on or before the date of issuance of the 1999 Series A Bonds which Series Certificate shall establish certain terms of the 1999 Series A Bonds as provided herein.

"South Meadows Mortgage Loan" means the Mortgage Loan made to finance the South Meadows Development, which Mortgage Loan will be refinanced as part of the refunding of the Refunded Bonds.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this 1999 Series A Resolution, refer to this 1999 Series A Resolution.

Section 1.02. Authority for 1999 Series A Resolution. This 1999 Series A Resolution is adopted pursuant to and in accordance with the provisions of the Act and the General Bond Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF 1999 SERIES A BONDS

Section 2.01. Authorization of Bonds, Principal Amount, Designation and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in the General Bond Resolution and this 1999 Series A Resolution, a series of Multi-Family Mortgage Bonds, designated "Multi-Family Mortgage Bonds, 1999 Series A," is hereby authorized to be issued in the aggregate principal amount of \$5,185,000. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended for the Program; (b) that the Allen Apartments Mortgage Loan to be permanently financed on behalf of the Agency with the proceeds of the 1999 Series A Bonds can be issued bearing a rate of interest that will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; (c) that the South Meadow Mortgage Loan to be refinanced as a result of the refunding of the Refunded Bonds will bear a rate of interest that will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont; and (d) that the Agency will derive receipts, revenues and other income from the Mortgage Loans made or refinanced with the proceeds of the 1999 Series A Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the 1999 Series A Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the 1999 Series A Bonds are issued.

Section 2.02. Purposes. The purposes for which the 1999 Series A Bonds are being issued are to provide funds for deposit in the Debt Service Reserve Fund, the 1999 Series A Cost of Issuance Account, the Redemption Fund and the 1999 Series A Mortgage Loan Account, subject to the limitations and provisions provided in Article IV of the General Bond Resolution and in the amounts determined by or pursuant to Article III hereof.

Section 2.03. Issue Date. Notwithstanding Section 304 of the General Bond Resolution, all 1999 Series A Bonds shall be dated March 1, 1999.

Section 2.04. 1999 Series A Bonds. Notwithstanding Section 304(c) of the General Bond Resolution, the 1999 Series A Bonds shall bear interest from the February 15 or August 15 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from March 1, 1999, or if the date of authentication of any 1999 Series A Bond is subsequent to the Record Date for any Interest Payment and on or prior to the Interest Payment Date therefor, and if interest is paid on such Interest Payment Date, from such Interest Payment Date. The 1999 Series A Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates set forth in the Series Certificate, provided

that the rates shall not exceed 7% per annum nor may the final maturity of the 1999 Series A Bonds be later than February 15, 2022. Subject to the provisions of the General Bond Resolution and Article II of the 1999 Series A Resolution, each 1999 Series A Bond shall be in substantially the form set forth in Appendix A, with such insertions or variations as to any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required or permitted by the General Bond Resolution; the 1999 Series A Bonds shall be executed by the manual or facsimile signature of the Chairman or Vice Chairman and attested by the Secretary or Director of Finance and have impressed or imprinted thereon the corporate seal of the Agency or a facsimile thereof. Interest on each 1999 Series A Bond shall be payable on August 15, 1999 and semiannually thereafter on February 15 and August 15 in each year.

Section 2.05. Denomination, Numbers and Letters.

(a) The 1999 Series A Bonds shall be issued solely in fully registered form in the denomination of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of 1999 Series A Bonds maturing in the year of maturity of the Bonds for which the denomination is to be specified. Notwithstanding Section 307 of the General Bond Resolution, registered 1999 Series A Bonds shall not be interchangeable for non-registered-coupon 1999 Series A Bonds. The 1999 Series A Bonds shall be numbered consecutively from one upwards in order of maturity with the letter "R" preceding each number.

The 1999 Series A Bonds shall be issued to CEDE & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as fully registered bonds in denominations of one bond for each maturity in the aggregate principal amount of such maturity. In the event DTC determines to discontinue providing its services or the Agency elects to terminate the book-entry system with DTC and a successor securities depository for all the 1999 Series A Bonds is not designated, the Agency and the Trustee shall arrange for the delivery of certificates for the 1999 Series A Bonds.

Subject to paragraph (b) below, the principal and Redemption Price of 1999 Series A Bonds shall be payable at the Principal Office of the Trustee. Interest on the 1999 Series A Bonds shall be payable by check or draft drawn upon the Trustee and mailed to the address of the registered owner thereof as it shall appear on the registry books of the Trustee; provided, however, the Agency may pay interest on fully registered 1999 Series A Bonds by checks or drafts mailed to the persons entitled thereto, and the Agency may provide for any such payment by wire transfer of funds; provided, further, that if the 1999 Series A Bonds are in book-entry form, payment shall be made in accordance with the procedures of DTC. The principal and Redemption Price of and interest on 1999 Series A Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents.

(b) Notwithstanding any other provisions herein or the provisions of the General Bond Resolution to the contrary, the following shall be applicable with respect to the payment, transfer and provision of notices with respect to the 1999 Series A Bonds:

(i) During the term of the 1999 Series A Bonds, ownership and subsequent transfer of ownership will be reflected by book entry on the records of DTC and those financial institutions for whom DTC effects book-entry transfers (collectively, the "Participants"). No person for whom a Participant has an interest in the 1999 Series A Bonds (a "Beneficial Owner") shall receive bond certificates representing their respective interest in the 1999 Series A Bonds except in the event that DTC or Agency shall determine, at its option, to terminate the book-entry system described in this Section. Payment of principal and Redemption Price of, and interest on, the 1999 Series A Bonds will be made by the Trustee to DTC, which will in turn remit such payment of principal and Redemption Price and interest to its Participants, which will in turn remit such principal and Redemption Price and interest to the Beneficial Owners of the 1999 Series A Bonds until and unless DTC or the Agency elects to terminate the book-entry system, whereupon the Agency shall deliver bond certificates to the Beneficial Owners of the 1999 Series A Bonds or their nominees. Bond certificates issued under this Section may not be transferred or exchanged except as provided in this Section.

(ii) Upon the reduction of the principal amount of any maturity of the 1999 Series A Bonds, the registered Bondowner may make a notation of such redemption on the panel of the Bond, stating the amount so redeemed, or may return the Bond to the Trustee for exchange for a new 1999 Series A Bond authenticated by the Trustee in the proper principal amount. Such notation, if made by the Bondholder, may be made for reference only and may not be relied upon by any other person as being in any way determinative of the principal amount of such Bond Outstanding, unless the Trustee has initialed the notation on the panel.

(iii) DTC, or its nominee, will be the sole Bondholder of the 1999 Series A Bonds, and no investor or other party purchasing, selling or otherwise transferring ownership of any 1999 Series A Bonds will receive, hold or deliver any bond certificates as long as DTC holds the 1999 Series A Bonds immobilized from circulation.

(iv) The 1999 Series A Bonds may not be transferred or exchanged except:

(A) To any successor of DTC (or its nominee) or any substitute depository ("Substitute Depository") designated pursuant to (B) below, provided that any successor of DTC or any Substitute Depository must be

a qualified and registered "clearing agency" as provided in Section 17A of the Securities Act of 1934, as amended;

(B) To a Substitute Depository designated by or acceptable to the Agency upon (1) the determination by DTC that the 1999 Series A Bonds shall no longer be eligible for depository services or (2) a determination by the Agency that DTC is no longer able to carry out its functions, provided that any such Substitute Depository must be qualified to act as such, as provided in subparagraph (A) above; or

(C) To those persons to whom transfer is requested in written transfer instructions in the event that:

(1) DTC shall resign or discontinue its services for the 1999 Series A Bonds and only if the Agency is unable to locate a qualified successor within two months following the resignation or determination of noneligibility; or

(2) Upon a determination by the Agency that the continuation of the book-entry system described herein, which precludes the issuance of certificates to any Bondholder other than DTC (or its nominee) is no longer in the best interest of the Beneficial Owners of the Bonds.

(v) DTC is hereby appointed the securities depository for the 1999 Series A Bonds.

Section 2.06. Paying Agents. The Howard Bank, N.A., in the City of Burlington, Vermont, and such additional Paying Agent or Paying Agents, if any, as may be selected by the Executive Director in New York, New York or Boston, Massachusetts with due regard to the fees charged and for services rendered to the Agency are hereby appointed the Paying Agents for the 1999 Series A Bonds, subject to Section 1102 of the General Bond Resolution.

Section 2.07. Redemption at the Election of the Agency and Terms.

(a) The 1999 Series A Bonds shall be subject to redemption otherwise than by operation of Sinking Fund Installments, either in whole or in part on any date on or after February 15, 2009 and prior to their respective maturities from moneys deposited in the Optional Redemption Account in the Redemption Fund upon receipt of the Officer's Certificates as provided in Section 508 of the General Bond Resolution, and upon notice as provided in Section 2.09 hereof, and when redeemed in any period shown in the following table, at the respective Redemption Prices (expressed as a percentage of the principal amount of each 1999 Series A Bond to be so redeemed) set opposite such period in said table, plus accrued interest to the redemption date:

Period (Both Dates Inclusive)	Redemption Prices (Expressed as a Percentage)
February 15, 2009 to February 14, 2010	101%
February 15, 2010 and thereafter	100

(b) The 1999 Series A Bonds are also subject to redemption in whole or in part at any time at par plus accrued interest to the redemption date from moneys deposited in the Optional Redemption Account or the Special Redemption Account in the Redemption Fund, upon receipt of the Officer's Certificates as provided in Section 508 of the General Bond Resolution and upon notice as provided in Section 2.09 hereof, from (a) reductions in the Mortgage Reserve Fund Requirement, (b) reductions in the Debt Service Reserve Fund Requirement or (c) Recovery Payments.

Section 2.08. Sinking Fund Installments. If so provided in the Series Certificate, 1999 Series A Bonds maturing on the dates set forth in the Series Certificate shall be subject to sinking fund redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the principal amount of each 1999 Series A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. Unless none of such Bonds shall then be Outstanding, the Agency shall be required to pay on February 15, of each year set forth in the Series Certificate, for the retirement of such Bonds the amount set opposite such year in said Series Certificate, and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Bonds; provided, however, that where there has been special or optional redemption of 1999 Series A Bonds subject to sinking fund redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 508 of the General Bond Resolution prior to such special or optional redemption.

Section 2.09. Notice of Redemption. Notwithstanding anything in the Bond Resolution to the contrary, the requirements of Section 703 of the Bond Resolution for the publication of notice of redemption in Authorized Newspapers shall not apply to the 1999 Series A Bonds. Notwithstanding said Section 703, notice of redemption of 1999 Series A Bonds shall be sufficiently given for all purposes of the General Bond Resolution if given by mailing a copy of such notice, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to the registered owners of all 1999 Series A Bonds or portions thereof to be redeemed at their addresses appearing on the registry books (with respect to a 1999 Series A Bond in book-entry-only form, such notice shall be mailed to the Securities Depository), provided failure to mail such notice to any Holder of a 1999 Series A Bond or any defect in such notice shall not affect the redemption of any other 1999 Series A Bond for which the required notice has been given. Notice having been given by mailing as aforesaid, the 1999 Series A Bonds so called for redemption shall be due and payable on the redemption date in the manner and with the effect provided in Section 705 of the General Bond Resolution.

Section 2.10. Sale of 1999 Series A Bonds.

(a) The 1999 Series A Bonds authorized to be issued herein shall be sold to PaineWebber Incorporated, Salomon Smith Barney and A.G. Edwards & Sons, Inc. at a price equal to the principal amount of the 1999 Series A Bonds, plus accrued interest, pursuant to the terms of the Purchase Contract submitted to the Commissioners and on file with the Agency, the terms and provisions of which Purchase Contract are hereby approved and which the Executive Director is hereby authorized to execute on behalf of the Agency. The purchasers shall be paid a fee by the Agency, as set forth in the Series Certificate, provided that such fee shall not exceed 1.5% of the principal amount of the 1999 Series A Bonds. The Commissioners of the Agency hereby authorize the Executive Director and the Chairman to approve the final fee for the purchase of the 1999 Series A Bonds.

(b) The distribution of the preliminary Official Statement by the Executive Director is hereby ratified and confirmed in all respects. The completion of the terms of the final Official Statement by the Chairman, the Vice Chairman, the Executive Director and the Director of Finance of the Agency is hereby authorized and approved, and each is hereby authorized to permit the distribution of the final Official Statement, with such changes, omissions, insertions and revisions as they shall deem advisable, and the Chairman or Executive Director is authorized to sign and deliver such final Official Statement to successful bidders.

(c) The 1999 Series A Bonds shall be delivered upon compliance with the provisions of Section 202 of the General Bond Resolution.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF 1999 SERIES A BOND PROCEEDS

Section 3.01. Debt Service Reserve Fund. Upon receipt of the proceeds of the sale of the 1999 Series A Bonds, there shall be deposited from such proceeds in the Debt Service Reserve Fund such amount as is needed to increase the amounts held by the Trustee in such Fund as of the date of delivery of the 1999 Series A Bonds to an amount at least equal to the Debt Service Reserve Requirement calculated as of such date. In order to determine Bonds issued for the purpose of funding the Debt Service Reserve Fund in the definition of Debt Service Reserve Requirement in the General Bond Resolution, there shall be delivered to the Trustee at the time of delivery of the 1999 Series A Bonds an Officer's Certificate designating such Bonds.

Section 3.02. Establishment of the 1999 Series A Cost of Issuance Account. There is hereby established within the Program Fund an Account to be designated as the 1999 Series A Cost of Issuance Account the moneys in which shall be used for the purposes and as authorized by Section 403 of the General Bond Resolution.

Section 3.03. Establishment of the 1999 Series A Mortgage Loan Account. There is hereby established within the Program Fund an Account to be designated as the 1999 Series A Mortgage Loan Account the moneys in which shall be used for the purposes and as authorized by Section 402 of the General Bond Resolution.

Section 3.04. Application of Other Proceeds.

(a) From the proceeds of the 1999 Series A Bonds remaining after the deposit made pursuant to Section 3.01 hereof, there shall be paid to the Trustee for deposit as follows:

(i) Into the Debt Service Fund the amount (if any) of interest accrued from the date of the 1999 Series A Bonds to the date of delivery thereof.

(ii) All other proceeds of the sale of the 1999 Series A Bonds shall be deposited by the Trustee into the Debt Service Reserve Fund, the 1999 Series A Cost of Issuance Account or the 1999 Series A Mortgage Loan Account in the amounts, if any, as shall be set forth in the Series Certificate.

(b) The Agency shall designate in the Series Certificate the amounts, if any, to be deposited in or transferred among the Debt Service Reserve Fund or the Accounts and Funds referred to in Section 401 of the General Bond Resolution in accordance with this Article III upon the delivery of the 1999 Series A Bonds by the Agency, including any amounts necessary for the purposes of fully funding the 1999 Series A Costs of Issuance Account.

(c) The Agency hereby covenants that it will not take any action, or fail to take any action, and it will not use or direct the use of the proceeds of the 1999 Series A Bonds or any other moneys in its possession or control, in any manner which would adversely affect the tax-exempt status of the interest payable on any Bonds then Outstanding under Section 103 of the Code.

ARTICLE IV

**ESTABLISHMENT OF REBATE ACCOUNT
AND SPECIAL COVENANTS**

Section 4.01. Rebate Account.

(a) There is hereby established in the General Fund a separate trust account, to be held by the Trustee but not subject to the pledge or lien of the General Bond Resolution, designated the "1999 Series A Rebate Account," moneys in which are pledged to and shall be used solely for the purposes set forth in this Section 4.01. The Rebate Account shall not be subject to the claim of any party (including Bondholders) and shall not be paid over to any party other than the United States of America or the Agency to the extent provided in this Section 4.01.

(b) The Agency hereby covenants to establish such other separate accounts or subaccounts within the Funds and Accounts established pursuant to the General Bond Resolution as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of the 1999 Series A Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an Authorized Officer.

(c) At least annually, the Agency shall compute and certify to the Trustee in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code and shall deposit or direct the Trustee to deposit such amount into the 1999 Series A Rebate Account from moneys held in the Revenue Fund after application of such moneys in accordance with clauses First, Second, Third and Fourth of Section 504 of the General Bond Resolution or, in the event such moneys are insufficient to make such deposit, from the General Fund or from any other moneys available to the Agency and not subject to the pledge or lien of the Bond Resolution. If for any reason funds are not available under the Bond Resolution for such deposit into the Rebate Fund, the Agency covenants to transfer moneys from its own funds for such deposit.

(d) If, at the close of any fiscal year, the amount in the 1999 Series A Rebate Account exceeds the amount that would be required to be paid to the United States under (c), upon certification thereof in reasonable detail by the Agency to the Trustee, such excess shall promptly be paid to the Agency for deposit in the General Fund.

(e) As required by Section 148 of the Code pursuant to direction from the Agency, the Trustee shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code.

(f) The Trustee and the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section 4.01 and shall retain such records for at least six years following final payment of the 1999 Series A Bonds.

Section 4.02. Governmental Program Requirement. The Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase 1999 Series A Bonds in an amount related to the amount of such Mortgage Loan.

Section 4.03. Covenants as to Code. The Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the 1999 Series A Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any 1999 Series A Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) The Agency has specifically required that no person (or any related person, as defined in Section 144(a)(3) of the Code) shall purchase Bonds pursuant to any agreement, formal or informal, in an amount related to the amount of the Mortgage Loans to be made or acquired under the Program by the Agency;

(c) The Agency shall continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of the 1999 Series A Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on the 1999 Series A Bonds as may be required by the Code; and

(d) The Agency shall take such other action as may be necessary or desirable to maintain the exclusion of interest of the 1999 Series A Bonds in accordance with Section 103(a) of the Code.

Section 4.04. Compliance With Article IV. The provisions of this Article IV shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the 1999 Series A Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the 1999 Series A Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article IV will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article IV.

ARTICLE V

MISCELLANEOUS

Section 5.01. Mailed Notice. Notwithstanding anything in the Bond Resolution to the contrary, the requirements of Article IX and Sections 1108 and 1110 of the General Bond Resolution regarding the publication of notice of the matters referred to therein shall not apply to the 1999 Series A Bonds, and mailed notice to the Holders of the 1999 Series A Bonds, given in the manner described in Section 901(A) of the General Bond Resolution, in lieu of such published notice, shall be deemed to comply with the notice requirements of said Article and Sections.

Section 5.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders to be inserted as per the General Bond Resolution.

Section 5.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this 1999 Series A Resolution, the General Bond Resolution and the Official Statement.

Section 5.04. Effective Date. This resolution shall take effect immediately.

APPENDIX A

FORM OF 1999 SERIES A BONDS

VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY MORTGAGE BOND, 1999 SERIES A

No. R-\$_____

Bond Date	Interest Rate	Maturity Date	CUSIP
March 1, 1999	%	February 15,	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: THOUSAND DOLLARS

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the Vermont Housing Finance Agency (the "Agency") or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the hereafter defined Resolutions, until the termination of the system of book-entry-only transfers through The Depository Trust Company, New York, New York (together with any successor security depository appointed pursuant to the Resolutions), and notwithstanding any other provision of the Bond Resolution to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.

The Agency, a body politic and corporate of the State of Vermont, for value received hereby promises to pay to the Registered Owner referred to above or registered assigns, on the Maturity Date stated above, unless earlier redeemed, the Principal Sum set forth above, upon presentation and surrender hereof, and to pay interest on such Principal Sum from the date hereof at Interest Rate stated above, payable on August 15, 1999, and semiannually thereafter on February 15 and August 15 in each year until payment of such Principal Sum. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal and redemption price of this Bond are payable at the corporate trust office of Howard Bank, N.A., in the City of Burlington, Vermont, or its successor in trust (the "Trustee");

provided, that if Bonds are in book-entry form, payment shall be made in accordance with the procedures of the securities depository. Interest on this Bond shall be payable by check or draft mailed to the Registered Owner at his address appearing on the registration books of the Agency kept for that purpose at the corporate trust office of the Trustee; provided, however, the Agency may pay interest on fully registered Bonds by checks or drafts mailed to the persons entitled thereto, and the Agency may provide for any such payment by wire transfer of funds; provided, further, that if the Bonds are in book-entry form, payment shall be made in accordance with the procedures of the securities depository. The record date for payment of interest is the first day of the month in which the interest is to be paid, or, if such first day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on the fifteenth day of February or August or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than 20 days before the date set for payment. The Trustee will give notice of a special record date by mailing a copy of such notice to the registered owners of all Bonds outstanding in the manner provided in the Bond Resolution at least 10 days before the special record date or in such other time and matter as the Trustee may deem appropriate.

This bond is a general obligation of the Agency and is one of the Multi-Family Mortgage Bonds of the Agency (the "Bonds") issued or to be issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Act No. 260 of the Laws of Vermont, 1973 (Adjourned Session), as amended (herein called the "Act"), and under and pursuant to the resolution of the Agency adopted February 3, 1977 (herein called the "General Bond Resolution") entitled "Multi-Family Mortgage Bond Resolution," as the same from time to time has been or may be amended or supplemented by further resolutions of the Agency (such General Bond Resolution and any and all such further resolutions being herein collectively called the "Bond Resolution").

The Agency is obligated to pay this bond and the interest hereon from any of the revenues, moneys or assets of the Agency, subject only to agreements heretofore or hereafter made with holders of notes and bonds other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Bonds shall not be deemed to constitute a debt or grant or loan of credit of the State of Vermont, and the State of Vermont shall not be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Agency.

As provided in the General Bond Resolution, Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the General Bond Resolution, and the aggregate principal amount of Bonds which may be issued is not limited except as provided in or pursuant to the Act or the General Bond Resolution. All Bonds issued and to be issued under the General Bond Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in or pursuant to the General Bond Resolution.

This bond is one of a Series of Bonds designated as "Multi-Family Mortgage Bonds, 1999 Series A" (herein called the "1999 Series A Bonds"), limited to the aggregate principal

amount of \$_____ and duly issued under and by virtue of the Act and under and pursuant to the General Bond Resolution. Copies of the General Bond Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and at the principal office of the Trustee, and reference to the General Bond Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing the Bonds, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the Bonds with respect to such pledge and covenants, the terms and conditions upon which the Bonds are issued and may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency and of the Trustee. Such pledge and other obligations of the Agency under the Bond Resolution may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

To the extent and in the respects permitted by the Bond Resolution, the provisions of the General Bond Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action on behalf of the Agency taken in the manner and subject to the conditions and exceptions prescribed in the General Bond Resolution. By the purchase of this Bond, the owner hereof consents to the adoption of the Third Supplement to the Multi-Family Mortgage Bond Resolution, which amends the General Bond Resolution. The owner of this bond shall have no right to enforce the provisions of the Bond Resolution or to institute action to enforce the pledge or covenants made therein or to take any action with respect to an event of default under the Bond Resolution or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Bond Resolution.

The Bonds are issuable solely in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. This bond is transferable, as provided in the General Bond Resolution, only upon the books of the Agency kept for that purpose at the principal office of the Trustee, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond as provided in the Bond Resolution and upon the payment of the charges therein prescribed. The Agency, the Trustee and any paying agent of the Agency may treat and consider the person in whose name this bond is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes whatsoever.

The 1999 Series A Bonds are subject to redemption on or after February 15, 2009, at the option of the Agency in whole or in part at any time, upon mailed notice as hereinafter set forth, and when redeemed in any of the periods shown in the following table at the respective redemption prices, expressed as a percentage of the principal amount of each 1999 Series A Bond or portion thereof to be redeemed, set opposite such period in the following table, plus accrued interest to the redemption date:

Periods (Both Dates Inclusive)	Redemption Price
February 15, 2009 to February 14, 2010	101%
February 15, 2010 and thereafter	100

The 1999 Series A Bonds are also subject to redemption in whole or in part at any time from moneys deposited in the Optional Redemption Account or the Special Redemption Account, as provided in the Bond Resolution, upon mailed notice as hereinafter set forth, at a redemption price equal to the principal amount of each 1999 Series A Bond or portion thereof to be redeemed plus accrued interest to the redemption date.

The 1999 Series A Bonds maturing on February 15, _____ are also subject to redemption in part by the Agency at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date on February 15, _____ and on each February 15 thereafter by operation of Sinking Fund Installments provided for in the Bond Resolution.

If less than all of the 1999 Series A Bonds of like maturity are to be redeemed, the particular Bonds to be redeemed shall be selected as provided in the Bond Resolution. Notice of redemption of 1999 Series A Bonds will be given by mailing a copy of such notice not less than 30 days prior to the redemption date to the registered owners of all 1999 Series A Bonds or portions thereof to be redeemed (provided that if a 1999 Series A Bond is in book-entry-only form notice shall be mailed to the securities depository); provided that failure to mail such notice to any bondholder or any defect therein shall not affect the redemption of any other 1999 Series A Bond for which required notice of redemption shall have been given. If notice of redemption shall have been given as aforesaid, the 1999 Series A Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all the 1999 Series A Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 1999 Series A Bonds shall cease to accrue and become payable. If less than all of a 1999 Series A Bond shall be so redeemed, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, registered Bonds of like series, designation, maturity and interest rate in any of the authorized denominations, all as more fully set forth in the Bond Resolution.

No recourse shall be had for the payment of the principal or redemption price or the interest on the 1999 Series A Bonds or for any claim based thereon or on the Bond Resolution against any commissioner of the Agency or any person executing the Bonds.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or by the Act or the Bond Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond exist, have happened and have been performed and that the issue of the 1999 Series A Bonds, together with

all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

This bond shall not be entitled to any security, right or benefit under the Bond Resolution or be valid or obligatory for any purpose unless the Certificate of Authentication hereof has been duly executed by the Trustee.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be signed in its name and on its behalf by the facsimile signature of its Chairman and its corporate seal to be affixed hereto or imprinted hereon and attested by the facsimile signature of its Secretary.

VERMONT HOUSING FINANCE
AGENCY

By _____
Chairman

[SEAL]

Attest:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Multi-Family Mortgage Bonds, 1999 Series A of the Vermont Housing Finance Agency.

HOWARD BANK, N.A., as Trustee

Dated: _____

By _____
Authorized Signature



BOARD MINUTES

The Associated General Contractor's Office
148 State Street
Montpelier, Vermont

Thursday, March 18, 1999 at 1:00 p.m.

PRESENT: Chairman White, Commissioners Seelig, Douglas, Candon, Smith (designee of Douglas)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Gent, Ms. Santerre, Ms. Crady, Ms. Cunningham, Ms. Deforge, Ms. Black-Plumeau, Mr. Jarrett, Mr. Falzone, Mr. Schoenbeck, Mr. Erdelyi, Mr. Lothrop

Other: Mr. Broderick (Housing Vermont), Ms. Rittenhouse (Twin Pines Housing Trust), Ms. Torpy (Burlington Community Land Trust), Ms. Dunn (Burlington Community Land Trust), Mr. Gresser (Rockingham Area Community Land Trust), Ms. Eyre (Rockingham Area Community Land Trust), Mr. Stretch (Gilman Housing Trust), Ms. Welcome (Northeast Kingdom Homeownership Center), Ms. Christiana (Rutland West), Mr. Hahn (Central Vermont Community Land Trust)

Chairman White called the meeting to order at 1:10 p.m.

SINGLE FAMILY OPERATIONS

Mr. Lothrop indicated that staff is near completion of initiating contract underwriting. Delinquencies continue to remain high, however once tax returns have been received we expect that they will decrease. Chairman White asked how long it takes a 90 day delinquent borrower to move through the foreclosure process. Ms. Cunningham indicated that from the time the borrower becomes 90 days delinquent, it takes approximately nine months for it to complete the foreclosure process. Chairman White also asked how long it takes us to dispose of an REO. Ms. Cunningham noted that she wasn't sure of the exact time frame, but would research it and let him know at the next Board meeting. She also will find out how long it takes delinquent loans to begin the foreclosure process.

VHFA/VHMGB UPDATE

Mr. Lothrop stated that VHFA has signed a an agreement with MGIC for contract underwriting. The target date to implement this is April 12, 1999. He also noted that staff is putting together a letter to give the lenders a 30-day notice of VHMGB closing, which will be sent out next week.

On the PMI side, staff had a conference call with PMI last week to discuss the first draft of the contract we received from them. Mr. Lothrop noted that he didn't believe there was anything in the contract that couldn't be changed to our satisfaction, indicating that the terms are reasonable and that we should be able to sign a contract with them in the very near future.



VHFA BOARD MINUTES

March 18, 1999

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A brief discussion then ensued regarding the funds available to cover the costs of the transfer of the VHMGB book of business to PMI. There was concern expressed that the current VHMGB reserves and the funds to be received from the state would be slightly below the amount needed to cover the cost.

There was brief discussion regarding consumer loans, which would not be transferred to PMI. A motion was made by Mr. Douglas to approve the "Resolution Regarding the Transfer of Liability for Consumer Loans From Vermont Home Mortgage Guarantee Board to Vermont Housing Finance Agency." The motion carried unanimously after being seconded by Mr. Candon.

MINUTES

At this time Mr. Seelig made a motion to approve both the minutes of February 4th and February 18th 1999. The motion carried unanimously after being seconded by Mr. Candon.

ADMINISTRATION

Ms. Carpenter indicated that we are still planning to kick off our 25th anniversary celebration on April 6th at the State House. Because of previous commitments, we were not able to get the Congressional Delegation or the Governor to attend. There will be a cake served at lunchtime for legislators. She also noted that we are looking at doing a larger event to include all of our partners later in the year and/or targeted support to specific functions.

Ms. Crady briefly reviewed her memo "Possible Opportunities for VHFA," included in the Board packet. HUD has issued a variety of Notices of Funding Availability (NOFAs) for a broad range of activities. The three activities that staff is most interested in are Housing Counseling, HUD Rural Housing, and the Economic Development Program and the Secondary Market for Non-Conforming Loans to Low-Wealth Borrowers Demonstration Program. Ms. Carpenter added that some of these funds are set aside for Housing Finance Agencies and that she believes staff should be aggressive when exploring these, as they become available. Chairman White agreed and also suggested that staff explore all of the possibilities.

HOMEOWNERSHIP DISCUSSION

Ms. Gent began by indicating that the purpose of today's Homeownership discussion was to provide the Board with the activities that the Homeownership Centers have done in the past year. Ms. Gent also noted that this is the final year of the pilot program and that a lot has been accomplished this year. Ms. Gent also stated that, in 1997 all four Centers became affiliated with the Neighborworks organization. Ms. Black-Plumeau summarized for the Board the 1998 activities associated with each center. At this time, it was suggested that each of the representatives from the Homeownership Centers introduce themselves and give a brief summary of what they have accomplished in the past year.

Mr. Stretch from the Gilman Housing Trust introduced himself first. He noted that Gilman Housing Trust serves the most low-income area in Vermont and that it had difficulty establishing a centrally located Center where people can go if they need assistance. They did finally open a Center in Lyndonville in July. He indicated that they are selling out of each homebuyer class they hold and they have had a lot of long term clients as well as short-time clients. He noted that there is a real need for the role that the Homeownership Centers provide in his area.

Mr. Gresser from the Rockingham Area Community Land Trust indicated that their biggest challenge has been staffing changes. They have a new Executive Director now and should be able to start focusing on marketing

programs. Just recently, they hired a Homeownership Counselor, which should help them out tremendously. They are trying to get their name out to help promote their service to the community.

Ms. Dunn and Ms. Torpy from the Burlington Community Land Trust indicated that they serve all of Chittenden County. Chittenden County is a very expensive market and Burlington alone has less than 40% homeownership rate. They noted that in their buyers' price range, there is a lot of sub standard housing. They want to make sure that they can assure the long-term viability of these properties, and have established a rehab loan program. They have recently started a monthly newsletter, which serves as a great marketing tool. Currently they are working on implementing their marketing plan.

Mr. Hahn from the Central Vermont Land Trust expects that the Central Vermont Homeownership Center will be fully operational by the end of summer. Mr. Hahn noted that they are in the process of applying for Neighborworks affiliation and looks forward to joining the other four Homeownership Centers as Neighborworks affiliates and VHFA partners.

Ms. Carpenter suggested that VHFA send a letter of support to Mr. Hahn to include in his Neighborworks application. The Board agreed and thought this would be a good idea.

At this time, Ms. Dunn presented VHFA a plaque from the NeighborWorks Campaign for Home Ownership 2002 that recognizes VHFA as a local partner for our support of Vermont NeighborWorks organization.

DEVELOPMENT

Mr. Erdelyi indicated that staff is requesting a construction and permanent loan for a multifamily development in Wilder, Vermont. The units were designed as condominiums, did not sell, but have always maintained full occupancy as rental units because of the strong housing market in the area. The permanent loan amount requested is approximately 45% of the total development cost. The tax exempt financing needs to be at least 50% in order to qualify the project for the out-of-cap credits, so the sponsor is seeking a smaller, short-term construction bridge loan to meet this threshold. The Board agreed to a waiver of the Agency's rule that not less than 75% of the residents be at or below 100% of median income and reverted to the statutory requirements for the Briars that at least 51% of the residents be at or below median income.

After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Permanent Financing (Wilder)." The motion carried unanimously after being seconded by Mr. Candon.

Ms. Crady briefly reviewed her memo "Assisting VHFA Borrowers with Mortgage Insurance Costs," included in the Board packet. The people that will be most effected by the sale of VHMGB will be the borrowers who use the HOUSE program. When closing costs are increased, it decreases the market for a home. Staff is proposing to use the IORTA funds we receive to assist VHFA HOUSE borrowers with mortgage insurance costs and to assist Homeownership Centers and other HOUSE participating nonprofit organizations to provide grants to eligible buyers. The approximate amount needed is \$20,000. The Board had some concerns with how the lenders might feel about this. It was agreed that staff would continue working on ways to market this so that it prevents the lenders from becoming upset. The Board also suggested that staff talk to lenders about it and see what they think.

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VHFA BOARD MINUTES

After further discussion a motion was made by Mr. Seelig to approve the staff's proposal to use the IORTA funds to cover the actual costs for all VHFA HOUSE borrowers. The motion carried unanimously after being seconded by Mr. Candon.

MULTIFAMILY MANAGEMENT

Mr. Falzone gave a brief update on Parson's Hill in Castleton. There are 11 units still occupied and only 1 vacancy. The Division of Hazardous Waste has taken the property off their hazardous waste list. Recently staff found out that 25 other people are connected to the well used by Parsons Hill and they have started meeting to deal with this problem also. Mr. Falzone hopes that they will find a solution to this problem by the end of May.

LEGAL

Mr. Jarrett indicated that PMI Mortgage Insurance Company would like VHFA to take responsibility for administrative duties after VHMGB terminates. Both the Board and staff agreed with this. A motion was made by Mr. Candon to delegate the Executive Director to sign the PMI contract after consulting with the Chairman once the contract was completed to our satisfaction. The motion carried unanimously after being seconded by Mr. Douglas.

FINANCE

Mr. Schoenbeck indicated that the budget performance report for the period ending December 31, 1998 was on line with what staff expected it to be. On the statement of revenues, Mr. Schoenbeck compared the total columns against where we were a year ago and where we were three months ago. Three months ago we show a \$1.8 million surplus and one year ago we had a \$1.9 million surplus. Our surplus did decrease, but \$500,000 of that was due to the decreased loan activity in our 0% yield pool, which recognizes income as loans are made. We are on the same track that we were on a year ago, although revenues are slightly lower and net income is down because more mortgage loans have paid off than were originated.

Mr. Schoenbeck discussed the multi-family bond financing next. He handed out a copy of the purchase contract with the underwriters, indicating that we will sell the bonds to Paine Webber Inc. and affiliates. The pricing that we went through, which is based on the information sheet provided generates a mortgage rate of 6.86% (which would be the rate for both South Meadow and Allen Apartments). After further discussion, Mr. Douglas made a motion to adopt the 1999 Series A, Multi-Family Mortgage Bond Resolution and adoption of the Third Supplement to the Multi-Family Mortgage Bond Resolution. The motion carried unanimously after being seconded by Mr. Seelig.

A motion was then made to adopt a resolution that was distributed authorizing Sarah Carpenter and Pat Loller to be authorized signatories for the purposes of the Federal Home Loan Bank accounts and VHFA checking accounts. The motion carried unanimously after being seconded by Mr. Seelig.

YEAR 2000 UPDATE

Ms. Loller gave a brief update on Year 2000. She indicated that not everything had been tested yet, but that they are working on it diligently. Chairman White suggested that we have Y2K on the Board agendas for the rest of the year, so that the Board stays updated on our progress.

OTHER BUSINESS

Ms. Carpenter then announced that Mr. McNamara would be resigning effective Friday, March 26th, as he has taken a job as Senior Community Builder at HUD. Mr. McNamara was absent from this meeting, but for the

VHFA BOARD MINUTES

March 18, 1999

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record, Chairman White thanked Mr. McNamara for his work and dedication to the Agency for the past 2 ½ years. The Board wishes him well at HUD and looks forward to doing business with him there.

There being no further business, the meeting adjourned at 4:10 p.m.

Sincerely,

A handwritten signature in cursive script, reading "Sarah E. Carpenter". The signature is written in dark ink and is positioned above the printed name.

Sarah E. Carpenter, Secretary

RESOLUTION REGARDING THE TRANSFER
OF LIABILITY FOR CONSUMER LOANS FROM
VERMONT HOME MORTGAGE GUARANTEE BOARD TO
VERMONT HOUSING FINANCE AGENCY

WHEREAS, the Vermont Home Mortgage Guarantee Board ("Board") is in the process of selling the majority of its book of business to a private mortgage insurer; and

WHEREAS, pursuant to legislation pending in the Vermont General Assembly, the Board will go out of existence once the sale of its book of business is completed and the Board certifies to the Secretary of Administration that the Board has wound down its business; and


WHEREAS, the pending legislation transfers responsibility for guarantees pursuant to sections 398 and 400 of Title 10, which are guarantees of energy conservation loans, on-site septic loans and lead-based paint hazard reduction loans (the "Guarantees") to Vermont Housing Finance Agency (the "Agency"); and

WHEREAS, the Agency and the Board wish to enter into an agreement to facilitate the transfer of the Guarantees from the Board to the Agency and have been presented with a proposed agreement;

NOW, THEREFORE, it is hereby RESOLVED:

1. The proposed agreement between the Board and the Agency attached to this Resolution is hereby approved.
2. The Executive Director is hereby authorized to execute the proposed agreement in substantially the form attached to this resolution and take all other steps necessary to accomplish the transfer of the Guarantees from the Board to the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 18, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST
AND COMMITMENT LETTER RE: PERMANENT FINANCING (WILDER)**

WHEREAS, a proposal has been presented to the Agency by Housing Vermont on behalf of Briars Housing Limited Partnership (the "Sponsor"), a to-be-formed limited partnership whose general partners will be Twin Pines Housing Trust and a wholly owned subsidiary of Housing Vermont, involving the acquisition and rehabilitation of 24 units of rental housing for families located in two buildings in Wilder, Vermont (the "Development"); and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, Development Underwriter, dated March 11, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of \$685,000 as tax-exempt financing to the Briars Housing Limited Partnership

for the acquisition and rehabilitation of two buildings totaling 24 apartments located at 647 Bugbee Street, all in Wilder (Hartford), Vermont. The term of the loan will be up to 30 years, and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Agency is also interested in making a bridge loan to the Sponsor in a maximum amount of \$240,000, payable over a period of up to six years with an irregular amortization and with an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include conditions deemed appropriate by staff
3. The Executive Director may, in her discretion, issue a Commitment Letter for an long-term loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$685,000 and a bridge loan of not more than \$240,000.
4. The long-term loan shall be due and payable not more than 30 years from the date the loan is made; the bridge loan will be due and payable not more than six years from such date and the interest rate on both the long-term and bridge loans shall not exceed 150 basis points above the Agency's cost of funds. The Sponsor shall be responsible for loan fees, which may include the costs of issuance of tax-exempt bonds, the proceeds of which shall be used to make the loans. The Commitment Letter may be issued to Housing Vermont as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 18, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO
FEDERAL HOME LOAN BANK OF BOSTON ADVANCES**

WHEREAS, the Agency has applied to the Federal Home Loan Bank of Boston ("FHLB") for approval as a nonmember borrower and such approval has been granted; and

WHEREAS, the Federal Housing Finance Board has approved the FHLB's request to lend to the Agency; and

WHEREAS, the approval secured by the Agency will enable the Agency to obtain advances from the FHLB at favorable interest rates to be used for loans to housing sponsors and for other purposes; and

WHEREAS, the FHLB requires approval of an authorizing resolution;

THEREFORE, it is hereby RESOLVED:

That any one of the following persons, all of whom are duly qualified officers of the Vermont Housing Finance Agency,

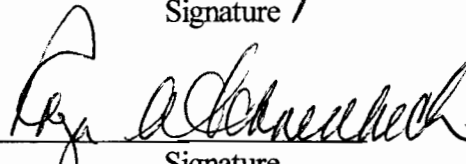
Sarah E. Carpenter

Name


Signature

Roger A. Schoenbeck

Name


Signature

Patricia M. Loller


Name


Signature

be and they are hereby authorized to apply to the Federal Home Loan Bank of Boston for advances, and to execute the Agreement for Advances, Collateral Pledge and Security Agreement presented at this meeting; to execute if required a note or notes, and to furnish and assign and substitute such collateral if any as may be required from time to time by the Bank as security for the payment and performance of any and all obligations due the Bank, and to extend, renew, or consolidate the advances obtained when convenience may require and the Bank will permit, and to make and execute such other agreements and do all things necessary in connection with such matters as may be required, provided only, that the advances obtained from said Bank and all other obligations due the Bank shall at no time exceed in aggregate unpaid principal the maximum permitted to this institution by the Federal Home Loan Bank Act, or any other Act or regulation applicable to this institution, or any written policy of the

Federal Home Loan Bank of Boston. This authorization shall continue in effect until receipt by the said Bank of written notice of its amendment or revocation.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 18, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency



TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: April 9, 1999
RE: Multifamily Loan Application for Jacobs Mobile Court, Randolph

Name:	Jacobs Mobile Court	Location:	Randolph
Housing Type:	Family	Building Type:	Mobile Home Park
Total Units:	19	Unit Sizes:	2 & 3 bedroom
Total Cost:	\$583,177	Per Unit Cost:	\$30,694
Loan Requested:	\$80,862	Other Funding:	VCDP, VHCB, HOME
Sponsors:	Randolph Area Community Development Corporation (RACDC)		

The development consists of a 19 unit mobile home park. Initially four homes are rental and fifteen are owned. At turnover, the rental units will be converted to ownership. Current lot rents are the lowest in Orange County at \$135 per lot. In order to prevent rent shock, but still increase rents slightly to adequately cover operating costs, residents will over time begin paying for their own water bills and then begin paying slightly higher rents. RACDC plans to do approximately \$226,000 in upgrades, including: bringing the electrical service up to code; bringing the water system up to Town standards and installing two hydrants for fire protection (the development has municipal water); replacing all septic systems; re-paving the road; and bringing rental mobile homes and mobile homes on HOME-funded lots up to Section 8 standards.

The loan amount requested is approximately 14% of the total development cost. The loan is 37% of the appraised value (of the mobile home park consisting of 19 sites and 6 rental mobile homes).

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and Commitment to finance this development upon satisfactory completion of staff underwriting and due diligence.



**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: PERMANENT FINANCING FOR JACOBS MOBILE
COURT (RANDOLPH)**

WHEREAS, a proposal has been presented to the Agency by Randolph Area Community Development Corporation ("RACDC"), involving the acquisition and rehabilitation of Jacobs Mobile Court, a mobile home park containing 19 pads located in Randolph (the "Development"); and

WHEREAS, the proposal contemplates a term mortgage loan of \$80,862 with an amortization period of 20 years and term of 20 years, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, Randolph Area Community Development Corporation will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, Multifamily Development Underwriter, dated April 9, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

6. The sponsor is a financially responsible organization and qualifies as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Randolph Area Community Development Corporation for the acquisition and rehabilitation of Jacobs Mobile Court in Randolph in an amount not to exceed \$85,000, with the following conditions:
 - a) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;
 - b) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park;
 - c) written confirmation from the Town of Randolph confirming that the park is zoned properly for 19 lots and has no outstanding zoning violations; and
 - d) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs and cost estimates or bids for the required infrastructure improvements.
2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a long-term loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$85,000.
4. The long-term loan shall be due and payable not more than 20 years from the date the loan is made; the interest rate on the long-term loan shall not exceed 75 basis points above the Agency's cost of funds. The Sponsor shall be responsible for loan fees. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE
DATE: APRIL 9, 1999

RAS

RE: SINGLE FAMILY BOND FINANCING

Enclosed with this memorandum is a copy of the Preliminary Official Statement (POS), related to the Single Family Housing Bonds, Series 10 A+B and Single Family Housing Notes Series 10 C, D and E. Also enclosed is a copy of the Fourteenth Supplemental Series Resolution. The POS is the document that potential bond purchasers receive that explains the terms of the financing and provides them with the information they need to decide if they want to buy the bonds or notes. The Series Resolution is the document prepared by our bond counsel, Kutak Rock that lists the parameters under which the Bonds and Notes can be sold and provides the form of the bond and note.

We are scheduled to release the pricing of the transaction on Tuesday, April 13th. We have had pre-pricing calls with our financial advisor, Evensen Dodge and our lead underwriter, PaineWebber. Based on the scale of expected prices for the bonds and notes, we expect a 0 point mortgage rate to be offered at 6.35% and a 1 point mortgage at 6.2%. These rates include a 25 basis point increment to cover future loan losses. This structure would create \$33 million in mortgage proceeds, of which approximately \$5 million would be available at stepped rates starting at 4.7% ending at 6.2% and would fund HOUSE and YESS loans. The bonds will be AAA rated due to the acquisition of bond insurance from Financial Security Assurance (FSA). Concurrently with the sale of the bonds, we will be selling \$42 million of one and two year notes which are expected to be used to provide long-term bond financing at their maturity. Adding the notes to the transaction helped reduce the rate on the mortgages by about 24 basis points.

Evensen Dodge feels that the rates proposed to offer the bonds and notes are quite competitive and also have mentioned that the charges by PaineWebber are slightly lower than comparable issues. Since many things connected to the financing are moving targets, we will have updates and additional information available at the Board meeting.

If you have questions on the documents enclosed or the financing in general, please call Sarah or myself at your convenience.

Recommended Action

Adoption of the Fourteenth Supplemental Single Family Housing Bond Series Resolution, which by reference approves the purchase contract with the underwriters.



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743 or (800) 339-5866

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

consumer helpline (800) 287-8432 **fax** (802) 864-5746 **www.vhfa.org**



KUTAK ROCK
DRAFT 4/9/99

VERMONT HOUSING FINANCE AGENCY

**FOURTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING
BOND RESOLUTION**

Adopted April 15, 1999

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FOURTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

BE IT RESOLVED by the Vermont Housing Finance Agency, and the Commissioners thereof, as follows:

Article I

DEFINITIONS AND AUTHORITY

.1. Short Title. This resolution is hereinafter sometimes referred to as the “Fourteenth Supplemental Resolution.”

.2. Definitions and Interpretation.

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Fourteenth Supplemental Resolution unless a different meaning clearly appears from the context:

“*Adjusted Interest Rate*” means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 203(a)(iv) hereof.

“*Adjusted Rate Bonds*” means all Series 10 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 10 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

“*Adjustment Date*” means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 10 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 203(a)(ii) hereof.

“*Adjustment Option Period*” means the period commencing on October 1, 1999 and ending on March 1, 2002, inclusive.

“*Adjustment Rating Certificate*” means (a) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 10 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 203(a)(vi) hereof, accompanied by (b) a letter from each such Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 10 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

"Arbitrage Projection Certificate" means a certificate of an Authorized Officer setting forth the Agency's reasonable expectations that adjustment of the interest rate on the Series 10 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 10 Obligations to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 10 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 10 Obligations from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

"Authenticating Agent" with respect to all Series 10 Obligations, means the Trustee.

"Beneficial Owner" means the person or entity that is considered to be the beneficial owner of any Series 10 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"Bond Counsel" means Kutak Rock, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

"Bond Depository" means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 202 hereof.

"Bond Insurer" means Financial Security Assurance Inc., its successors and assigns.

"Bond Year" means the twelve month period beginning on each [November 1] and ending on the following [October 31]; provided that the initial Bond Year shall commence on the date of issuance of the Series 10 Obligations and end on [October 31, 1999].

"Business Day" means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont, or New York, New York, are authorized or required to be closed.

"Calculation Date" means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the

Remarketing Agent with the approval of the Agency not earlier than fifteen days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 10 Obligations.

“*Loan Loss*” means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 10 Bonds, which amount shall not exceed the sum of (a) the unpaid principal balance of the Loan at the date of the default, (b) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (c) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (d) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (e) the amount of cash remaining in any escrow account maintained for such Loan, (f) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (g) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 10 Loan Loss Claim Fund.

“*Loan Loss Claim Fund Withdrawals*” means amounts withdrawn from the Series 10 Loan Loss Claim Fund pursuant to Section 306(b) hereof on account of a Loan Loss.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series 10 Bonds as provided therein.

“*Municipal Bond Insurance Policy Premium*” means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

“*Notice Date*” means the Business Day which is thirty days prior to the Adjustment Date.

"Official Statement" means the Official Statement of the Agency describing the Series 10 Obligations, in preliminary form dated April 2, 1999, and in final form dated the date of execution of the Purchase Contract.

"Participant" means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

"Principal Amount" for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 10 Obligation, the stated principal amount thereof.

"Pro-Forma Adjusted Interest Rate" shall have the meaning given such term in Section 203(a)(i) hereof.

"Pro-Forma Tender Bonds" shall have the meaning given such term in Section 203(a)(i) hereof.

"Purchase Contract" means the Purchase Contract by and between the Agency and the Underwriters and any other purchaser named therein providing for the terms and conditions of sale of the Series 10 Obligations in substantially the form presented at this meeting and included in the minutes hereof.

"Record Date" with respect to the payment of interest on a Series 10 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 10 Obligation or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 10 Obligation other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 10 Obligations Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"Remarketing Agent" means, collectively, PaineWebber Incorporated, Salomon Smith Barney and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Remarketing Agent under the Remarketing Agreement.

"Remarketing Agreement" means the Remarketing Agreement executed in connection with the issuance of the Series 10 Bonds by the Agency and the Remarketing Agent, or any other remarketing agreement pertaining to the Series 10 Bonds executed and delivered by the Agency in substitution for such

Remarketing Agreement, as such agreements may be amended, modified or supplemented from time to time in accordance with their terms.

"Remarketing Projection of Revenues" means a Projection of Revenues satisfying the requirements of Section 203(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted Interest Rate and will mature on the dates determined in accordance with Section 203(a)(v) hereof.

"Representation Letter" means, with respect to the Series 10 Obligations held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

"Resolution" means the resolution of the Agency adopted September 20, 1990, entitled "Single Family Housing Bond Resolution."

"Series Certificate" means the Series Certificate of the Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 10 Obligations which Series Certificate shall establish certain terms of the Series 10 Obligations as provided herein.

"Series 10 Bonds" means the Series 10A Bonds and the Series 10B Bonds of the Agency authorized by this Fourteenth Supplemental Resolution.

"Series 10 Bond Reserve Requirement" means an amount with respect to the Series 10 Obligations at least equal to the lesser of (a) 50% of the maximum amount of Debt Service payable on all Series 10 Obligations Outstanding in the current or any subsequent Fiscal Year and (b) 10% of the original net proceeds of the Series 10 Obligations.

"Series 10 Contingency Account" means the account in the Redemption Fund so designated and created pursuant to Section 301(e) hereof.

"Series 10 Contingency Account Deposits" means the Series 10 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 10 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the bonds: (a) irrevocable and unexpired letters of credit issued by banking institutions, (b) irrevocable policies of insurance in full force and effect issued by insurers, (c) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (d) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 10 Contingency Account.

"Series 10 Contingency Account Surety Bond" means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of

the Series 10 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 302(c) thereof.

"Series 10 Contingency Account Deposit Provider" means Financial Security Assurance Inc., as provider of the Series 10 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 10 Contingency Account Deposit.

"Series 10 Cost of Issuance Account" means the account in the Program Fund so designated and created by Section 301(c) hereof.

"Series 10 Funded Loan Loss Claim Fund Requirement" means, at any date of computation, an amount equal to the Series 10 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 10 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 10 Loan Loss Claim Fund.

"Series 10 Loan Loss Claim Fund" means the fund so designated and created pursuant to Section 301(a) hereof.

"Series 10 Loan Loss Claim Fund Deposit Provider" means Financial Security Assurance Inc., as provider of the Series 10 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 10 Loan Loss Claim Fund Deposit.

"Series 10 Loan Loss Claim Fund Deposits" means the Series 10 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 10 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the bonds: (a) irrevocable and unexpired letters of credit issued by banking institutions, (b) irrevocable policies of insurance in full force and effect issued by insurers, (c) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (d) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 10 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"Series 10 Loan Loss Claim Fund Requirement" means, as of any date of computation, (1) an amount at least equal to (x) one and eighty-five hundredths percent (1.85%) of the sum of (a) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 10A/B Program Account plus (b) the aggregate amount, if any, then held in the Series 10A/B Program Account which may be applied to the purchase of such Loans, less (y) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 10 Loan Loss Claim Fund, or

(2) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

“Series 10 Loan Loss Claim Fund Surety Bond” means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 10 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 302(b) hereof.

“Series 10 Notes” means the Series 10C Notes, the Series 10D Notes and the Series 10E Notes of the Agency authorized by this Fourteenth Supplemental Resolution.

“Series 10 Obligations” means, collectively, the Series 10 Bonds and the Series 10 Notes.

“Series 10 Rebate Account” means the account in the Rebate Fund so designated and created pursuant to Section 301(f) hereof.

“Series 10 Rebate Requirement” with respect to the Series 10 Obligations, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 305 hereof.

“Series 10 Reimbursement Agreements” means, as applicable, (a) the agreement by and between the Agency and the Series 10 Loan Loss Claim Fund Deposit Provider in connection with the Series 10 Loan Loss Claim Fund Deposit and (b) the agreement by and between the Agency and the Series 10 Contingency Account Deposit Provider in connection with the Series 10 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

“Series 10 Tender Bonds” means the Series 10 Bonds selected in accordance with Section 203(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

“Series 10 Tender Bonds Proceeds Subaccount” means the Series 10A/B Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 301(b) hereof.

“Trustee” means The Howard Bank, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

“Underwriters” means, collectively, PaineWebber Incorporated, Salomon Smith Barney and A.G. Edwards & Sons, Inc.

"Yield" means the yield on the Series 10 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 10 Obligations calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Fourteenth Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 10 Bonds, May 1 and November 1 of each year commencing on November 1, 1999, any redemption date of any Series 10 Bonds and any other date on which interest on the Series 10 Bonds is required or permitted by the Resolution to be paid, (ii) with respect to the Series 10C Notes and the Series 10D Notes, the maturity date thereof and (iii) with respect to the Series 10E Notes, May 1 and November 1 of each year commencing on November 1, 1999.

.3. Authority. This Fourteenth Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

Article II

AUTHORIZATION OF SERIES 10 OBLIGATIONS

.1. Series 10 Obligations; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of two Series of Bonds to be designated "Single Family Housing Bonds, Series 10A" and "Single Family Housing Bonds, Series 10B" in aggregate Principal Amounts not to exceed \$18,845,000 and \$15,920,000, respectively. In addition, the Agency hereby authorizes the issuance of three Series of Notes to be designated "Single Family Housing Notes, Series 10C," "Single Family Housing Notes, Series 10D" and "Single Family Housing Notes, Series 10E" in aggregate Principal Amounts not to exceed \$17,005,000, \$3,995,000 and \$21,000,000. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 10 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (iii) that Loans made on behalf of the Agency with moneys allocable to the Series 10 Obligations can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 10 Obligations as provided herein and from the investment of the proceeds of the Series 10 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 10 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 10 Obligations are being issued. For purposes of Section 2.04(B) of the Resolution, all Series 10 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 2.03(B) of the Resolution and all Series 10 Bonds shall be issued as "Tender Bonds" as described in Section 2.03(D) of the Resolution.

(b) The Series 10 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 10A/B Program Account, the Series 10 Cost of Issuance Account, the Series 10 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The Series 10 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series C/D Program Account and the Series 10E Program Account. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Subject to Section 2.02 hereof, all Series 10 Obligations shall be issued only in the form of fully registered bonds each in the denomination of \$5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA", "RB", "RC", "RD" or "RE", or applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 10 Bonds shall be dated April 1, 1999. The Series 10 Bonds shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from April 1, 1999, or if the date of authentication of any Series 10 Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on each Series 10 Bond shall be payable on November 1, 1997 and semi-annually thereafter on May 1 and November 1 of each year. Subject to Section 203 hereof, the Series 10 Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 10 Obligations exceed a Yield which would result in an interest rate on the Mortgage Loans to be financed with the proceeds thereof in excess of 7.00% per annum nor may the final maturity date of the Series 10 Bonds be later than May 1, 2030.

(e) The Series 10 Notes shall be dated the date of their initial authentication and delivery. The Series 10C Notes and the Series 10D Notes shall bear interest from the date of their initial authentication and delivery. The Series 10E Notes shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from the date of their initial authentication and delivery, or if the date of authentication of any Series 10E Note is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on the Series 10C Notes and the Series 10D Notes shall be payable on the maturity date thereof and interest on the Series 10E Notes shall be payable on November 1, 1999 and semiannually thereafter on May 1 and November 1 of each year. The Series 10 Notes shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however,

that in no event shall the Series 10C Notes or the Series 10D Notes mature later than April 28, 2000 nor may the Series 10E Notes mature later than April 27, 2001.

(f) The Principal Amount and Redemption Price of the Series 10 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 10 Obligations shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 10 Obligation on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 10 Obligations shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (f) to the contrary, if at any time the Series 10 Obligations are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 202 hereof, the Principal Amount and Redemption Price of and interest on the Series 10 Obligations of any registered owner of Series 10 Obligations of \$1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 10 Obligations on account of which such payment is made.

(g) Pursuant to Section 3.05(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 10 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 10 Obligation delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

.2. Book Entry System. Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 10 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 10 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 10 Obligations shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 10 Obligations registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 10 Obligations. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the

records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 10 Obligations, (iii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 10 Obligations, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 10 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 10 Obligations only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 10 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 10 Obligation evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Fourteenth Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 10 Obligations shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 10 Obligations shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 10 Obligations, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 10 Obligations) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 10 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 10 Obligations.

(d) Notwithstanding any other provision of this Fourteenth Supplemental Resolution to the contrary, so long as any Series 10 Obligation is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with

respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

.3. Adjusted Rate Bonds.

(a) The Series 10 Bonds are issued subject to the provision that all or part of such Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 10 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than forty days prior to the end of the Adjustment Option Period) any amount attributable to the Series 10 Bonds remains on deposit in the Series 10A/B Program Account and the Agency has determined (1) that the rate of interest to be borne by Loans allocable to Series 10 Bonds bearing interest at the rates set forth in the Series Certificate either (x) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (y) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (2) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 10 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to such Remarketing Agent a certificate of an Authorized Officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 10 Bonds (not in excess of the amount then on deposit in the Series 10A/B Program Account and in a multiple of \$5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (1) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 10 Bonds (calculated as of the original date of authentication and delivery of the Series 10 Bonds) and (2) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 10 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed

that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 10 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (3) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 10 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (4) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Remarketing Agent to call a Principal Amount of Series 10 Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than thirty-three days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 10 Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 10 Bonds (hereinafter referred to as "Series 10 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 10 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 203). If less than all Series 10 Bonds are to be tendered, Series 10 Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 10 Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 10 Bonds of all maturities Outstanding. If less than all Series 10 Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 10 Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 10 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any

Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 10 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 10 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 10 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 10 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 10 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 10 Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 10 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 10 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and telecopier number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 10 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 10 Tender Bonds in accordance with Section 203(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 A.M. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 10 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 10 Tender Bonds, all of such Series 10 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 10 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, telecopier or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 10 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (4) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 10 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 10 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 10 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 10 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 10 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 10 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 10 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 10 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 10 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 10 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 10 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 10 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 10 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 10 Loan Loss Claim Fund Deposits in one or more of the Funds or

Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 10 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 10 Bonds Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (1) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (2) either (x) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (y) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (z) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 10 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 204(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 203, all Series 10 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 10 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 10 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 10 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 10 Tender Bonds issued in exchange for or upon the transfer of Series 10 Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 10 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 A.M., New York City time on the Adjustment Date. The Remarketing Agent, acting pursuant to the Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 10 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 A.M., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 10 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 10 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 10 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 10 Tender Bonds who has received notice that such Holder's Series 10 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or telecopier received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 P.M. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or

if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 10 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 10 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 10 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 10 Tender Bonds tendered for exchange and of the same maturity as the Series 10 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 10 Tender Bonds for Adjusted Rate Bonds in the case of Series 10 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 P.M. (New York City time) on the fourteenth (14th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 10 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 10 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 10 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 10 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 10 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 10 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 10 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

.4. Redemption Provisions.

(a) All Series 10 Bonds shall be subject to redemption prior to maturity on and after May 1, 2009, in whole or in part, at any time, from such maturities of Series 10 Bonds of similar tenor selected by the Agency and by lot if within a maturity of Series 10 Bonds of similar tenor, on any Interest Payment Date, from moneys deposited in the

Series 10 Optional Redemption Account in the Redemption Fund, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date.

(b) All Series 10 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) All Series 10 Bonds shall be subject to redemption prior to maturity at any time in whole or in part from such maturities of Series 10 Bonds of similar tenor as the Agency shall designate in its discretion in accordance with the Resolution (and, if less than all Series 10 Bonds of similar tenor of a maturity are to be redeemed, by lot within such Series 10 Bonds of similar tenor of such maturity), at a Redemption Price equal to the Principal Amount of each Series 10 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date, from any moneys deposited in any Special Redemption Account in the Redemption Fund (other than as provided in Section 3.04(b) hereof) and upon compliance with the provisions of Section 5.09 of the Resolution.

(d) If so provided in the Series Certificate, Series 10 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 10 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 10 Bonds, bearing, in addition to such other information as may be required by Section 4.05 of the Resolution, the "CUSIP" number of each Series 10 Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than sixty days and not less than thirty days prior to the sixty days and not less than thirty days prior to the redemption date to the registered owners of all Series 10 Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 10 Bonds or portions thereof given to the registered owner of \$1,000,000 or more Principal Amount of Series 10 Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 10 Bond or any defect therein shall not affect the redemption of any other Series 10 Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 10 Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided

failure to give such notice or any defect therein shall not affect the redemption of such Series 10 Bonds on the redemption date therefor). If any Series 10 Bonds called for redemption as provided herein are not presented for payment within sixty days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 10 Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 10 Bonds on the redemption date therefor.

(f) The Series 10 Notes are not subject to redemption prior to maturity.

.5. Sale of Series 10 Obligations.

(a) The Series 10 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 10 Obligations on the terms and conditions, and upon the representations set forth in the Purchase Contract, which Purchase Contract is hereby approved, subject to such changes, additions and deletions as may be approved by the Chairman, Vice-Chairman or the Executive Director, and the execution and delivery thereof on behalf of the Agency by the Chairman, Vice-Chairman or Executive Director is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 10 Bonds exceed a Yield which would result in an interest rate on the Mortgage Loans to be financed with the proceeds of the Series 10 Bonds in excess of 7.00% per annum nor may any Series 10 Obligation mature later than May 1, 2030.

(b) The distribution of the preliminary Official Statement by the Underwriters is hereby ratified and confirmed in all respects. The final Official Statement is hereby approved and the execution and delivery thereof to the Underwriters is hereby ratified and confirmed in all respects.

(c) The Series 10 Obligations shall be delivered upon compliance with the provisions of Section 2.04 of the Resolution, at the time and place provided by the Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under the Purchase Contract shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the Purchase Contract.

Article III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 10 OBLIGATIONS

.1. Establishment of Funds and Accounts.

(a) In accordance with Section 5.02 of the Resolution, the Series 10 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 10 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 10 Bonds within the

meaning and with the effect given by Section 2.07 of the Resolution, and the Series 10 Loan Loss Claim Fund Surety Bond Investment Obligations and Series 10 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Fourteenth Supplemental Resolution.

(b) There are hereby established in the Program Fund separate accounts designated the "Series 10A/B Program Account," the Series 10C/D Program Account" and the "Series 10E Program Account" moneys in each of which shall be used for the purposes and as authorized by Section 5.04 of the Resolution and Section 303 of this Fourteenth Supplemental Resolution. There is also hereby established in the Series 10A/B Program Account a separate subaccount designated the "Series 10A/B Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 10A/B Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the Series 10A/B Program Account.

(c) In accordance with Section 5.02 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 10 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 5.05(A) of the Resolution.

(d) In accordance with Section 5.02 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 10 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 5.05(B) of the Resolution.

(e) In accordance with Section 5.02 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 10 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Fourteenth Supplemental Resolution. The Series 10 Contingency Account shall be deemed to be Additional Security for the Series 10 Bonds within the meaning and with the effect given by Section 2.07 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 10 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 5.10 of the Resolution and Section 3.07 of this Twelfth Supplemental Resolution.

.2. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 10 Obligations, the proceeds of sale of the Series 10 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 10 Obligations, the Agency shall deliver to the Trustee cash, the Series 10 Loan Loss Claim Fund Surety Bond or Series 10 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 10 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 10 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 10 Bonds, the Agency shall deliver cash, the Series 10 Contingency Account Surety Bond or Series 10 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 10 Contingent Account Deposit is other than cash, the Series 10 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 10 Contingency Account.

.3. Application of Certain Amounts in Series 10 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided, amounts deposited in the Series 10A/B Program Account in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein and in Section 5.04 of the Resolution. Amounts deposited in the Series 10A/B Program Account as provided herein or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 7.01 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 10 Obligations in accordance with Section 2.07 of the Resolution.

Notwithstanding anything herein to the contrary, on the date of issuance of the Series 10 Obligations, the Trustee shall apply funds on deposit in the Series 10A/B Program Account in an amount as shall be designated by the Agency to purchase such Mortgage Loans designated by the Agency which have previously been purchased by the Agency with available funds of the Agency. In addition, amounts on deposit in the Series 10A/B Program Account shall be applied from time to time at the direction of the Agency to purchase Mortgage Loans designated by the Agency which the Agency has previously committed to purchase.

(b) Amounts on deposit in the Series 10A/B Program Account shall be applied by the Agency to the purchase or origination of Loans bearing interest at a rate not less than the rate set forth in the Series Certificate during the full term of such Loan; provided, however, that the Series Certificate may provide for the purchase or origination of Loans bearing interest at stepped-rates. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 10 Obligations.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, (i) if on September 1, 2002, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing new money proceeds of the Series 10 Bonds remains on deposit in the Series 10A/B Program Account, other than amounts deposited therein pursuant to Section 5.06(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 10 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 10 Bonds in accordance with Section 2.04(c) hereof on October 1, 2002, (or on such date prior thereto as the Agency in its discretion may direct the trustee). Notwithstanding the foregoing, if the amount remaining on deposit in the Series 10A/B Program Account is less than \$250,000, all or part of such amount may, at the option of the Agency expressed in a certificate of an Authorized Officer delivered to the Trustee, be deposited in the Debt Service Fund. Notwithstanding the foregoing, the Agency may direct the Trustee in a certificate of an Authorized Officer delivered to the Trustee prior to September 1, 2002, to retain in the Series 10A/B Program Account all or any portion of the amount then held therein allocable to the new money proceeds of the Series 10 Bonds as aforesaid to such later date or dates as shall be specified in such certificate if such certificate is accompanied by (x) a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that retention of such amount to such later date or dates will not adversely affect the unenhanced credit ratings then assigned to the Bonds Outstanding and (y) an opinion of Bond Counsel to the effect that retention of such amount to such later date or dates will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 10 Obligations. A copy of such certificate shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Bonds at the same time it is filed with the Trustee. If any such amount is so retained in the Series 10A/B Program Account, any amount remaining on deposit in the Series 10A/B Program Account on the date or dates specified in such certificate shall be transferred by the Trustee on such date to the Series 10 Special Redemption Account and shall be applied to the redemption of Series 10 Bonds in accordance with Section 2.04(c) hereof on the earliest date on which

the required notice of redemption can be practicably given (or on such earlier date as the Agency shall direct).

For purposes of this Section 3.04(c) amounts on deposit in the Series 10A/B Program Account allocable to the new money proceeds of the Series 10 Bonds shall be deemed to be spent for the purchase of Loans prior to the "transferred proceeds" allocable to the refunding portion of the Series 10 Bonds.

(d) Amounts on deposit in the Series 10C/D Program Account and the Series 10E Program Account shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 10 Notes.

.4. Application of Series 10A/B Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 5.04 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 10 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw from the Series 10A/B Program Account and deposit in the Series 10A/B Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 10 Bonds so certified. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 5.04 of the Bond Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 10A/B Tender Bonds Proceeds Subaccount to the Series 10 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 10A/B Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 10 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 5.04 of the Resolution to the contrary, if on the Adjustment Date any Series 10 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 10A/B Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the Principal Amount of all such Series 10 Tender Bonds not so remarketed. The amount so transferred shall be applied on the Adjustment Date to the purchase of Series 10 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall transfer the entire balance then remaining in the Series 10A/B Tender Bonds Proceeds Subaccount to the Series 10A/B Program Account for application thereafter as provided in Section 504 of the Resolution and Section 303 hereof.

.5. Application of Series 10 Contingency Account.

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 5.09(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 5.09(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 5.09(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 10 Contingency Account Surety Bond or the Series 10 Contingency Account Deposit, as applicable, for the credit of the Series 10 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 5.09(G) of the Resolution upon any redemption of Series 10 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 10 Contingency Account Deposit, with the prior approval of the Series 10 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 10 Contingency Account or to give notice to the Series 10 Contingency Account Deposit Provider and to draw upon the Series 10 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 10 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 10 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 5.09(G) of the Resolution with respect to the purchase or redemption of Series 10 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 10 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 10 Contingency Account Deposit is held under the Resolution for the account of the Series 10 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 10 Contingency Account Deposit and return it to the Series 10 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or

cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 10 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 10 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 10 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 10 Contingency Account Deposit Provider pursuant to the Series 10 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 10 Reimbursement Agreement and the Series 10 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 10 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 10 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 10 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 10 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 10 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 10 Contingency Account Deposit the Trustee shall draw upon the Series 10 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 10 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 10 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 10 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 10 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, first, from cash and Investment Obligations, if any, on deposit in the Series 10 Contingency Account and second, from amounts drawn on any Series 10 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 10 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 10 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 10 Contingency Account Deposit the amount of the deficiency (or such portion thereof that

has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 10 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 10 Contingency Account shall be transferred by the Trustee to the Agency.

.6. Application of Series 10 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 10 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 10 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 306, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 308 of this Fourteenth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 10 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 10 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 10 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 306.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 10 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 10 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 10 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 10 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 10 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 10 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 10 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 10 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 10 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 10 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, first, from cash and Investment Obligations, if any, on deposit in the Series 10 Loan Loss Claim Fund and

second, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 10 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 10 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 10 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 10 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Fourteenth Supplemental Resolution shall obligate the Agency to deposit in the Series 10 Loan Loss Claim Fund an amount which would cause the balance in the Series 10 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 10 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (x) 1.85% of the sum of (i) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 10A/B Program Account plus (ii) the aggregate amount, if any, then held in the Series 10A/B Program Account which may be applied to the purchase of such Loans, or (y) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 10 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 10 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 10 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 10 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 7.01 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 10 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 10 Loan Loss Claim Fund exceeds the Series 10 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 10 Loan Loss Claim Fund exceeds the Series 10 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 10 Loan Loss Claim Fund Deposit exceeds the Series 10 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 10 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 10 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 10 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 10 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 10 Loan Loss Claim Fund Deposit Provider pursuant to the Series 10 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 10 Reimbursement Agreement and the Series 10 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 10 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 10 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 10 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 10 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 10 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 10 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 10 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 10 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 10 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 10 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 10 Loan Loss Claim Fund Deposit and deposit in the Series 10 Loan Loss Claim Fund an amount sufficient to cause the Series 10 Funded Loan Loss Claim Fund Requirement to equal the Series 10 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 10 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 10 Loan Loss Claim Fund Requirement shall be reduced to zero (0) if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 10 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 10A/B Program Account during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 10 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

.7. Series 10 Rebate Account.

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 10 Obligations, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 10 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 10 Rebate Requirement.

(b) Within thirty days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 10 Rebate Requirement for such Bond Year.

(c) Within sixty days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 10 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within sixty days after the Series 10 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 10 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania, 19255, or any successor location specified by the Internal

Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 10 Rebate Requirement, the amount in the Series 10 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 10 Obligations the amount on deposit in the Series 10 Rebate Account exceeds the Series 10 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 307, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 307. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 10 Obligations.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

.8. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 5.06(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 10 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 5.06(b), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 10 Bonds to the Series 10 Loan Loss Claim Fund to the extent the amount therein is less than the Series 10 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 5.06(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 10 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year shall not exceed the sum of (i) \$10,000 plus (ii) the sum of the fees payable to the Series 10 Loan Loss Claim Fund Deposit Provider in connection with the Series 10 Loan Loss Claim

Fund Deposit, the fees payable to the Series 10 Contingency Account Deposit Provider in connection with the Series 10 Contingency Account Deposit and the amount of the Municipal Bond Insurance Policy Premium unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 5.06(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 10 Obligations shall be transferred to the General Fund pursuant to such Section 5.06(b)(viii) unless (i) there are no amounts owed to the Series 10 Loan Loss Claim Fund Deposit Provider or the Series 10 Contingency Account Deposit Provider under either of the Series 10 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 5.06(b)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 10 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 10 Obligations, other than amounts held in the Rebate Fund, the Series 10 Contingency Account and the Series 10 Loan Loss Claim Fund and the amounts attributable to the Series 10 Obligations then to be paid to the Agency in accordance with said Section 5.06(b)(viii), are at least equal to 101% of the Principal Amount of all Series 10 Obligations plus all interest accrued and unpaid thereon as of such date.

Article IV

FORM OF SERIES 10 OBLIGATIONS

.1. Form of Series 10 Obligations.

(a) All Series 10 Obligations authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Fourteenth Supplemental Resolution, as the Chairman, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 10 Obligations hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Fourteenth Supplemental Resolution, as the Chairman, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

Article V

MISCELLANEOUS

.1. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance, Director of Single Family Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Fourteenth Supplemental Resolution, the Resolution, the Purchase Contract, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

.2. Reimbursement Agreement. The Chairman, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director, Deputy Director or Director of Finance are hereby authorized to execute the Series 10 Reimbursement Agreement[s] in such form as shall be approved by General Counsel to the Agency and to deliver the same to the Series 10 Loan Loss Claim Fund Deposit Provider and the Series 10 Contingency Account Deposit Provider, as applicable.

.3. Purchase Contract; Remarketing Agreement. The Purchase Contract and the Remarketing Agreement are hereby approved in substantially the form presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chairman, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Purchase Contract and the Remarketing Agreement and, upon such execution, to deliver it to the underwriters of the Bonds and the Remarketing Agent, respectively.

.4. Remarketing Agent.

(a) The Remarketing Agent is hereby appointed by the Agency to serve as Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a

successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

.5. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chairman, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

.6. Amendment of Resolution. Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 10.12 of the Resolution by adding to the end of such Section 10.12 the following clause:

; provided, however, that any such company shall not be required to satisfy the requirements with respect to capital and surplus set forth in Sections 10.02 and 10.10.

This amendment to Section 10.12 of the Resolution shall become effective with respect to all Bonds Outstanding under the Resolution at such time as the Owners of 60% in aggregate Principal Amount of the bonds Outstanding shall have consented to such amendment. The Underwriters, as initial beneficial owner of the Series 10 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

.7. Effective Date. This Fourteenth Supplemental Resolution shall take effect immediately.

Article VI

MUNICIPAL BOND INSURANCE POLICY

.1. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 10 Obligations.

.2. Payment Procedures. As long as the Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) At least one day prior to all Interest Payment Dates the Trustee will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Series 10 Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such Funds or Accounts, the Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 10 Bonds to which such deficiency is applicable and whether such Series 10 Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Bond Insurer at least one day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Series 10 Bonds on or before the first

day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the Bond Insurer's insurance trustee (the "Insurance Trustee"), the registration books of the Agency maintained by the Trustee and all records relating to the Funds and Accounts related to the Series 10 Bonds maintained under the Resolution.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Series 10 Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Series 10 Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Series 10 Bonds surrendered to the Insurance Trustee by the registered owners of Series 10 Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Series 10 Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Series 10 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 10 Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Series 10 Bonds for payment thereon first to the Trustee who shall note on such Series 10 Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 10 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Agency has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners of Series 10 Bonds that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 10 Bonds

which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Fourteenth Supplemental Resolution, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series 10 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Series 10 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Agency maintained by the Trustee upon surrender of the Series 10 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

.3. Notices to the Bond Insurer.

(a) While the Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 10 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 10 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 10 Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency; and

(iv) such additional information it may reasonably request.

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 10 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 10 Bonds at any reasonable time.

(d) the Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then

such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 10 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 10 Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 10 Bonds.

.4. Consent of the Bond Insurer. Any provision of this Fourteenth Supplemental Resolution expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

.5. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all bondholders who hold the Bond Insurer-insured bonds absent a default by the Bond Insurer under the applicable Municipal Bond Insurance Policy insuring such Bonds.

.6. Consent of the Bond Insurer Upon Default. Anything in the Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to Series 10 Bonds, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Series 10 Bonds or the Trustee for the benefit of the owners of the Series 10 Bonds under the Resolution, including, without limitation: (a) the right to accelerate the principal of the Series 10 Bonds as described in the Resolution and (b) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

.7. Defeasance of Series 10 Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 10 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 10 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 10 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

.8. Payment of Municipal Bond Insurance Premium. Notwithstanding any provision of Section 5.06 of the General Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 10 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the General Resolution.

.9. The Bond Insurer as Beneficiary Hereof. To the extent that this Fourteenth Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

.10. Parties Interested Herein; References to Ratings. Nothing in this Fourteenth Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 10 Bonds, any right, remedy or claim under or by reason of this Fourteenth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Fourteenth Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 10 Bonds.

Notwithstanding anything in the Resolution or this Fourteenth Supplemental Resolution to the contrary, any reference in the Resolution or the Fourteenth Supplemental Resolution with respect to the ratings maintained in the Series 10 Bonds by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 10 Bonds.

EXHIBIT A

**VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS**

Series 10A

Series 10B

**Series 10A and Series 10B Tender Bonds Selected
For Tender on _____**

The Howard Bank, N.A.
Burlington, Vermont 05402-0409
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on _____ (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated _____, we hereby give you irrevocable notice that we elect to retain \$[_____] aggregate principal amount of Series 10 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 10 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	Maturity	Amount
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[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Fourteenth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 10 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of THE
DEPOSITORY TRUST COMPANY

Signature

Name

RESOLUTION AMENDING
RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, JULY 23, 1998

WHEREAS, the Agency has renamed its Single Family Operations Department "Home Ownership Programs;" and

WHEREAS, a new Director of Home Ownership Programs, Patricia A. Crady, has been named to replace the retiring Director of Single Family Operations; and

WHEREAS, the Agency's Deputy Director has resigned; and

WHEREAS, a new position, Director of Administration, has been created; and

WHEREAS, the Board of Commissioners wishes to amend the Resolution adopted at the annual meeting of Vermont housing finance agency, July 23, 1998 (the "Resolution") to reflect these changes;

NOW, THEREFORE, it is hereby RESOLVED:

1. Wherever the Resolution refers to the "Director of Single Family Operations," the title shall be changed to "Director of Home Ownership Programs." The individual whose signature and title appears below is authorized to do those acts provided for the position of Director of Home Ownership Programs in the Resolution, as amended.

Director of Home Ownership Programs _____ Patricia A. Crady

2. Wherever the Resolution refers to the "Assistant Director of Single Family Operations," the title shall be changed to "Assistant Director of Home Ownership Programs." The individual whose signature and title appears below is authorized to do those acts provided for the position of Assistant Director of Home Ownership Programs in the Resolution, as amended.

Assistant Director of Home Ownership Programs _____ Jacklyn R. Santerre

3. The position of Deputy Director is vacant and will not be filled at this time.

4. A new position, Director of Administration, is created. The Director of Administration will have the duties of the Deputy Director and such other duties as assigned by the Executive Director.

5. The individual whose signature and title appears below is authorized to do those acts provided for the position of Deputy Director in the Resolution, as amended.

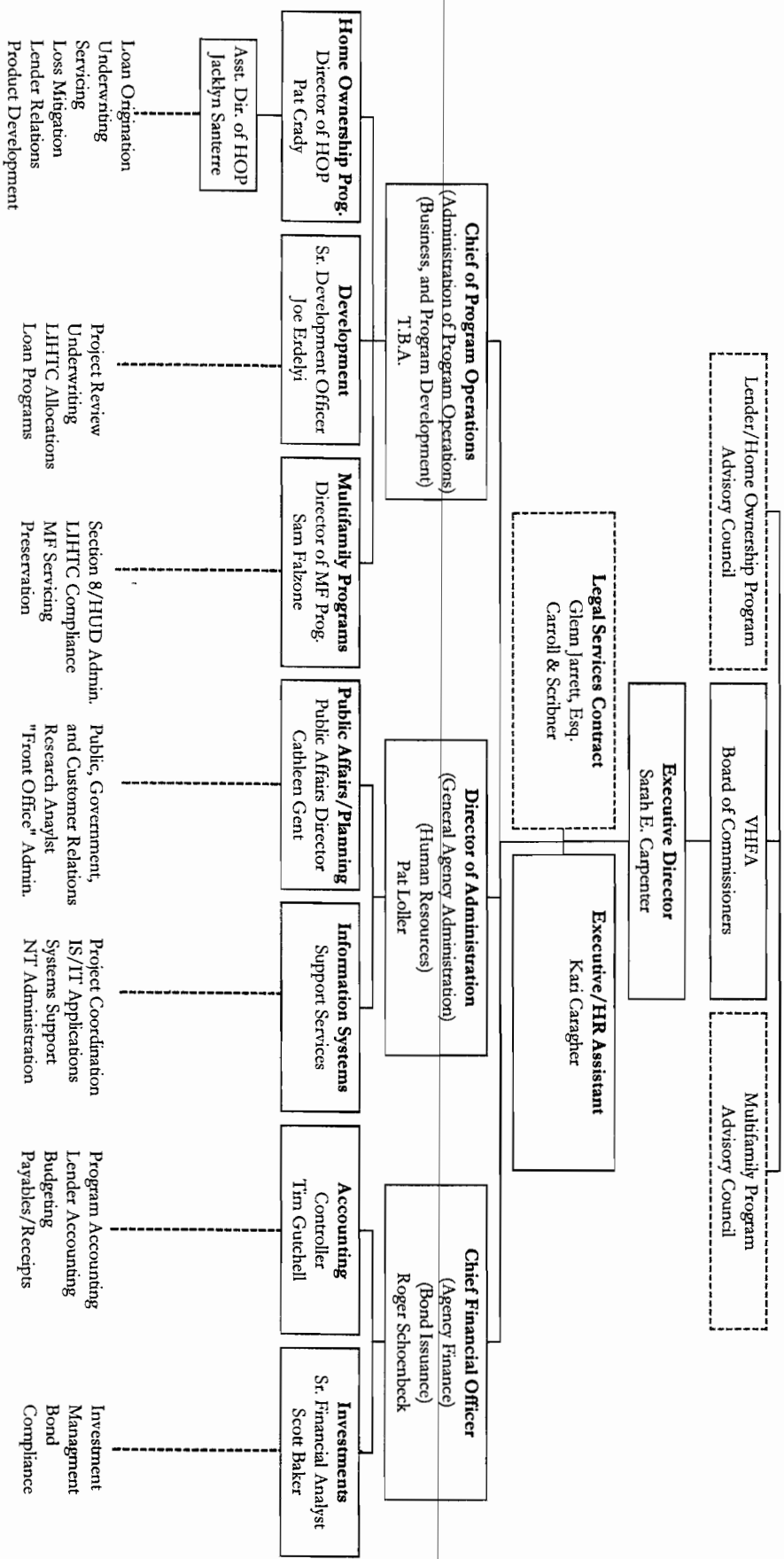
Director of Administration

Patricia M. Loller

6. The remainder of the Resolution not affected by these changes will continue in force as written.

7. The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

VERMONT HOUSING FINANCE AGENCY





MEMORANDUM

To: VHFA Board of Commissioners
From: Glenn A. Jarrett, General Counsel
Date: April 9, 1999
Re: The Briars (Wilder)

The Briars closing is tentatively scheduled for April 29. The Agency does not yet have a source of funds for this \$681,000 loan. The Agency could fund the acquisition with a general fund loan at closing and will later replace the general fund money with tax-exempt bond proceeds. If so, it is necessary for the Board to pass a reimbursement resolution to insure our ability to recover any money put into the deal at this point. An example is attached.

REQUESTED ACTION:

Adoption of the attached resolution.



RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY
ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN WILDER (HARTFORD)

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of approximately \$700,000 aggregate principal amount (the "Bonds") to finance a loan to Briars Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Wilder (Hartford), Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1.150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

3. This Resolution shall become effective immediately.

RESOLUTION HONORING
DOUGLAS R. LOTHROP
ON HIS RETIREMENT FROM THE POSITION
OF DIRECTOR OF SINGLE FAMILY OPERATIONS OF THE
VERMONT HOUSING FINANCE AGENCY

WHEREAS, Douglas Lothrop first joined the Vermont Housing Finance Agency in 1983 as Loan Service Supervisor after a distinguished career in banking; and

WHEREAS, Doug served in that capacity until 1985 before leaving VHFA for a banking position in the private sector; and

WHEREAS, having seen the error of his ways, Doug returned from the private sector to VHFA to serve as Director of Single Family Operations from 1986 to the present; and

WHEREAS, Doug focused, among other areas, on energy conservation, including concentrated involvement with the Vermont Energy Investment Corporation, Energy Rated Homes of Vermont (serving as President) and Energy Rated Homes of America, which he served as Chairman of the Board; and

WHEREAS, Doug has always greeted his co-workers with good cheer and bonhomie;
and

WHEREAS, the Commissioners and staff of Vermont Housing Finance Agency have valued the knowledge, wisdom and leadership of Doug Lothrop during his tenure as Director of Single Family Operations;

NOW, THEREFORE, it is hereby RESOLVED:

1. Vermont Housing Finance Agency thanks Doug Lothrop for his dedicated service as Loan Service Supervisor of the Agency from 1983-85 and as Director of Single Family Operations from 1986 to 1999.
2. Doug Lothrop has been vital in the Agency's efforts to achieve its mission of providing affordable housing to Vermonters.
3. Vermont Housing Finance Agency expresses its sincere and lasting appreciation to Doug Lothrop for all his good work over the 15 years he has been associated with Vermont Housing Finance Agency.
4. Vermont Housing Finance Agency declares Douglas Lothrop to be a "Friend of Affordable Housing."

RESOLUTION REGARDING
VERMONT HOUSING FINANCE AGENCY
MONEY PURCHASE PENSION PLAN

WHEREAS, several of the trustees the Vermont Housing Finance Agency Money Purchase Pension Plan (the "Plan") have left the Agency or resigned and replacements need to be appointed; and

WHEREAS, the Executive Director has recommended that Sarah E. Carpenter and Patricia M. Loller be added to the Agency's pension plan trustees;

WHEREAS, the Plan's administrator has recommended eliminating the requirement that an employee have 1000 hours of service in a year in order to receive Agency contributions, retroactive to January 1, 1999, and staff concurs in this recommendation;

NOW, THEREFORE, it is hereby RESOLVED:

1. The resignations of Glenn Jarrett and Douglas Lothrop as trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan are accepted. Allan Hunt and Michael McNamara are removed as trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan.
2. Sarah E. Carpenter and Patricia M. Loller are hereby appointed trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan.
3. The requirement of the Plan that an employee have 1000 hours of service in a year in order to receive Agency contributions is hereby repealed, effective January 1, 1999.
4. The Executive Director is hereby directed to take all steps necessary to implement this Resolution.



MEMORANDUM

To: VHFA Board of Commissioners

From: Sarah E. Carpenter, Executive Director
Glenn A. Jarrett, General Counsel *GC*

Date: April 9, 1999

Re: Pension Plan Changes

BACKGROUND

We recently met with the Agency's pension plan administrator. There are two issues that need to be addressed immediately, with another larger issue remaining for discussion.

Because of staff turnover, new trustees for the Agency's pension plan need to be named. Although traditionally there have been five trustees, there is no minimum requirement. With Doug and Glenn's resignations as trustees, Roger is the one remaining trustee. We are requesting that Sarah and Pat Loller be added as trustees. The new chief of Program Operations can be added later. We did want to discuss what role the Board needs to have in oversight of the Plan.

The second issue for action is to do away with the requirement that an employee have 1000 hours of service in a year in order to receive any contribution from the Agency for that year. In effect, that penalizes any employee who leaves the Agency during the first half of a year. Our administrator doesn't think the 1000 hour requirement fits with the way our plan is run and has recommended its elimination. Staff concurs.

The third issue concerns vesting. The Agency's plan currently contains a vesting provision that allows money to vest in the employees at the rate of 20% a year, with five years required for full vesting. There has been a discussion of this issue with the Board HR Committee about the competitiveness of this versus more immediate vesting, like a 401(k) plan. This needs to be resolved as we finalize the employee handbook and next year's budget.

REQUESTED ACTION:

Adoption of the attached resolution.

RESOLUTION REGARDING
VERMONT HOUSING FINANCE AGENCY
MONEY PURCHASE PENSION PLAN

WHEREAS, several of the trustees the Vermont Housing Finance Agency Money Purchase Pension Plan (the "Plan") have left the Agency or resigned and replacements need to be appointed; and

WHEREAS, the Executive Director has recommended that Sarah E. Carpenter and Patricia M. Loller be added to the Agency's pension plan trustees;

WHEREAS, the Plan's administrator has recommended eliminating the requirement that an employee have 1000 hours of service in a year in order to receive Agency contributions, retroactive to January 1, 1999, and staff concurs in this recommendation;

NOW, THEREFORE, it is hereby RESOLVED:

1. Sarah E. Carpenter and Patricia M. Loller are hereby appointed trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan.
2. The requirement of the Plan that an employee have 1000 hours of service in a year in order to receive Agency contributions is hereby repealed, effective January 1, 1999.
3. The Executive Director is hereby directed to take all steps necessary to implement this Resolution.



MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Patricia M. Loller, *PL* Director of Administration
DATE: April 12, 1999
RE: Year 2000 Update

VHFA has just received the report from Panurgy (formerly Computer Land) regarding their testing of hardware and inventory of all software and it's Year 2000 readiness factor. I'm happy to report that 100 % of our hardware is Year 2000 ready. All PCs/servers were physically tested, while hubs/routers and other miscellaneous hardware have been sited as Year 2000 ready by the manufacturer.

However, the report also stated that 47% of VHFA's software is Year 2000 ready, 7% passed conditionally, 22% failed and 23% were not being tested by the vendor. These numbers are very different than those I have disclosed in the past. However, these numbers do not truly represent the status of VHFA's critical software applications. The reasons for the discrepancy are two fold, the first being due to the level of detail of Panurgy's inventory process and the second to the changing status of Microsoft's definition of Year 2000 ready.

The software inventory process identified every piece of software, no matter how insignificant, on every PC/server within the Agency. When a PC is purchased, there is bundled software included, which most users never use or even know is part of their PC software package. The Panurgy report includes the results for each of these non-critical software packages. Also, due to the various times PCs were purchased, different versions of the same software maybe on system, which is incrementing the number not compliant by each additional version.

Regarding Microsoft, our plan has been to load the upgrades/patches to our test server as they are released from Microsoft, then download to the respective users. We will be deleting several old versions, which are not in use any longer.

Once I return from the Mitas visit, I will complete the analysis, which I have started, to identify any true risk to VHFA. I will update Board members prior to our next meeting in May if any high risk factors are identified in this analysis. I do plan on providing an in depth status report regarding all aspects of VHFA's Year 2000 planning process at the May meeting.

On other fronts, we have completed 99% of our contingency plans and are working to get our test system in place. We have also been successful with receiving confirmation from 99% of our vendors/housing partners regarding the status of their Year 2000 readiness.

Please give me a call with any questions or concerns you may have regarding VHFA's Year 2000 process, 802-652-3425.



mailing address P.O. Box 408, Burlington, VT 05402-0408

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

phone (802) 864-5743 or (800) 339-5866

consumer helpline (800) 287-8432

fax (802) 864-5746

www.vhfa.org



Single Family Mortgage Interest Rates Available Through Selected HFAs: 4/12/99

HFA	Interest rate. By points (if available)				Notes
	Interest rate	0 pts.	1 pt.	2 pts.	3 pts.
Alaska	6.25% 30 yr, 6% 15 yr.				Borrowers who have incomes at or below the HUD median, who are first-time homebuyers, and who would have less than \$10,000 liquid assets after closing are eligible for rates 1-2% lower than the standard rate (shown at left).
Colorado	6% high cost, 6.25% other areas				Additional special program with 5.75% interest rate in high cost areas and 6% in all other areas
Idaho		6.07%	5.92%	5.77%	Additional interest rate qualifier program: stepped rate ranging from 5.59% to 6.04% depending on points
Illinois		6.75%	6.60%	6.45%	6% with no points in targeted areas
Indiana	6.50%				Interest rate usually stays 1/2 point below market rates
Iowa	6.55%				
Pennsylvania	5.9% existing, 5% new homes				Additional Programs: Lower income program: 5.25%; Homestead program: 5.25%; County outreach program 5% - 5.9%.
Georgia	5.875% non- targeted, 5.5% targeted				
	6.15% (1% orig. fee and .75% for points)				Special homebuyer assistance program = 7.03% with a 11 yr. deferred secondary mortgage loan for down payment and closing cost assistance
Nebraska	6.10%				Interest rate will be 6.20% in May 1999
Nevada		6.25%		5.75%	Interest rate is usually one to two points below conventional rates
New Hampshire					Interest free deferred 2nd mortgages for down payment and closing cost assistance
North Carolina	5.75%				Step rate program: 5.1%(yr. 1), 5.55%(yr. 2), 6% (yrs. 3 - 30)
North Dakota		6.05% (1.5 pts.)		5.80%	
Ohio		5.99%		5.70%	Lower rates for incomes less than \$31,000: \$0 - 23,000: 4.63%, \$23,001 - 26,000: 5.13%, \$26,001 - 31,000: 5.63%. Note: all interest rates are redetermined weekly.
Rhode Island	6.125% with a 1pt origination fee				Step rate program starts at 4.85% and ends at 6.85%
South Dakota	5.95%				
Texas	5.85%				Special program offers rate of 6.875% with grant for 4% of the mortgage amount in downpayment and closing cost assistance.
Tennessee	5.88%				
Utah		6.09%		5.79%	Step rate program: 4.75%(yr. 1), 5.75%(yr. 2), 6.75%(yr. 3 - 30).
Virginia	6.25%				Step rate: 5.85% yrs. 1-3, 6.85% yrs. 4-30: House & YESS 1 point
Vermont		6.70%	6.45%		4.95% 1st yr, 5.45% 2nd yr, 5.95% 3rd yr, 6.54% yrs 4-30.

Source: Housing Finance Agencies Devin Zeller: Intern at Vermont Housing Finance Agency

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY
ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN WILDER (HARTFORD)


WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of approximately \$700,000 aggregate principal amount (the "Bonds") to finance a loan to Briars Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Wilder (Hartford), Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1.150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
3. This Resolution shall become effective immediately.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 15, 1999.


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION REGARDING
VERMONT HOUSING FINANCE AGENCY
MONEY PURCHASE PENSION PLAN

WHEREAS, several of the trustees the Vermont Housing Finance Agency Money Purchase Pension Plan (the "Plan") have left the Agency or resigned and replacements need to be appointed; and

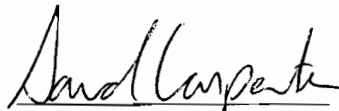
WHEREAS, the Executive Director has recommended that Sarah E. Carpenter and Patricia M. Loller be added to the Agency's pension plan trustees;

WHEREAS, the Plan's administrator has recommended eliminating the requirement that an employee have 1000 hours of service in a year in order to receive Agency contributions, retroactive to January 1, 1999, and staff concurs in this recommendation;

NOW, THEREFORE, it is hereby RESOLVED:

1. The resignations of Glenn Jarrett and Douglas Lothrop as trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan are accepted. Allan Hunt and Michael McNamara are removed as trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan.
2. Sarah E. Carpenter and Patricia M. Loller are hereby appointed trustees of the Vermont Housing Finance Agency Money Purchase Pension Plan.
3. The requirement of the Plan that an employee have 1000 hours of service in a year in order to receive Agency contributions is hereby repealed, effective January 1, 1999.
4. The Executive Director is hereby directed to take all steps necessary to implement this Resolution.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 15, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION HONORING
DOUGLAS R. LOTHROP
ON HIS RETIREMENT FROM THE POSITION
OF DIRECTOR OF SINGLE FAMILY OPERATIONS OF THE
VERMONT HOUSING FINANCE AGENCY

WHEREAS, Douglas Lothrop first joined the Vermont Housing Finance Agency in 1983 as Loan Service Supervisor after a distinguished career in banking; and

WHEREAS, Doug served in that capacity until 1985 before leaving VHFA for a banking position in the private sector; and

WHEREAS, having seen the error of his ways, Doug returned from the private sector to VHFA to serve as Director of Single Family Operations from 1986 to the present; and

WHEREAS, Doug focused, among other areas, on energy conservation, including concentrated involvement with the Vermont Energy Investment Corporation, Energy Rated Homes of Vermont (serving as President) and Energy Rated Homes of America, which he served as Chairman of the Board; and

WHEREAS, Doug has always greeted his co-workers with good cheer and bonhomie; and

WHEREAS, the Commissioners and staff of Vermont Housing Finance Agency have valued the knowledge, wisdom and leadership of Doug Lothrop during his tenure as Director of Single Family Operations;

NOW, THEREFORE, it is hereby RESOLVED:

1. Vermont Housing Finance Agency thanks Doug Lothrop for his dedicated service as Loan Service Supervisor of the Agency from 1983-85 and as Director of Single Family Operations from 1986 to 1999.
2. Doug Lothrop has been vital in the Agency's efforts to achieve its mission of providing affordable housing to Vermonters.
3. Vermont Housing Finance Agency expresses its sincere and lasting appreciation to Doug Lothrop for all his good work over the 15 years he has been associated with Vermont Housing Finance Agency.

4. Vermont Housing Finance Agency declares Douglas Lothrop to be a "Friend of Affordable Housing."

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 15, 1999.



Sarah E. Carpenter

*Executive Director and Secretary
Vermont Housing Finance Agency*

CERTIFIED RESOLUTION OF BOARD OF COMMISSIONERS
REGARDING FEDERAL HOME LOAN BANK OF BOSTON
CUSTODIAL SERVICES AND TRADING PROGRAM

VERMONT HOUSING FINANCE AGENCY

I, Sarah E. Carpenter, certify that I am Secretary and an official custodian of minutes of the meetings of the Board of Commissioners of the Vermont Housing Finance Agency.

I further certify that the following resolution was duly adopted at a meeting of the Board of Commissioners of said institution held on March 18, 1999, and that such resolution remains in full force and effect:

WHEREAS, this institution wishes to utilize the custodial services of the Federal Home Loan Bank of Boston described in the "Custodial Services and Trading Agreement," it is

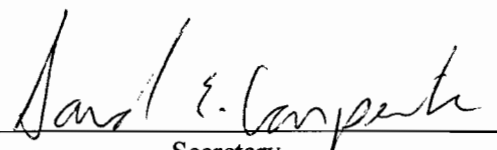
RESOLVED, that the Executive Director, the Director of Finance and the Director of Information Technology or Director of Administration of the institution be and each of them is hereby authorized and directed to execute and deliver to the Federal Home Loan Bank of Boston, on behalf of this institution, an agreement substantially in the form of the "Custodial Services and Trading Agreement" presented to this meeting and such further agreements, documents, or instruments as may be necessitated by this institution's participation in the Custodial Services and Trading Program.

FURTHER RESOLVED, that the Executive Director of the institution be and is hereby empowered to designate in writing the officers or employees of this institution authorized on its behalf to execute documents and to give written and oral instructions (including the use of facsimile signatures and the electronic transmissions thereof) pertaining to securities from time to time subject to safekeeping or to other transactions executed for this institution by said Bank in connection with its Custodial Services and Trading Program.

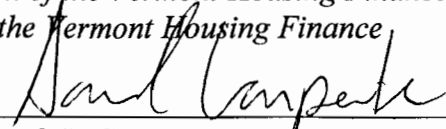
FURTHER RESOLVED, that the Federal Home Loan Bank of Boston shall be entitled to rely on any designation provided for herein in accepting and acting upon instructions given or documents executed by persons so designated until written notice of revocation or amendment of such designation shall have been received by said Bank.

IN WITNESS WHEREOF I have hereunto set my hand and seal of this Institution, this 30 day of April, 1999

(Corporate Seal)


Secretary
Sarah E. Carpenter

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 18, 1999.


Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

CARROLL & SCRIBNER

ATTORNEYS AT LAW

EDWARD J. CARROLL*
MARK H. SCRIBNER
STEVEN E. RICHARDS**
* VT and N.Y.
** MO only

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MEMORANDUM

To: VHFA Board of Commissioners
From: Glenn A. Jarrett, Esq. *GAS*
Date: May 5, 1999
Re: The Briars (Wilder)

The Briars closing, tentatively scheduled for April 29, was postponed due to a real estate issue that is in the process of being resolved. The tentative closing date is May 19, the day before the Board's regular May meeting. The Borrower now wishes to take advantage of a tax-exempt bridge loan, which was discussed in the materials for the March Board meeting. The bridge loan needs to be tax-exempt to assure the Borrower of qualifying for out-of-cap credits. However, the amount is now approximately \$90,000, instead of \$200,000. The Agency could fund this bridge loan with a general fund loan at closing and later replace the general fund money with tax-exempt bond proceeds. We are checking with bond counsel to determine the precise timing requirements. In order to maintain that flexibility, it is necessary for the Board to amend the reimbursement resolution it passed last month to insure the Agency's ability to recover any money put into the deal at this point.

REQUESTED ACTION:

Adoption of the attached amended resolution.

AMENDED RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO
REIMBURSE ANY ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN WILDER
(HARTFORD)

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency has previously, taken "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Reimbursement Resolutions") of approximately \$700,000 aggregate principal amount (the "Bonds") to finance a loan to Briars Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Wilder (Hartford), Vermont that will qualify for federal low-income housing tax credits; and

WHEREAS, the Agency wishes to amend the Reimbursement Resolution of April 15, 1999 to add additional, short term tax-exempt financing of not more than \$100,000 to the amount of the Bonds covered by the reimbursement resolution;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1.150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

3. This Resolution shall become effective immediately.



BOARD MINUTES
State Treasurer's Office
133 State Street, Conference Room #1
Montpelier, Vermont

Thursday, April 15th at 1:00 p.m.

PRESENT: Chairman White; Commissioners Seelig, Randall, Candon (designee of Costle), Brown (designee of Lambert), Douglas, Smith (designee of Douglas)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Gent, Ms. Crady, Ms. Black-Plumeau, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Reid

Other: Mr. Rittenhouse (AG Edwards)

Via Telephone: Mr. Gurley (Paine Webber, Inc.), Mr. Hans (Evensen Dodge), Ms. Welsh (Paine Webber, Inc.), Ms. Crost (Orrick & Herrington), Mr. Amsden (Kutak Rock)

Chairman White called the meeting to order at 1:06 p.m. A motion was made by Mr. Seelig to approve the minutes of March 18, 1999 with one change indicating that Mr. Candon is the designee for Ms. Costle. The motion carried unanimously after being seconded by Mr. Candon.

DEVELOPMENT

Ms. Reid briefly summarized the multifamily loan application for Jacobs Mobile Court, located in Randolph. The development contains a 19-unit mobile home park, of which 4 are rentals and 15 are owner-occupied. When the development is turned over, the rental units will eventually be converted into ownership. There will be a slight increase in rents to adequately cover the operating costs. The Randolph Area Community Development Corporation (RACDC) will be doing approximately \$226,000 in upgrades to the development.

Ms. Reid indicated that one of the contingencies that was not mentioned on the Resolution is that the loan commitment should be contingent on successful applications from VCDP, VHCB, and HOME funds. Mr. Seelig noted that RACDC has been without an Executive Director since July of 1998 and wondered what their staff capacity was. Ms. Reid indicated that the increase in the residents' rents would include covering their own water expenses for which they would be billed directly by the Town. She also noted that RACDC plans to contract out for management of this property, it would probably not be done internally.

After a brief discussion, Mr. Candon made a motion to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Permanent Financing for Jacobs Mobile Court (Randolph)." The motion carried unanimously after being seconded by Mr. Douglas.

BOARD MINUTES

April 15, 1999

Page 2 of 5

ADMINISTRATION

Executive Director's Report - Ms. Carpenter noted that it has been a very busy month. She has been working on reorganizing the Agency and has already instituted some changes. Ms. Carpenter announced that the Servicing staff would be moving upstairs to join the Homeownership Department and that the Public Affairs/Planning Division would be moving to the front of the building to replace the Servicing staff. The Information Systems (IS) staff will be moving to the first floor to the current Public Affairs/Planning Division offices.

Ms. Carpenter reminded the Board that Mr. Lothrop will be retiring from the Agency at the end of the month and that Mr. Jarrett is also leaving the Agency at the end of the month, but will still be contracting with VHFA as needed.

On the Development side, this year's tax credit round will be a very tough one. We have over a \$1,500,000 in applications, with only \$500,000 to allocate. Our Congressional Delegation is supporting the increase in the small state minimum.

Most of the Finance Department is in McKinney, Texas this week at the MITAS Group's Office, training for our conversion to Windows. The conversion will be taking place within the next month or so.

At this time, Mr. Douglas indicated that this meeting would be Mr. Smith's last VHFA Board meeting, as he has recently resigned from the State Treasurer's Office. Mr. Douglas thanked Mr. Smith for all his hard work on VHMGB and for serving as his designee. Chairman White thanked Mr. Smith for his great work, and indicated that the Board will miss him. The Board wished Mr. Smith luck in his future endeavors. Ms. Carpenter also added that Mr. Smith was a tremendous help to her in dealing with VHMGB and that she really appreciated all of his hard work and dedication.

FINANCE

Mr. Schoenbeck indicated that some of the rates on his memo had changed; the fixed rate with 2 points is now 6.05%, the fixed rate with 1 point is 6.20%, the step rate with 1 point is going from 4.7% to 6.2%, instead of 4.75% to 6.25%, and the bond yield rate of 4.86% has changed to 4.83%.

At this time, via the telephone, Mr. Gurley, Mr. Hans, Ms. Crost, Mr. Amsden, and Ms. Welsh were connected to discuss the bond sale. Mr. Gurley noted that the two-day retail order period began last Friday, which resulted in total orders of \$10.1 million. He added that the bond sale went very well and the transaction was completed smoothly. Mr. Gurley indicated that, overall, we are very much in line with recent housing bonds sold in the market. Mr. Hans agreed with Mr. Gurley, indicating that the bond sale went very well and the rates sold with the bonds reduced the mortgage rate by 30 basis points.

Mr. Amsden indicated that the next step for the Board would be to approve the "Fourteenth Supplemental Single Family Housing Bond Resolution" to finalize the sale of the bonds. The resolution indicates that the bonds are subject to interest rate adjustments, so that if interest rates drop and we are unable to use our proceeds, we can remarket the bonds to reflect current market conditions. The resolution also establishes the accounts for the transaction, as well as approves the forms for the remarketing agreement and the purchase contracts between VHFA and Paine Webber, Inc. One change that was made to the resolution is a \$150.00 discrepancy in the final price paid by Paine Webber, Inc. to buy the bonds.

After further discussion, Mr. Seelig made a motion to approve the "Fourteenth Supplemental Single Family Housing Bond Resolution." The motion carried unanimously after being seconded by Mr. Douglas.

ADMINISTRATION (Con't)

Public Affairs/Planning - Ms. Gent handed out a spreadsheet completed by VHFA's intern, Devin Zeller, that lists the single family mortgage interest rates available through HFAs. Ms. Gent noted that this spreadsheet was meant to serve as a comparison tool, listing what other HFAs are doing.

Year 2000 Update - Ms. Carpenter indicated that staff would keep the Board updated on our Y2K planning process. Ms. Carpenter indicated that we received a report from Panurgy regarding their testing of our hardware, and 100% of our hardware is Year 2000 ready. Ms. Loller will have an in-depth status report regarding all aspects of VHFA's Year 2000 planning process at the May Board meeting. Additional research needs to occur on the software analysis, as Panurgy Reported higher non-compliance than expected.

Human Resource Committee Update - Ms. Carpenter indicated that she would like to get the Human Resources Committee together soon to deal with pending issues. She noted that we will be hiring for three additional positions; one will be part of our Information Systems team, another will serve as an assistant to the Development and Multifamily staff to help integrate activities between the two departments, and the third one will serve as the Chief of Operations, overseeing the Homeownership, Development, and Multifamily staff.

Ms. Randall noted that, a year ago, the Board was reviewing the Employee Survey results. She asked what the pulse of the Agency was at this time, and how things were going. Ms. Carpenter noted that she feels comfortable with things and indicates that staff has participated in the changes that have been occurring. Ms. Crady added that she believes things have gotten much better and staff seems happier. Chairman White stated that he would like to talk to Board members to follow up on the Board's response to the Employee Survey. He mentioned that perhaps it could take place during the May meeting.

Pension Fund Discussion - Mr. Jarrett stated that, due to staff turnover, new trustees for the Agency's pension plan need to be named. With Mr. Jarrett and Mr. Lothrop's resignation as trustees, Mr. Schoenbeck is the only remaining trustee. Staff is requesting that Ms. Loller and Ms. Carpenter be added as trustees. It was also suggested that perhaps a couple of the Commissioners could serve as trustees. It was agreed that this could be discussed at a later date. Mr. Jarrett also indicated that our Pension Plan Administrator does not believe that our 1000-hour requirement fits well with the way our plan is run. The 1000-hour requirement means that an employee must work 1000 hours in a year to receive any contribution from the Agency for that year. Mr. Jarrett also noted that currently the Agency's plan contains a vesting provision that allows money to vest at the rate of 20% a year, with five years required for full vesting. There has been discussion surrounding this issue regarding the competitiveness of this vesting schedule versus more immediate vesting.

After further discussion, the Board decided they would like an opportunity to review the plan before making any changes other than the proposed resolution. Mr. Candon made a motion to approve the "Resolution Regarding Vermont Housing Finance Agency Money Purchase Pension Plan." The motion carried unanimously after being seconded by Mr. Seelig.

Public Affairs/Planning (con't) - Ms. Gent handed out a memo "Future Income and Purchase Price Changes" for the Board to review. Ms. Gent indicated that staff was not yet ready to provide a recommendation to the Board because we are still reviewing data on the income and purchase price limits. Ms. Gent pointed out that the proposed maximum allowable for 1-2 person is \$50,800, which is an increase of \$8,400.

BOARD MINUTES

April 15, 1999

Page 4 of 5

Ms. Black-Plumeau indicated that she would continue to do research on this. It was suggested that we make our programs as simple as we can, so that we can attract lenders. Ms. Crady indicated we will be working on making our programs simpler and also mentioned that Ms. Deforge (our Homeownership Outreach Coordinator) will be focusing on working directly with lenders and real estate brokers.

Ms. Gent noted that staff would like to announce new purchase price and income limits in conjunction with the Series 10 single family bond issuance. Chairman White suggested that staff meet with the Board via conference call when they have the purchase price and income limits.

25th Anniversary – Ms. Gent indicated that the inaugural event, held at the Statehouse, went very well. Many legislators and partners enjoyed cake and conversation. Ms. Gent also stated that Senator Jeffords has committed to attending a party for our partners, tentatively scheduled for August 31st. VHFA will celebrate the anniversary throughout the year at numerous professional events that are already scheduled to take place.

PROGRAM OPERATIONS

Homeownership Program – Ms. Crady indicated that we are averaging \$1 million in reservations per week, which is lower than usual for this time of the year. Contract underwriting with MGIC started on Monday and the transition seems to be going well. At the end of this month, staff will be finalizing all guarantee commitments.

We are showing an improvement in the average days to sell REOs and average REOs sold. Currently, we are having a lot of activity on our REOs. Ms. Crady also mentioned that, currently, staff is in the process of rewriting our Servicing Guide. Ms. Crady intends to implement this as soon as possible. Ms. Carpenter added that we would be sending the Servicing Guide out to our Servicers in draft form, so it will allow us to receive feedback.

Ms. Crady indicated that VHFA is applying for a HUD Housing Counseling Grant for up to \$500,000 for funds to distribute to local housing affiliates. Staff has asked Mr. John Davis and Mr. Michael Monte of Burlington Associates to assist us in submitting an application for grant funds to help the Homeownership Centers and other organizations.

Ms. Crady also stated that VHFA is participating with VHCB, the Vermont Community Loan Fund, and the Department of Housing and Affairs to submit an application to HUD for numerous activities under the capacity building and innovative activity categories of the Rural Housing and Economic Development Program. Ms. Carpenter also noted that part of this collaboration includes funds that would be used in conjunction with loan funds to assist residential care homes in need of repairs. This is an issue that VHFA has been asked to be involved in and is a very critical need.

Ms. Crady then discussed the use of IORTA funds. Staff is proposing that we use an additional amount of IORTA funds to assist borrowers of the Homeownership Centers with their closing costs and to also assist YESS Program borrowers with their mortgage insurance costs. VHFA has approximately \$200,000 in IORTA funds that are not committed. After further discussion, a motion was made by Mr. Seelig to allow the Executive Director to negotiate and execute agreements with the Homeownership Centers to use up to \$150,000 in IORTA funds to assist VHFA borrowers with their closing costs and to work with ERH to determine the procedure for paying mortgage insurance costs or other fees associated with YESS program loans. The motion carried unanimously after being seconded by Mr. Brown. Priority will be given to individuals with income at or below 80% of median.

LEGAL

Mr. Jarrett indicated that numerous staff have revised job titles and need to approve an amended Annual Meeting Resolution. Mr. Candon made a motion to approve the "Resolution Amending Resolutions Adopted at the Annual Meeting of Vermont Housing Finance Agency, July 23, 1998." The motion carried unanimously after being seconded by Mr. Seelig.

Mr. Jarrett then indicated that the Briars project in Wilder might close within two weeks. With the approval of this Resolution, we can fund the project and then reimburse ourselves. Mr. Douglas made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a 17-Unit Project in Wilder (Hartford)." The motion carried unanimously after being seconded by Mr. Candon.

Next, Chairman White read to the Board members and staff the "Resolution Honoring Douglas R. Lothrop on His Retirement From the Position of Director of Single Family Operations of the Vermont Housing Finance Agency." Mr. Lothrop thanked the Board and staff for the Resolution. Mr. Seelig made a motion to approve the Resolution. The motion carried unanimously after being seconded by Mr. Candon.

OTHER BUSINESS

Chairman White recognized Mr. Jarrett for his twelve years with the Agency and noted that he has always helped us remain on top of issues that needed attention. Chairman White also stated that he is glad that he won't be too far away, and that we can call on Mr. Jarrett for his expertise. The Board wished Mr. Jarrett good luck on his future endeavors. Mr. Candon made a motion to declare Mr. Jarrett as a "friend of affordable housing." The motion carried unanimously after being seconded by Mr. Seelig.

Chairman White selected Mr. Brown, Mr. Seelig, and Mr. Douglas to serve on the Budget Committee with staff this year. Mr. Schoenbeck will be looking to set up a meeting toward the end of May.

Chairman White indicated that the Board should really look at the VHFA bylaws, liability insurance, etc. He feels that these things haven't had the attention they need and that, perhaps annually, the Board should review them. He will meet with Ms. Carpenter to identify the areas that need to be looked at annually, and will then present it to the Board members.

Chairman White also asked that we have the June 17th Board meeting in Montpelier beginning at 11:00 a.m. with a working lunch.

Ms. Carpenter noted that the PMI contract was signed and the closing date is May 14th. There is a tremendous amount of data that needs to be gathered prior to the closing. Ms. Carpenter indicated that she believes VHFA may have to pay roughly \$175,000. The Board agreed that VHFA could subsidize up to \$300,000, so we are still in that range.

With no further business, the meeting adjourned at 4:20 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary



BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, May 6, 1999 at 9:00 a.m.

VIA TELEPHONE CONFERENCE CALL

Via telephone: Mr. Seelig, Mr. Brown (designee of Lambert), Mr. Douglas, Mr. Candon (designee of Costle), Ms. Randall, Ms. Canney

Staff present: Ms. Carpenter, Ms. Caragher, Ms. Gent, Ms. Loller, Ms. Crady, Ms. Santerre, Ms. Black-Plumeau, Ms. Deforge

In Chairman White's absence, Mr. Seelig called the meeting to order at 9:01 a.m. Participants were identified by AT&T roll call.

Ms. Carpenter briefly discussed the amended resolution, which states the intent for VHFA to provide financing and to reimburse any advances to the Briars Housing Limited Partnership. The Briars closing has been postponed and the new closing is set for May 19, the day before the next scheduled Board meeting. The borrower has decided to obtain a tax-exempt bridge loan for acquisition, which would assure the borrower of qualifying for out-of-cap housing credits. The amount needed is \$90,000, rather than \$200,000. The Agency could fund this loan with a general fund loan at closing and then replace the money with tax-exempt bond proceeds.

Mr. Douglas made a motion to approve the "Amended Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a 17-Unit Project in Wilder (Hartford)." The motion carried unanimously after being seconded by Mr. Brown.

Staff's recommendations for income and purchase price changes were discussed next. Ms. Carpenter indicated that our business is at 10-year low and that we really need to have our mainline program as broad as we can to attract new business. Staff believes that increasing the purchase price and income limits will help us attract more business by expanding our program to fit the needs of more borrowers. Both staff and the Board agreed we need to make changes to our programs and that this is a great opportunity to do that.

There were questions about differences in limits for targeted and non-targeted counties. Ms. Gent reviewed the basis for the methodology, which is established by the IRS specifically to regulate the mortgage revenue bond program. VHFA identified targeted and non-targeted counties more

than a decade ago. Because many of Vermont's rural counties have been designated as "targeted," they are permitted by the IRS to have higher purchase price and income limits relative to their average income and purchase prices. The IRS now permits alternative methodologies based on a census tract targeting. Staff agreed to explore using this methodology.

Mr. Seelig asked if VHFA could run out of authority at some point. Ms. Carpenter indicated that staff believes our bond deal will take us most of the way through 1999. If we should use all the authority, we have an additional \$50 million in available authority that is accessible to VHFA.

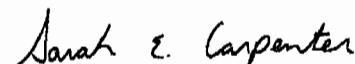
A question that arose was whether we could change these limits in a few months, if we decided to use a census tract level methodology rather than a county level methodology. Ms. Gent indicated that we could change the limits at any time. Mr. Douglas suggested that we revisit this issue in a few months, but, in the meantime, approve the proposed changes. Mr. Brown indicated that he would like us to revisit this issue no later than September.

After further discussion, a motion was made by Mr. Douglas to adopt the recommended revised income limits and purchase price limits, with the understanding that we will revisit this issue within a few months, once a new methodology has been explored. The motion carried unanimously after being seconded by Mr. Candon.

Ms. Canney asked when the lenders would be able to use these new limits. Ms. Carpenter indicated that staff would be alerting lenders on Wednesday, May 12th about these new limits, and that they will be effective on Thursday, May 13th. Ms. Gent also noted that the Governor would be announcing our new limits on May 12th during his weekly press conference.

With no further business, the meeting adjourned at 9:37 a.m.

Sincerely,

A handwritten signature in cursive script that reads "Sarah E. Carpenter".

Sarah E. Carpenter
Executive Director and Secretary



MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter *JE*

DATE: May 20, 1999

RE: Multifamily Loan Application for Blair Apartments, Williston

Name:	Blair Apartments	Location:	Williston
Housing Type:	Elderly	Building Type:	Garden / Flats
Total Units:	60	HC Restricted Units:	14
Unit Sizes:	40 One BR, 20 2 BR	Unit Square Footage:	1: 440-594 2: 644-811
Total Cost:	\$4,226,200	Per Unit Cost:	\$70,440
Loan Requested:	\$3,200,000 permanent \$3,707,000 construction	Credits Requested:	\$27,230 (out-of-cap)
Other Funding:	Deferred developer's fees		
Sponsors:	Yandow/Dousevicz Construction Corporation Inc.		

The development is to be built in two phases, with this proposal being phase one. The second phase will consist of a 60-bed assisted living facility as a separate adjacent building. The sponsor believes this type of development will allow residents to age in place and not be required to move to a new location as their need for assistance increases. The site is fully permitted and the sponsor is eager to begin construction. The sponsor is negotiating with Cathedral Square Corporation to do the property management, and there will be an on-site manager. As with The Pines (which Yandow/Dousevicz acted as general contractor on), the development will offer many optional services. At Blair Apartments these include meals, transportation, housekeeping, personal care, case management, social coordination, and community spaces. Access to underground parking and storage units is included in the basic rent. Blair Apartments will have a full-time service coordinator on site, to help the residents keep informed of the services available and help match the tenants with the services that suit their individual needs. The cost of this service coordinator is also included in the rent; the other optional services will be purchased on an "as needed" basis.

The permanent loan amount requested is approximately 75% of the total development cost. Staff has not yet received an appraisal, although one has been commissioned and should be done shortly. Staff has not yet received an environmental site assessment. The sponsor has submitted an independent market study indicating that the proposed rents should achieve full rent-up within six months of completion if no other new senior developments are competing for the same

tenants. When this development comes on line there should be a window of four to six months before any other new senior units are available in the market, which should help in achieving initial occupancy.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Commitment to finance this development upon satisfactory completion of staff underwriting and due diligence.

**RESOLUTION PERTAINING TO COMBINED
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BLAIR APARTMENTS**

WHEREAS, a proposal has been presented to the Agency by Yandow/Dousevicz Construction Corporation Inc. ("YDC"), a corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership, whose general partner would be a corporation to be formed by YDC, involving the construction and long-term financing of a senior housing development containing 60 units in one building located on 2.2 acres in Williston (the "Development"); and

WHEREAS, the proposal contemplates a construction loan in an amount not to exceed \$3,707,000 and a term loan in an amount not to exceed \$3,200,000; and

WHEREAS, the Sponsors have applied for Low Income Housing Tax Credits; and

WHEREAS, the Sponsors and the to-be-formed limited partnership are expected to qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 20, 1999 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loans.

6. The Sponsors are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in construction financing of up to \$3,707,000 and long-term financing of up to \$3,200,000 for the Blair Apartments in Williston, Vermont. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include conditions deemed appropriate by staff
3. The Executive Director is authorized, in her discretion, to issue a Commitment Letter for construction financing of up to \$3,707,000 and permanent financing of up to \$3,200,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The term loan will have a term of 30 years and an amortization period of 30 years. The Sponsor shall be responsible for loan fees, which may include the costs of issuance of tax-exempt bonds, the proceeds of which shall be used to make the loans. The interest rate for the term loan will be based on the cost of funds to the Agency plus a maximum of 150 basis points. The source of funds will be tax exempt bonds. The commitment of the Agency is conditioned upon the following:
 - a) Sponsor must obtain an appraisal satisfactory to VHFA staff ;
 - b) Sponsor must obtain a Level One Environmental Site Assessment acceptable to VHFA staff;
 - c) Sponsor must provide written estimate of taxes from the Town of Williston, and such estimate must be financially feasible for the project;
 - d) Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.
4. The commitment of the Agency shall be subject to receipt, on or before the date of the applicable closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the construction loan and one percent (1.0%) of the maximum principal amount of the permanent loan.
5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.



BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, May 27, 1999 at 9:00 a.m.

VIA TELEPHONE: Chairman White; Mr. Seelig, Ms. Beyer (designee of Lambert)

PRESENT: Ms. Randall, Ms. Canney, Mr. Candon (designee of Costle)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Gent, Ms. Crady, Mr. Schoenbeck

Other: Mr. Richardson (Capital Ideas, Inc), Ms. Dunn (Burlington Community Land Trust), Mr. Hahn (Central Vermont Community Land Trust)

Chairman White called the meeting to order at 9:05 a.m. Participants were identified by AT&T roll call. A motion was made by Mr. Seelig to approve the minutes of April 15, 1999 and May 6, 1999. The motion carried unanimously after being seconded by Mr. Candon.

Chairman White asked that Mr. Erdelyi begin by discussing his memo "Multifamily Loan Application for Blair Apartments, Williston." Mr. Erdelyi stated that Mr. Richardson was present to provide the Board with additional information on this project. Mr. Richardson indicated that the project would be located in Williston, behind Blair Park and adjacent to the University Health Center. This development is to be built in two phases, with this one being the first phase. The second phase will consist of an assisted living facility, located adjacent to this building. This project will allow residents to "age in place" and not be required to move to a new location as their need for assistance increases.

Ms. Beyer asked how many of the units would be housing credit units. Mr. Erdelyi indicated that 14 units would be housing credit units. It was also asked what the market rents would be. Mr. Erdelyi indicated that a one-bedroom apartment would cost \$825.00 monthly, while a two-bedroom unit would cost \$960.00. These prices include all utilities, underground parking, and storage units.

Mr. Richardson indicated that there are three tiers of rents; market rents, median income affordability rents and housing credit rents. Mr. Erdelyi indicated that these rents do meet our statutory requirements. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Blair Apartments." The motion carried unanimously after being seconded by Mr. Candon.

Next, Ms. Crady discussed her memo regarding the Homeownership Center funding request. All five Centers have asked VHFA to make a three-year funding commitment, which includes funding of \$25,000 per



BOARD MINUTES

May 27, 1999

Page 2 of 3

year for each Center and a production incentive of \$250 for each VHFA loan. Along with this, the Centers have also asked for a one time contribution of \$5,000 to match the funds from Neighborhood Reinvestment and the Vermont Community Foundation to begin a Capital Campaign to assure long-term viability of the Centers. In exchange for a three-year commitment, the Centers have committed to work together with VHFA to standardize their services and improve their tracking systems, and also work with VHFA to develop a VHFA/Center outreach plan in the areas served by a Center to avoid competition.

Ms. Crady noted that the Centers want to be viewed as a first-stop, one-stop organization. They want to attract a variety of people for their programs and will work on soliciting participation from other institutions to accomplish this.

Ms. Crady indicated that staff is recommending that VHFA commit to funding the five Centers at \$20,000 per organization per year for the next three years and that VHFA give a \$250 contribution to the Centers for each VHFA loan closed. Staff will further explore and implement many activities with the Centers and will also work with them to establish goals for the future.

Staff is also suggesting that VHFA contribute \$5,000 to match funds from Neighborworks and the Vermont Community Foundation to assist the Centers to assure long-term viability of the Centers. Staff also recommends funding \$11,000 to assist LCHDC to determine the feasibility of collaboration with BCLT to expand BCLT's Center to serve residents of Franklin and Grand Isle counties.

After further discussion, a motion was made by Mr. Candon to approve staff's recommendation for Center funding and for LCHDC funding and authorizing the Executive Director to negotiate and execute agreements with the five Homeownership Centers and LCHDC. The motion carried unanimously after being seconded by Mr. Seelig. {Ms. Canney and Ms. Randall are abstaining}.

Ms. Crady briefly discussed her memo "HUD Housing Counseling Grant Application," included in the Board packet. VHFA has worked with the five Homeownership Centers and the Vermont Development Credit Union to submit an application to HUD for Housing Counseling Funds. We are competing for funding with the housing finance agencies New England and in New York. We have applied for \$325,564.00 in funds, not to be used for capacity, but to provide services to potential homebuyers and current homebuyers. VHFA will be responsible for the administration of the grant funds, evaluation, and reporting to HUD.

If VHFA's application is successful, we will have to execute an agreement with HUD and sub-grant agreements with the Centers and VDCU. Ms. Crady will keep the Board updated as the process continues.

Ms. Carpenter then took a minute to thank staff for a wonderful job done in transferring all of the data and files to PMI Mortgage Insurance Company related to the Vermont Home Mortgage Guarantee Board. Ms. Carpenter indicated that PMI Mortgage Insurance Company has still not provided servicers with instructions on how to report directly to them. Until notification is given to the servicers, staff will provide assistance when needed to help make this transition as smooth as possible.

Chairman White asked Ms. Loller for any updates she had on Year 2000 issues. Ms. Loller indicated that we received the report from Panurgy regarding our software and hardware testing, but unfortunately the report had some incorrect information. We have just received the updated report and Ms. Loller will have a update for the Board at the June meeting.

BOARD MINUTES

May 27, 1999

Page 3 of 3

Chairman White indicated that he spoke to some members at the American Bankers Association regarding the small state set aside and they do not feel that they can support it at this time. Ms. Carpenter asked if they were aware that the National Council of State Housing Agencies has decided to support it this year. Chairman White asked that Ms. Carpenter get him some additional information, which indicates that level of support so he can share it with the American Bankers Association. Ms. Carpenter indicated that the small state set aside has not yet gotten into legislation. She also noted that all three members of our congressional delegation have agreed to support this.

Chairman White indicated that he would like to follow up on the Employee Survey results at the June Board meeting. He would also like to discuss governance at the June Board meeting.

Ms. Crady indicated that we have had \$4.9 million in reservations for the last two weeks and that our most popular program seems to be the 0-point MOVE program. The stepped rate in the MOVE program is also very popular among consumers.

Ms. Randall asked the status of the Transfer Tax Bill. Ms. Carpenter indicated that the bill did get passed, but the Governor has not signed it. VHMGB's current guarantees can get the current credit, but new loans will not be eligible until it is signed into law. Staff will ask the Tax Department whether that could be done retroactively.

There being no further business, the meeting adjourned at 10:15 a.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary

**RESOLUTION PERTAINING TO COMBINED
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BLAIR APARTMENTS**

WHEREAS, a proposal has been presented to the Agency by Yandow/Dousevicz Construction Corporation Inc. ("YDC"), a corporation based in Chittenden County, (the "Sponsor") on behalf of a to-be-formed limited partnership, whose general partner would be a corporation to be formed by YDC, involving the construction and long-term financing of a senior housing development containing 60 units in one building located on 2.2 acres in Williston (the "Development"); and

WHEREAS, the proposal contemplates a construction loan in an amount not to exceed \$3,707,000 and a term loan in an amount not to exceed \$3,200,000; and

WHEREAS, the Sponsors have applied for Low Income Housing Tax Credits; and

WHEREAS, the Sponsors and the to-be-formed limited partnership are expected to qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated May 20, 1999 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

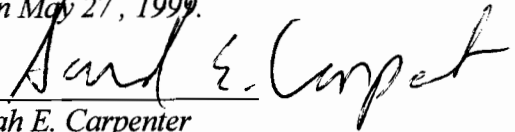
1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loans.
6. The Sponsors are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in construction financing of up to \$3,707,000 and long-term financing of up to \$3,200,000 for the Blair Apartments in Williston, Vermont. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include conditions deemed appropriate by staff
3. The Executive Director is authorized, in her discretion, to issue a Commitment Letter for construction financing of up to \$3,707,000 and permanent financing of up to \$3,200,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The term loan will have a term of 30 years and an amortization period of 30 years. The Sponsor shall be responsible for loan fees, which may include the costs of issuance of tax-exempt bonds, the proceeds of which shall be used to make the loans. The interest rate for the term loan will be based on the cost of funds to the Agency plus a maximum of 150 basis points. The source of funds will be tax exempt bonds. The commitment of the Agency is conditioned upon the following:
 - a) Sponsor must obtain an appraisal satisfactory to VHFA staff ;
 - b) Sponsor must obtain a Level One Environmental Site Assessment acceptable to VHFA staff;
 - c) Sponsor must provide written estimate of taxes from the Town of Williston, and such estimate must be financially feasible for the project;
 - d) Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.
4. The commitment of the Agency shall be subject to receipt, on or before the date of the applicable closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the construction loan and one percent (1.0%) of the maximum principal amount of the permanent loan.

5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate these loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held via telephone conference call, Burlington, Vermont, on May 27, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency



TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: June 10, 1999
RE: Multifamily Loan Application for Crystal Lake, Barton

Name:	Crystal Lake	Location:	Barton
Housing Type:	Family	Unit Type:	Flats & townhouses
Total Units:	15	Unit Sizes:	4 1-Br (686 sf); 7 2-Br (830 sf); 3 3-Br (948 sf); 1 4-Br (1300 sf)
Total Cost:	\$1,710,764	Per Unit Cost:	\$114,051
Loan Requested:	\$900,000 construction	Housing Credits:	\$47,223
Other Funding:	RD, VHCB, Energy Incentives, Neighborworks, AHP, Town of Barton, Historic Tax Credits, Housing Credits (out of cap)		
Sponsors:	Gilman Housing Trust (GHT), Housing Vermont (HVT)		

Crystal Lake Housing Limited Partnership, consisting of general partners Gilman Housing Trust and H. V. 1999 Inc. (a subsidiary of HVT), proposes to acquire and rehabilitate three buildings in Barton. The sponsor has obtained preliminary approval from Rural Development (RD) for permanent financing and rental assistance for the project, which will total 15 units when completed. Two of the buildings are currently owned by GHT; the third is owned by Northeastern Vermont Housing Company. All are in need of substantial rehabilitation. All three are near the town center and provide housing for families. The sponsor is requesting up to \$900,000 in tax exempt financing and plan to utilize the 4% out of cap Housing Credit. RD permanent financing will take out the VHFA debt. Rental assistance will allow tenants to pay no more than 30% of their income for rent. Northern Community Management Company will manage the property. An appraisal will be completed by the end of July. The project's cost exceeds the Housing Credit program cost limits, and the sponsor has requested a waiver from the cost limits due to unusually high costs associated with the historic rehab and programmatic requirements of RD. The Allocation Plan allows for exceptions to the cost guidelines due to extraordinary situations; since it is a historic rehab, and since the out of cap credits are not a scarce resource, staff has approved the request.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: INTERIM FINANCING FOR CRYSTAL LAKE,
BARTON**

WHEREAS, a proposal has been presented to the Agency by the Crystal Lake Housing Limited Partnership, a limited partnership whose general partners are Gilman Housing Trust and H. V. 1999 Inc. , involving the acquisition and rehabilitation of 15 units of rental housing located in three buildings in the Town of Barton (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$900,000 as interim tax-exempt financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated June 10, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

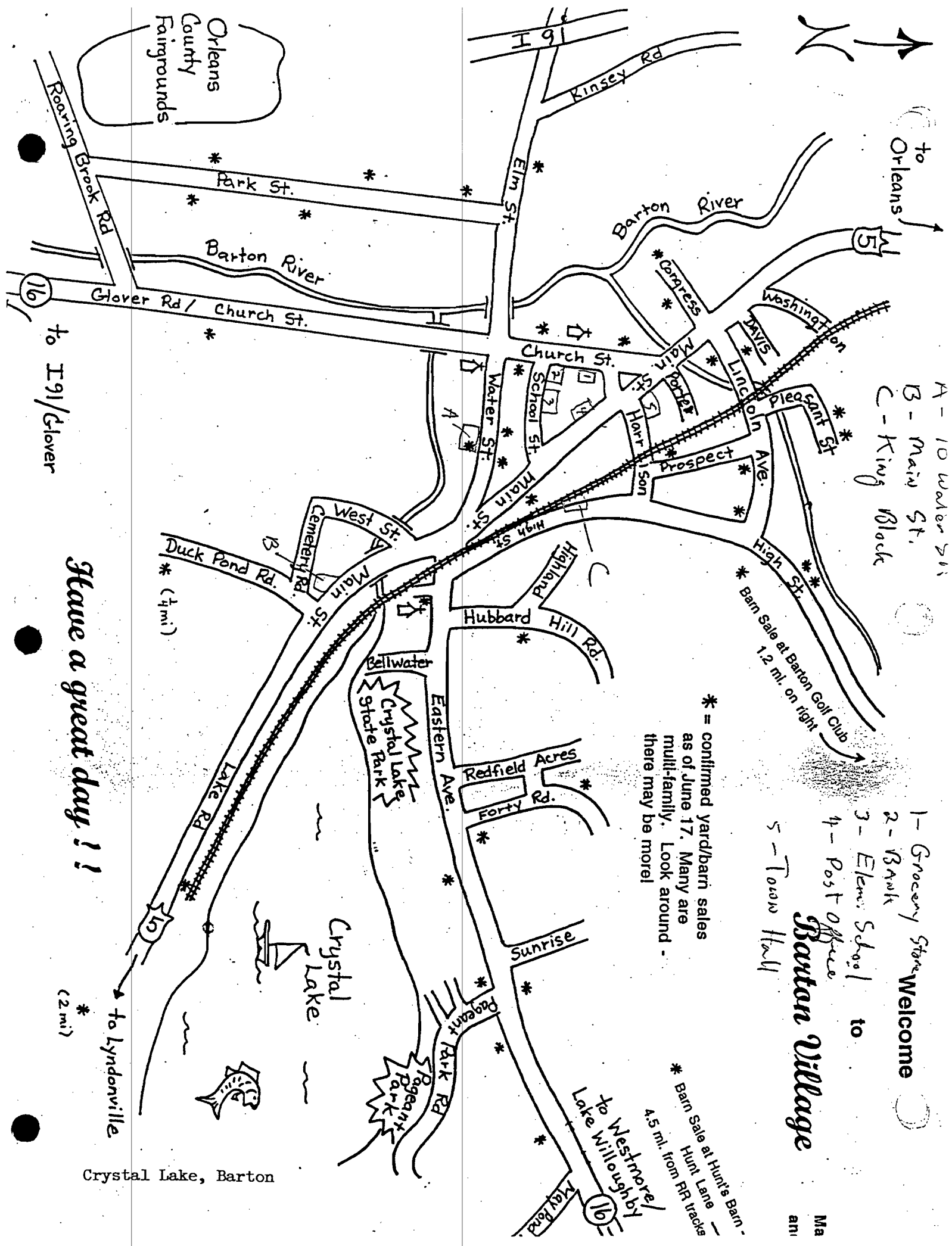
1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

6. The sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Crystal Lake Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 15 units located at 10 Water Street, Main Street and King Block in Barton in the maximum amount of \$900,000 as interim tax-exempt financing. The term of the loan will be no more than 12 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide VHFA with a commitment for not less than \$708,626 in term financing from Rural Development;
 - b) Sponsor must provide assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;
 - c) Sponsor must demonstrate that requisite financing has been committed by October 15, 1999, including but not limited to Neighborworks and the Affordable Housing Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;
 - d) Sponsor must address any Phase I Environmental Site Assessment (ESA) findings in the rehab scope of work;
 - e) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

- f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - g) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility;
- 3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$900,000.
- 4. The loan shall be due and payable not more than 12 months from the date the loan is made; interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999 Inc. and Gilman Housing Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
- 5. The Executive Director, the Director of Administration and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



- A - 10 Water St.
- B - Main St.
- C - King Block

- 1 - Grocery Store Welcome
- 2 - Bank
- 3 - Elem. School to
- 4 - Post Office
- 5 - Town Hall

Barton Village

* = confirmed yard/barn sales as of June 17. Many are multi-family. Look around - there may be more!

* Barn Sale at Hunt's Barn - 4.5 mi. from RR tracks

Have a great day !!

Crystal Lake, Barton



TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter

DATE: June 10, 1999

RE: Multifamily Loan Application for Swanton School, Swanton

Name:	Swanton School	Location:	Swanton
Housing Type:	Elderly	Unit Type:	Flats / Elevator
Total Units:	16	Unit Sizes:	1 bedroom
Total Cost:	\$1,889,442 (resid. only)	Per Unit Cost:	\$118,090 (resid. only)
Loan Requested:	\$980,000 Construction	Housing Credits:	\$52,600
Other Funding:	RD, VCDP, VHCB, HOME, Historic Tax Credit, Housing Credits (4% out of cap)		
Sponsors:	Lake Champlain Housing Development Corporation (LCHDC), Housing Vermont (HVT)		

This is an adaptive re-use of a historic school building which has been vacant for ten years, and is located in the center of the Village of Swanton. Swanton School Housing Limited Partnership, whose general partners are Lake Champlain Housing Ventures and H.V.1999, Inc., plans to convert the building into 16 units of elderly housing with services, and a community/health center. The project has a commitment for permanent financing and rental assistance from Rural Development (RD). The Missisquoi Health Center, a local non-profit, plans to operate a health clinic at the building, and expand the health and community services they currently offer. A senior/community center will also be housed in the building. There will be senior meals offered twice weekly, and Meals on Wheels will operate daily. In addition, an Abenaki self help group will offer adult and after school learning programs. The project has strong community support. A recent survey found 40 seniors interested in the project. There will be 16 one-bedroom units; the gross rent (utilities included) is \$535 for each unit, which is the RD rent. However, rental assistance will allow tenants to pay no more than 30% of their income for rent. Lake Champlain Housing Ventures will manage the property. The sponsor is seeking \$980,000 in tax exempt financing which will allow them to utilize the 4% out of cap Housing Credit. RD will take out the VHFA loan with permanent debt. The appraisal will be completed in July. The project's cost exceeds the Housing Credit program cost limits, and the sponsor has requested a waiver from the cost limits due to unusually high costs associated with the adaptive re-use of an old school. The Allocation Plan allows for exceptions to the cost guidelines due to extraordinary situations, and since it is a historic rehab and an adaptive reuse, and since the out of cap credits are not a scarce resource, staff has approved the request.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



mailing address P.O. Box 408, Burlington, VT 05402-0408
phone (802) 864-5743 or (800) 339-5866

delivery address 164 Saint Paul St., Burlington, VT 05401-4364
consumer helpline (800) 287-8432 fax (802) 864-5746 www.vhfa.org



**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: INTERIM FINANCING FOR SWANTON SCHOOL,
SWANTON**

WHEREAS, a proposal has been presented to the Agency by the Swanton School Housing Limited Partnership, a limited partnership whose general partners are Lake Champlain Housing Ventures and H. V. 1999, Inc., involving the acquisition and rehabilitation of 16 units of rental housing located in one building in the Village of Swanton (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in an amount not more than \$1,000,000 as interim tax-exempt financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated June 10, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

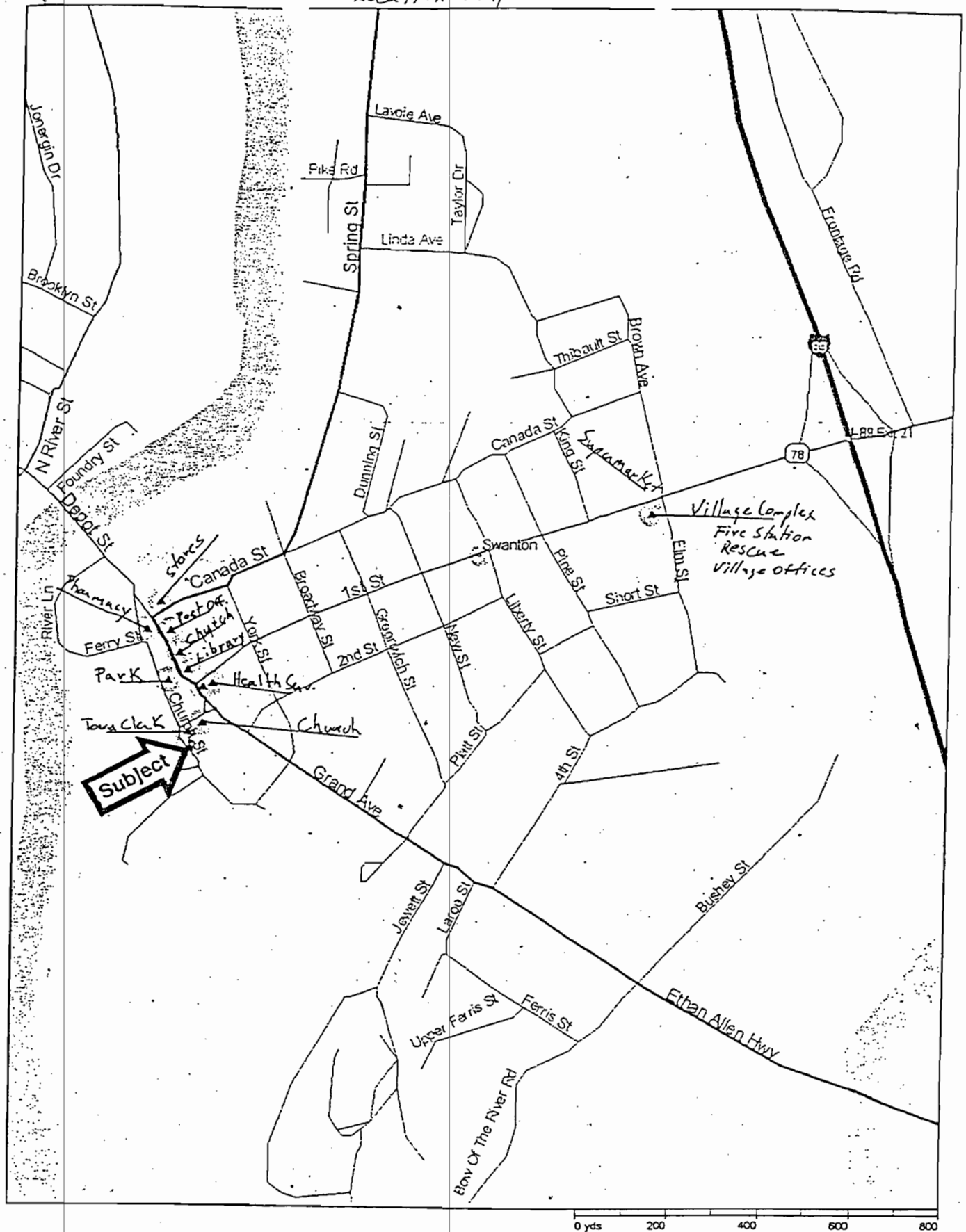
6. The sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Swanton School Housing Limited Partnership for the acquisition and rehabilitation of one building totaling 16 units located at Church Street in Swanton in the maximum amount of \$1,000,000 as interim tax-exempt financing. The term of the loan will be not more than 12 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide VHFA with a commitment for not less than \$570,000 in term financing from Rural Development;
 - b) Sponsor must provide assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;
 - c) Sponsor must demonstrate that requisite financing has been committed by June 30, 1999, including but not limited to Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;
 - d) Sponsor must address any Phase I Environmental Site Assessment (ESA) findings in the rehab scope of work including removal of a known underground storage tank (UST) and the determination of whether or not there is a second UST on the property (and if so, provide for its removal);
 - e) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

- f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - g) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility;
- 3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$1,000,000.
- 4. The loan shall be due and payable not more than 12 months from the date the loan is made; interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999, Inc. and Lake Champlain Housing Ventures as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
- 5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

Location Map



Streets98

Swanton School, Swanton

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**1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999**

1. Ventures Pre-Development Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Charette MHP	MHP	Family	14	Housing Foundation Inc.	Dummerston	\$29,000	Committed 1/13/98.
Red Lion Inn	Acq/Rehab	Elderly	20	Randolph Neighborhood Housing Services	Randolph	\$45,000	Committed 5/27/98.
Stoughton House 222 Riverside Ave	Acq/Rehab New Const	Elderly Family	48 12	Cathedral Square Corp Lake Champlain Housing Devel Corp	Windsor Burlington	\$5,000 \$25,600	Committed 6/9/98 Committed 8/26/98; Has applied for 1999 Tax Credits.
South Burl/ LCHDC	New Const	Family	16	Lake Champlain Housing Devel Corp	So. Burlington	\$17,000	Committed 8/26/98; Has applied for 1999 Tax Credits & VHFA Loan.
South Burl/ CSC	New Const	Elderly	10	Cathedral Square Corp	So. Burlington	\$9,000	Committed 8/26/98
Fairwood Meadows Hse	New Const	Level III CCH	20	Lamoille Housing Partnership	Morrisville	\$50,000	Committed 11/10/98. (Now "Copley House")
Manchester Knoll	New Const	Family	20	Regional Affordable Housing Corp	Manchester	\$20,000	Committed 12/22/98; Applied for 1999 Tax Credits.
Barlow & Union	Acq/Rehab & New Const	Family	12	Rutland County Community Land Trust	Brandon	\$11,715	Committed 12/22/98. 515 project -- may apply for construction loan.
Portland & Main	Acq/Rehab	Family	11	Lamoille Housing Partnership	Morrisville	\$27,500	Committed 2/2/24; Rd 515 project has applied for tax exempt financing & out of cap credits.
The Copley House	Acq/Rehab	Level III CCH	23	Lamoille Housing Partnership	Morrisville	\$5,000	Committed 5/4/99; Has applied for 1999 tax credits & VHFA Loan (formerly Fairwood Meadows House)

1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999

1. Ventures Pre-Development Loans, Cont'd	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Bus Barns	Acq/Rehab	Family	25	Burlington Community Land Trust	Burlington	\$35,000	Committed 5/18/99; Has applied for 1999 tax credits
Hawkins Housing	Acq/Rehab	Family	14	Addison County Community Action Group	Middlebury & Vergennes	\$4,200	Committed 5/18/99; Has applied for 1999 tax credits
Saxtons River	Acq/Rehab	Family	17	Housing Vermont	Saxtons River	\$28,922	Committed 5/19/99; Portfolio project; applying for tax exempt loan & out of cap credits.

**1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999**

2. Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Barre & Bailey Streets	Acq/Rehab	Family	15	Central Vermont CLT	Montpelier	\$50,000	Under construction; Carryover issued 10/8/98
Bennington Arts	Acq/Rehab	Family	15	Housing Vermont & Vermont Arts Exchange	Bennington & Greater Area	\$73,000	Carryover issued 12/24/98
Cora B. Whitney	Acq/Rehab	Elderly	22	Regional Affordable Housing Corp	Bennington	\$73,399	Under construction; Carryover issued 11/11/98
Lakeview Housing	Acq/Rehab	Fam/Eld	16	Housing Vermont & Gilman Housing Trust	Newport	\$35,900	Out of Cap Credit; Closed 12/16/98; under construction
The Maples	New Const	Elderly	51	Green Mountain Devel Group	Rutland	\$220,871	Carryover issued 12/31/98
McAuley Square	New Const	Family	19	Housing Vermont & Cathedral Square Corp	Burlington	\$88,000	1999 Credits (forward commitment); legal appeal of permit conditions pending
Park Place II	Acq/Rehab	Family	14	Housing Vermont	Burlington	\$75,000	1998 & 1999 Credits (partial forward commitment) Carryover issued 12/31/98
Park Village Apts	Acq/Rehab	Fam/Eld	39	Holmberg Construction Inc.	Brandon	\$171,851	Received 1998 & 1999 Credits (partial forward commitment); Carryover issued 12/30/98
Pearl & Union SRO	Acq/Rehab	SRO	21	Housing Vermont & Burlington CLT	Burlington	\$55,000	Carryover issued 12/31/98
Homestead Greene	New Const	Elderly	17	THM Inc.	North Bennington	\$59,150	Out of Cap credits and tax-exempt bond financing; closed 4/13/99; under construction
Highland Hill Housing	Acq/Rehab	Family	14	Housing Vermont & Lamaille Housing Partnership	Hardwick	\$47,500	Carryover issued 9/25/98
Allen Apartments	Acq/Rehab	Family	17	Lake Champlain Housing Devel Corp	Winooski	\$28,987	Closed 2/24/99; Out of Cap Tax Credits. Under construction.

1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999

3. Multifamily Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Valley Terrace	New Const	Elderly Level III CCH	60	Health Property Partners – Jack Heaton and Frank Murphy	Hartford	\$5,200,000	Construction & Permanent Loan Commitment 4/34/98; May start construction Spring '99; may seek other financing & go 100% market.
Homestead Greene	New Const	Elderly	17	THM Inc. – Jack Heaton and Frank Murphy	No. Bennington	\$975,000	Interim Financing Commitment 7/23/98; Closed 4/13/99; under construction; RD will do permanent takeover in 1999.
Lakeview Housing	Acq/Rehab	Family/ Elderly	16	Housing Vermont	Newport	\$800,000	Interim Financing Commitment 7/23/98; Closed 12/16/98; RD will do permanent takeover in 1999. Under construction.
Allen Apartments	Acq/Rehab	Family	17	Lake Champlain Housing Devel Corp	Winooski	\$515,000 Tax Exempt; \$199,000 0% Funds	Commitment 12/17/98; Closed 2/24/99; Out of Cap Tax Credits. Under construction.
The Briars	Acq/Rehab	Family	24	Housing Vermont/Twin Pines Housing Trust	Wilder	\$681,000 permanent \$90,000 construction	Commitment 3/17/99. Out of cap credits. Closing scheduled 6/24/99.
Jacobs Mobile Court	Existing MHP	Family/ Elderly	19	Randolph Area CDC	Randolph	\$80,862	Commitment 4/15/99. Closing by July/August 1999.
Blair Apartments	New Construction	Elderly	60	Yandow/Dousevicz Construction Corp	Williston	\$3,200,000 permanent; \$3,707,000 construction	Commitment 5/27/99; closing by 7/99.

**1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999**

4. Multifamily pipeline and potential projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Swanton School (515)	Acq/Rehab	Elderly	16	Lake Champlain Housing Development Corporation / Housing Vermont	Swanton	\$980,000	Seeking tax exempt financing and out of cap tax credits. To 6/17/99 Board meeting for commitment.
Portland & Main (515)	Acq/Rehab	Family	11	Lamoille Housing Partnership/Housing Vermont	Morrisville	\$695,240	Seeking tax exempt financing and out of cap tax credits. To 6/17/99 Board meeting for commitment.
Crystal Lake, Barton (515)	Acq/Rehab	Family	16	Housing Vermont/Gilman Housing Trust	Barton	\$900,000	Seeking tax exempt financing and out of cap tax credits. To 6/17/99 Board meeting for commitment.
Barlow & Union (515)	Acq/Rehab & New Const	Family	12	Rutland County Community Land Trust	Brandon	\$600,000	Loan application not submitted; Contingency plan to seek tax exempt financing and out of cap tax credits.
McAuley Square	New Const	Family/Elderly	54	Housing Vermont/Cathedral Square Corp	Burlington	\$3,500,000 construction & permanent	Loan application not yet submitted; Seeking tax exempt financing and out of cap tax credits. (Yr 2000)
Stratton Mountain	New Const	Family	36	Capital Ideas Inc.	Stratton or Winhall	\$2,600,000 construction & permanent	Loan application not yet submitted; Seeking tax exempt financing and out of cap tax credits.

**1999 Multifamily Development Activity
January 1, 1999 through June 30, 1999**

4. Multifamily pipeline and potential projects (Cont'd)	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Jeffersonville Elderly	New Const	Elderly	24	Housing Vermont	Jeffersonville	\$1,450,000 construction \$350,000 permanent	Loan application not yet submitted; Seeking tax exempt financing and out of cap tax credits.
Limerock I	New Const	Family	40	Housing Vermont/LCHDC	So. Burlington	\$2,250,000 construction & permanent	Loan application not yet submitted; Seeking tax exempt financing and out of cap tax credits.
Saxtons River	Acq/Rehab	Family	17	Housing Vermont/RACLT	Rockingham	\$765,000 construction \$450,000 permanent	Loan application not yet submitted; Seeking tax exempt financing and out of cap tax credits.
South Burlington Community Housing	New Const	Family	18	Housing Vermont/LCHDC	So. Burlington	\$254,515	Seeking 1999 Tax Credits and permanent debt. Debt contingent upon credits.
The Copley House	Acq/Rehab	Level 3 CCH	23	LHP/Housing Vermont	Morrisville	\$320,275	Seeking 1999 Tax Credits and permanent debt. May not need credits if can obtain Historic Credits; Loan application submitted 4/13/99.
Richford	Acq/Rehab	Family	10	LCHDC/Housing Vermont	Richford	\$500,000 construction	Loan application not yet submitted; in planning stage. Tax exempt bond & 4% credit.
Williamstown Elderly	Acq/Rehab & new construction	Elderly/ Assisted Living	30	Dick Dybvig	Williamstown	\$3,000,000	Loan application not yet submitted; in planning stage. Tax exempt bond & 4% credit.
Westgate	Acq/Rehab	Family	100	Silver St. Development Corp (currently)	Brattleboro	?	In planning stages only.

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: INTERIM FINANCING FOR SWANTON SCHOOL,
SWANTON**

WHEREAS, a proposal has been presented to the Agency by the Swanton School Housing Limited Partnership, a limited partnership whose general partners are Lake Champlain Housing Ventures and H. V. 1999, Inc., involving the acquisition and rehabilitation of 16 units of rental housing located in one building in the Village of Swanton (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in an amount not more than \$1,000,000 as interim tax-exempt financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated June 10, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.
6. The sponsor and its general partners are financially responsible organizations and the

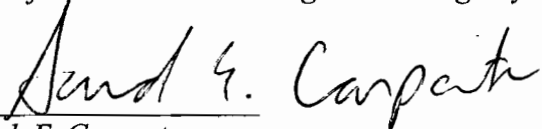
proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Swanton School Housing Limited Partnership for the acquisition and rehabilitation of one building totaling 16 units located at Church Street in Swanton in the maximum amount of \$1,000,000 as interim tax-exempt financing. The term of the loan will be not more than 12 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide VHFA with a commitment for not less than \$570,000 in term financing from Rural Development;
 - b) Sponsor must provide assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;
 - c) Sponsor must demonstrate that requisite financing has been committed by June 30, 1999, including but not limited to Vermont Community Development Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;
 - d) Sponsor must address any Phase I Environmental Site Assessment (ESA) findings in the rehab scope of work including removal of a known underground storage tank (UST) and the determination of whether or not there is a second UST on the property (and if so, provide for its removal);
 - e) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;
 - f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;

- g) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility;
3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$1,000,000.
4. The loan shall be due and payable not more than 12 months from the date the loan is made; interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999, Inc. and Lake Champlain Housing Ventures as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 17, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: INTERIM FINANCING FOR PORTLAND AND MAIN,
MORRISVILLE**

WHEREAS, a proposal has been presented to the Agency by the Portland and Main Street Housing Limited Partnership, a limited partnership whose general partners are Lamoille Housing Partnership and H. V. 1999, Inc., involving the acquisition, long-term leasing and rehabilitation of 11 units of rental housing located in two buildings in the Town of Morrisville (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$700,000 as interim tax-exempt financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated June 10, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.
6. The sponsor and its general partners are financially responsible organizations and the

proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Portland and Main Housing Limited Partnership for the acquisition, long-term leasing and rehabilitation of two buildings totaling 11 units located at 16 Portland Street and 144 Upper Main Street in Morrisville in the approximate amount of \$700,000 as interim tax-exempt financing. The term of the loan will be approximately 12 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide VHFA with a commitment for not less than \$530,000 in term financing from Rural Development;
 - b) Sponsor must provide assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;
 - c) Sponsor must address the Phase I Environmental Site Assessment (ESA) findings in the rehab scope of work, including clean up of petroleum contaminated debris in the basement boiler room of 16 Portland Street; and proper removal of the underground storage tank (UST) in the parking area of 16 Portland Street. In addition, sponsor must incorporate the recommendations of the ESA regarding USTs on neighboring properties.
 - d) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;
 - e) Sponsor must provide evidence of permits, and if the total number of units is decreased from what is represented in the application, the project must still demonstrate overall feasibility;
 - f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;

- f) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility; and
 - g) The lease between the Sponsor and the building owner of 16 Portland Street must be satisfactory to the Agency.
- 3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition, long-term leasing and rehabilitation of the Development, in an amount not to exceed \$700,000.
 - 4. The loan shall be due and payable approximately 12 months from the date the loan is made; interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999, Inc. and Lamoille Housing Partnership as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
 - 5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 17, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: INTERIM FINANCING FOR CRYSTAL LAKE,
BARTON**

WHEREAS, a proposal has been presented to the Agency by the Crystal Lake Housing Limited Partnership, a limited partnership whose general partners are Gilman Housing Trust and H. V. 1999 Inc. , involving the acquisition and rehabilitation of 15 units of rental housing located in three buildings in the Town of Barton (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$900,000 as interim tax-exempt financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the Sponsor is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated June 10, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.
6. The sponsor and its general partners are financially responsible organizations and the

proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Crystal Lake Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 15 units located at 10 Water Street, Main Street and King Block in Barton in the maximum amount of \$900,000 as interim tax-exempt financing. The term of the loan will be no more than 12 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide VHFA with a commitment for not less than \$708,626 in term financing from Rural Development;
 - b) Sponsor must provide assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;
 - c) Sponsor must demonstrate that requisite financing has been committed by October 15, 1999, including but not limited to Neighborworks and the Affordable Housing Program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;
 - d) Sponsor must address any Phase I Environmental Site Assessment (ESA) findings in the rehab scope of work;
 - e) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;
 - f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;

- g) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility;
3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$900,000.
4. The loan shall be due and payable not more than 12 months from the date the loan is made; interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999 Inc. and Gilman Housing Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The Executive Director, the Director of Administration and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 17, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency



BOARD MINUTES
Associated General Contractor's Office
148 State Street
Montpelier, Vermont

Thursday, June 17, 1999 at 11:00 a.m.

PRESENT: Chairman White, Commissioners Seelig, Douglas, Canney, Beyer (designee of Lambert), Candon (designee of Costle)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Ms. Gent, Ms. Crady, Ms. Reid, Mr. Erdelyi

Other: Mr. Richardson (Housing Vermont), Ms. Torpy (Burlington Community Land Trust)

The Board of Commissioners convened in Executive Session and a motion to come out was made by Mr. Douglas and seconded by Mr. Candon.

Chairman White called the meeting to order at 11:15 a.m.

DEVELOPMENT

Mr. Erdelyi discussed his memo, "Round One Tax Credit Reservation Meeting of 6/1/99," included in the board packet. He indicated that there were a lot of tax credit applications this year. The Joint Committee on Tax Credits (JCTC) held a public hearing which allowed each sponsor to present a proposal for the need of the credits. After the public hearing adjourned, the JCTC met to discuss the proposals. The JCTC decided that they would recommend that the first eight of the ten projects ranked by staff, be funded except the Copley House and the St. Johnsbury House. They also reduced the Bus Barns credit amount by \$50,000. Mr. Erdelyi noted that, compared to last year, the JCTC is trying to decrease the practice of dipping into next year's funds. The JCTC's recommendation to the VHFA Board of Commissioners for funding would use up all of 1999 credits and \$180,000 of next year's ceiling.

It was asked that, if all of the projects were funded, would next year's funding be used. Mr. Erdelyi indicated that it would have used up all of next year's funding, in addition to some of the year 2001 funding. There was discussion surrounding the process in which these credits are allocated. Some Board members felt that the process to approve these credits is unclear and causes frustration to the project developers.

A motion was made by Mr. Candon to approve the Joint Committee on Tax Credits recommendation as listed in the memo and that, if any of the projects being funded this year fall out, the Board of Commissioners would meet again to allocate those credits to another project which did not receive them. The motion carried unanimously after being seconded by Mr. Seelig.

Ms. Reid briefly discussed the multifamily loan application for Portland and Main, in Morrisville. She indicated that it is a downtown rehabilitation project with eleven units of family housing. The post office will be located on the first



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743 or (800) 339-5866

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

consumer helpline (800) 287-8432 fax (802) 864-5746 www.vhfa.org



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floor of the Portland Street Building. Ms. Reid noted that the developers do have all of their funding in place. With no further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing for Portland and Main, Morrisville" and to authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence. The motion carried unanimously after being seconded by Mr. Douglas.

Next, Ms. Reid discussed the multifamily loan application for Crystal Lake, in Barton. This project is a three building scattered site located in the village of Barton. Gilman Housing Trust owns two of the buildings and Northeastern Vermont Housing Company owns the other. The project is waiting to get funding from AHP and Neighborworks, but the developers should know by October. A motion was made by Mr. Candon to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing for Crystal Lake, Barton" and to authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence. The motion carried unanimously after being seconded by Mr. Seelig.

The multifamily loan application for Swanton School in Swanton was reviewed next. This school has been vacant for the last ten years and is located in the Village of Swanton. The building would be converted into sixteen units of elderly housing with services and a community/health center. The Abenaki self-help group will offer adult and after-school learning programs there also. Ms. Reid indicated that we would know whether they received funding by the end of the week. She added that the community has really supported this project. With no further discussion, Mr. Candon made a motion to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing for Swanton School, Swanton" and to authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence. The motion carried unanimously after being seconded by Mr. Douglas.

MINUTES

A motion was made by Ms. Canney to approve the minutes of May 27, 1999. The motion carried unanimously after being seconded by Ms. Beyer.

ADMINISTRATION

Next, Ms. Carpenter discussed her report. She noted that we are advertising for the new position, Chief of Program Operations. The advertisement has been placed in quite a few publications and newspapers and was also distributed to a number of our partners.

Ms. Carpenter stated that staff is beginning to look at our Pension Plan. Staff met with Reliastar, fund manager for our pension plan, to discuss their service capacity. During the meeting with Reliastar, we discovered that Hickok and Boardman is still listed as our broker of record. We will be meeting with Hickok and Boardman the first full week in July to discuss their role in our plan.

Ms. Carpenter indicated that staff needs to go to the Emergency Board to get approval for additional bond volume cap. As we continue to approve these multifamily loans, we will run out of cap by the end of summer. Mr. Schoenbeck also indicated that it appears we will need to issue single family bonds this fall.

Mr. Douglas asked what the final subsidy of VHMGB was. Ms. Carpenter indicated that slightly over \$7 million was sent to PMI Mortgage Insurance Company. We expect that there will be no excess funds once all the claims are settled.

EMPLOYEE HANDBOOK

Ms. Carpenter indicated that most of the changes made to the handbook were editing revisions. A lot of items that dealt with operating policies were taken out of the handbook and will be put into a policy and procedures guide that

BOARD MINUTES

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staff will begin working on. In terms of benefits, to be consistent for all benefits, we changed the number of hours an employee must work to receive benefits, from 30 hours per week to 20 hours per week. We also made a change to our disability plan, bumping the amount of disability paid up to 66 2/3% from 60%. The waiting period to collect disability has also changed from 30 calendar days to 15 calendar days.

Ms. Carpenter noted that we did have outside legal counsel review the entire handbook. A suggestion was made to have the Board Human Resources Committee look at the Pension Plan. Ms. Carpenter indicated that staff is already beginning that process. Some of the Board members felt that the benefits package may be too generous. It was agreed that this should be looked in relation to a total compensation package. Ms. Carpenter indicated that we would have salary and benefit comparability done, so that we can look at the entire picture. The Board suggested that we defer the approval of the benefit that allows staff to earn 2 days per month of vacation time after 10 years of service, until after a study is completed.

After further discussion, Mr. Douglas made a motion to approve the Employee Handbook with the exception of granting 2 days of vacation after 10 years of service, with the notion that the Board wants to recognize long-term employees and will revisit this issue at a later date, once the Board has had a chance to review our entire compensation package. The motion carried unanimously after being seconded by Mr. Candon.

YEAR 2000

Ms. Loller indicated that staff started the Y2K testing on Monday. We have contracted with the Symquest Group, Inc. for their Project Manager to assist us with the testing. We do not anticipate any problems going forward. Ms. Loller noted that, on the Panurgy Report, the two items that were not Y2K ready seem to be working fine. We still need to perform testing on other critical items. Staff anticipates that they will be done testing MITAS by next week. Ms. Loller will keep the Board updated as this process continues.

PROGRAM OPERATIONS

Ms. Crady stated that we have experienced a dramatic increase in activity. We have roughly \$11.5 million in loans, most of which are reservations. MGIC has anticipated an increased volume of loans and has indicated that staff in their Braintree, Massachusetts office will be assisting their staff in Vermont. Ms. Crady indicated that MGIC Braintree staff will consult with MGIC's Vermont staff before denying a VHFA loan.

Ms. Crady noted that with revised procedures, we have seen progress being made in reducing the level of delinquencies over the last year. However, there are a substantial number of loans that are very delinquent, because repayment agreements are not being followed. Staff is estimating that 36 loans will be moved to foreclosure within the next few weeks. Ms. Crady will update the Board next month on the status of those loans being moved to foreclosure.

MULTIFAMILY

Ms. Carpenter indicated that staff is working on an RFP with the Vermont State Housing Authority (VSHA) for HUD contract administration. VSHA will take the lead and we will be their partner. Even though VHFA is not the lead applicant, Ms. Carpenter asked the Board for a consensus to go forward on this. The Board agreed that staff should continue to move forward.

FINANCE

Mr. Schoenbeck passed out two Evensen Dodge Post Sale Analysis for the Board's review. He pointed out that the summary at the end of section 1 in the multi-family analysis was in reference to the South Meadow and Allen Apartments refinancing.

The March 31, 1999 VHFA financial statements show a \$259,000 loss. Mr. Schoenbeck indicated that several items contributed to this loss: (1) loan losses continue to increase and now total \$1 million for the nine months; (2) the market value of investments held is now a \$480,000 loss for the fiscal year and \$1.3 million lower than at the beginning of

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the calendar year; and (3) we redeemed \$93 million of bonds on March 1, 1999 that required the write-off of non-expensed cost of issuance, which amounted to a \$1.5 expense.

Next, Mr. Schoenbeck reviewed the proposed FY2000 budget. Mr. Schoenbeck noted that, at the budget meeting couple of weeks ago, Commissioners Seelig and Douglas met with staff to review the proposed budget. Mr. Douglas indicated that, during deliberations at the budget meeting, both he and Mr. Seelig accepted the budget as proposed, noting that this is a time of transition for VHFA and that this budget is a reasonable approach to the coming year.

Mr. Schoenbeck noted that he does expect to come back before the Board for budget adjustments because currently, there are a lot of unknowns. The most significant difference from the budget to the past year is that we have increased the fund transfer from the Single Family Housing Bond program to cover program loan losses. Another surprise was the public's demand for our 0-point product. That has an immediate year impact requiring us to fund those points paid to the lenders, but does not have a long-term financial impact.

Mr. Schoenbeck indicated that we did factor in a 4% salary increase for all employees. There is a pool of funds that the budget committee put in last year's budget for employee recognition and comparability adjustment that we basically kept in place. We did not have much opportunity to use these funds last year, so we are re-establishing those funds in the current fiscal year.

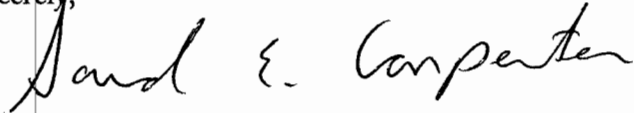
Ms. Carpenter indicated that we do need to have some brickwork done on our building. Our architect has advised us to wait before we have it done, because prices are extremely high right now. We will be coming back to the Board later in the year for a budget adjustment, once we have a better estimate of cost.

After further discussion, Mr. Douglas made a motion to approve the FY2000 operating and capital budgets as proposed. The motion carried unanimously after being seconded by Mr. Candon.

At this time, Ms. Beyer made a motion to go into Executive Session for the purpose of discussing the Executive Director's evaluation pursuant to 1 VSA Section 313 (a)(3). The motion carried unanimously after being seconded by Ms. Canney. A motion was made by Mr. Candon and seconded by Mr. Seelig to approve the recommendation of the Human Resource Committee relative to the salary adjustment for the Executive Director. The motion carried unanimously. The motion to come out of Executive Session was made by Mr. Seelig and seconded by Mr. Candon.

There being no further business, following a motion made by Ms. Canney and seconded by Mr. Seelig, the meeting adjourned at 2:30 p.m.

Sincerely,



Sarah E. Carpenter, Secretary



BOARD MINUTES
State Treasurer's Office
133 State Street
Conference Room #1
Montpelier, Vermont

Thursday, July 15, 1999 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Canney, Randall, Douglas, Candon (designee of Costle), Brown (designee of Lambert)

Staff: Ms. Carpenter, Ms. Loller, Ms. Caragher, Ms. Gent, Ms. Crady, Ms. Reid, Mr. Erdelyi, Mr. Schoenbeck

Other: Mr. Richardson (Housing Vermont)

Chairman White called the meeting to order at 1:06 p.m. Mr. Candon made a motion to approve the minutes from the June 17th meeting. The motion carried unanimously after being seconded by Mr. Douglas. (Ms. Randall and Mr. Brown abstained from the motion).

DEVELOPMENT

Next, Mr. Erdelyi updated the Board on the activities of Joint Committee on Tax Credits (JCTC). The JCTC had a conference call last week to discuss the projects that were not recommended for tax credits. The committee decided that they would like to give these projects additional time to see what funds, if any, they could receive before any decisions are made. The committee will be meeting on August 2nd to discuss these projects again. Mr. Brown indicated that the JCTC wanted to wait and see how the St. Johnsbury House evolved before committing funds. Their purchase price proposal was extremely high, so we have given them more time to work on submitting another purchase price. Mr. Erdelyi indicated that both Manchester Knoll and Bus Barns are reapplying for the AHP Funds. The JCTC recommended a reservation for these projects contingent on AHP Funds. They will need to submit alternative financing plans. There is no Board action required at this time.

Next, Ms. Reid discussed the Vermont Housing Ventures proposed changes. VHFA created the Vermont Housing Ventures Program to promote and assist nonprofit housing development. Ms. Reid indicated that the Ventures program has been very successful over the years. VHFA also created the Bridge Financing Initiative to assist nonprofits with short-term financing needs to allow them to construct or acquire and rehabilitate homes for purchase or lease/purchase by lower income households. Requests for Ventures have exceeded available funds by \$70,000 and Ventures has been used widely, bridge financing has had limited use. There is currently an available balance of \$113,000 in the Bridge Financing Initiative fund, with no new business anticipated in the near future. In order to focus on the increasing demand for Venture loans while not allocating more of the General Fund, staff is recommending that we combine the two programs into one. Staff is also recommending that the Executive Director, the Director of Finance, and the new Chief of Program Operations be authorized to approve Venture Loans. Mr. Candon asked what the maximum program limit would be if we combined the programs. Ms. Reid indicated that it would be \$650,000. With no further discussion, a motion was made by Mr. Candon to approve the



VHFA BOARD MINUTES

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"Resolution Regarding Changes to Vermont Housing Ventures and Bridge Financing Initiative" with an amendment to authorize the Executive Director, the Director of Finance and the Chief of Program Operations to approve Venture loans. The motion carried unanimously after being seconded by Ms. Canney.

ADMINISTRATION

Ms. Carpenter noted that she had recently returned from the NCSHA's Executive Director's Workshop held in Denver, Colorado. She indicated that it was great to meet all of her peers and work with them on similar issues. There were two areas that the workshop focused on; (1) the external forces effecting the housing finance agencies (HFAs); and (2) competition that is effecting HFA business. They also focused on how to keep HFAs up to date technically. Ms. Carpenter noted that it was a very helpful and interesting workshop.

Ms. Carpenter indicated that we are moving toward the end of the interviewing process for the Chief of Program Operations. There is a candidate coming in for a second interview next week. She will keep the Board informed as the process continues.

Next, Ms. Carpenter noted that she was concerned about the future regulatory changes that may effect our relationship with the Federal Home Loan Bank of Boston (FHLB). Their business has increased and HFAs as non-members do not seem to have a priority. There is also concern about their sustained interest in providing affordable housing funds. Ms. Carpenter will keep the Board informed as these changes continue to take place.

Ms. Carpenter briefly discussed the Employee Survey Results. The two areas discussed in the Employee Survey Results that have not yet been resolved are (1) the process for evaluating the Executive Director; and (2) Strategic Planning issues. Ms. Loller indicated that most of the other issues have resolved themselves during the Agency reorganization and Sarah coming on board. Chairman White noted that another area important for the Board to keep track of is what the pulse of the Agency is. A Board member indicated that Senior Management should talk to the Board Human Resources Committee concerning Agency issues to help the Board get a feel for what the pulse of the Agency is.

Ms. Carpenter indicated that staff is starting to work on updating each employee's job description. Senior Management has also been working to formalize an employee evaluation process. It was suggested that the Board get updated quarterly on what training has been done with staff, any turnover, etc.

Strategic planning was discussed next. Ms. Carpenter indicated that she has asked other HFA Executive Directors to send her their strategic planning templates. Ms. Canney suggested that staff focus on big picture items rather than the smaller items, noting that it might drive the Agency faster. The Board agreed that it is important to get input from staff on where they think the Agency needs to go for the future. Ms. Randall indicated that she believes that the Board should do a SWOT to determine the Agency's threats and strengths. It was also suggested that each meeting begin with strategic planning discussion for an hour. Chairman White indicated that we need a program overview to see what we are doing now. We should also get feedback from our clients and partners to make things happen and pull all the information together.

Chairman White suggested that Sarah, Lisa, and himself get together between now and the August Board meeting to work on a process that they can bring back to the Board. The goal is to start a process in October or November.

Ms. Carpenter briefly reviewed the Annual Meeting Resolution. This resolution allows the Executive Director to authorize individual staff members to sign specific documents. Mr. Douglas made a motion to approve the "Resolutions adopted at the Annual Meeting of Vermont Housing Finance Agency, July 15, 1999" and to re-appoint Mr. Seelig as the Vice-Chairman. The motion carried unanimously after being seconded by Mr. Brown.

HOMEOWNERSHIP

Ms. Crady reported that we have approximately \$11.6 million in Series 10 funds available for reservation and staff is estimating that it will take us through the next 6-8 weeks. Ms. Crady noted that the Agency's relationship with MGIC is going very well. MGIC has committed to get overnight mailers to the lenders at their cost to ensure that files get to them sooner.

Staff continues to work with PMI to get their approval of short sales, loan modifications, and purchase contracts. The process continues to go smoothly.

Currently, there are 36 loans that will be moved to foreclosure. Of those, 20 cases have been referred to an attorney and the others are waiting for documents from the servicer before they can be sent to an attorney.

FINANCE

Mr. Schoenbeck indicated that PMI Mortgage Insurance Company indicated that they would be honoring the Vermont Home Mortgage Guarantee Board (VHMGB) claims. VHMGB has approximately \$185,000 available and owes \$212,000 to VHFA. The audit is expected to be finished in September so that we can close VHMGB out.

Mr. Schoenbeck updated the Board on the excess yield 0% usage plan. VHFA continues to earn \$80,492 per month in excess yield which staff has been advised should be loaned out at 0% for a period ending not earlier than 2014. We have exhausted more than \$2.6 million to date and have remaining commitments of \$550,000 and ongoing commitments of \$325,000. Approximately \$740,000 of funds have not been committed.

Next, Mr. Schoenbeck discussed the private activity bond volume cap. The Emergency Board approved the allocation of the uncommitted \$50 million contingency to VHFA. Mr. Schoenbeck indicated that \$10 million will be used for multifamily bonds for various developments that have been approved and are expected to close this year and the additional \$40 million will be designated for single family and be available for use later this year. With no further discussion, Mr. Candon made a motion to approve the "Resolution Relating to Vermont Housing Finance Agency Election to Allocate 1999 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Ms. Randall.

Mr. Schoenbeck then reviewed staff's bond financing plans with the Board. On the single family side, Mr. Schoenbeck suggested that we step our mortgage rate up on the current program and create a subsidy to provide excess yield for the new bond financing which would slow usage of the program and provide a small cushion for "sticker shock" for the next bond issue. There was concern among the Board on how much we should raise our rates. It was also mentioned that we would need to get the radio advertisements off the air before we make this change. Ms. Randall suggested that we raise the rate by 50 basis points on August 2nd and then, if necessary, in two more weeks, raise it an additional 50 basis points. Ms. Randall also noted that notification should have to be given to the lenders by early next week indicating the rate increase for the next few weeks.

After further discussion, Ms. Randall made a motion to approve that the rates increase by 50 basis points on August 2nd and if necessary, then increase again two weeks after that by another 50 basis points. The motion carried unanimously after being seconded by Mr. Brown.

MISCELLANEOUS

VHFA has received a request to approve a condominium project for VHFA eligibility that is in the process of conversion from rental to homeownership. Several years ago, the Board approved a policy on the conversion of rental housing to condominium that allows VHFA to provide financing only to buyers who were residents of the project at the time that notice of conversion was given. Ms. Crady noted that staff has been working with O'Brien Brothers Realty who have given notice to their tenants that they plan to convert a 16-unit project located in South Burlington called Kinsington Court to condominium ownership. This project was originally built in the early 90's

VHFA BOARD MINUTES

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to be owner-occupied; however, the condominium market was soft and they decided to rent out the units. O'Brien Brothers have also indicated to VHFA that they are completing the construction this fall of 24 additional rental units in South Burlington and have offered those rental units to residents of Kinsington Court who do not wish to purchase. Current rents at Kinsington Court are \$750 for a 2 bedroom and \$850 for a 2 bedroom plus den. The sales price for these units will be \$99,000 and \$109,000. There is an extremely limited supply of homeownership units in this range. Turning these into owner-occupied units will make them more affordable. To provide financing for Kinsington Court buyers, the Board must waive the conversion restrictions in VHFA's condominium eligibility policy. Ms. Randall made a motion to waive this policy for Kinsington Court to allow VHFA to provide financing to buyers. The motion carried unanimously after being seconded by Mr. Brown.

With no further business, the meeting adjourned at 4:20 p.m.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah E. Carpenter". The signature is fluid and cursive, with the first name "Sarah" and last name "Carpenter" clearly distinguishable.

Sarah E. Carpenter
Executive Director and Secretary



TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: August 12, 1999

RE: Multifamily Loan Application for The Gardens at Williamstown Square

Name:	The Gardens at Williamstown Square	Location:	Williamstown
Housing Type:	Elderly	Unit Type:	Elevator
Total Units:	30	Unit Sizes:	0 Br (450 sf); 1 Br (575 sf); 2 Br (725 sf)
Total Cost:	\$2,556,257	Per Unit Cost:	\$85,209
Loan Requested:	\$1,881,500 construction; \$2,050,000 permanent	Housing Credits:	\$21,393
Other Funding:	Developer Equity, Housing Credits (4% out of cap)		
Sponsor:	The Gardens Limited Liability Limited Partnership (Richard Dybvig, principal)		

The Gardens Limited Liability Limited Partnership, Richard Dybvig as principal, plans to acquire, rehabilitate, and add new construction to a historic property in Williamstown, and develop 30 units of assisted living. Adjacent to Mr. Dybvig's existing Section 8 elderly project called *Williamstown Square*, the new development, called *The Gardens at Williamstown Square* will consist of efficiencies, one and two bedroom units for elders. Phase I, the subject of this memo, will have 30 independent living units and will provide a basic service package which will include housekeeping, one meal daily, evaluation and case management, medication management, 24 hour administration, transportation and activities. Additional services can also be purchased, so that residents can age in place and take advantage of as little or as much support as needed. The owner/manager may contract with Central Vermont Home Health Care and Hospice for nursing and personal care. The facility will not be a licensed Level III facility, but may seek an Assisted Living license once the State has final Regulations and licensing capability for Assisted Living Facilities. This development is phase one of a possible two phase project totaling 50 units. The sponsor intends to seek permits for both phases, and intends to identify investors interested in both phases.

The developer is seeking tax exempt financing and will utilize the 4% "out of cap" Housing Credit. The development will serve a range of incomes. There will be six tax credit efficiency units at \$340 (\$11.18 daily) and one tax credit one bedroom unit at \$364 (\$11.97 daily). The median rents (51% of

the project will serve residents below 100% of median income per VHFA Multi-family Rules) will be \$1,410 (\$47.00 daily) for an efficiency, and \$1,610 (\$53.67 daily) for a 1-bedroom. These amounts include rent and basic services, and represent 85% of a household's income (an underwriting guideline for assisted living approved by the Board in November 1997). Using the 85% guideline, the rents are affordable to households at 73% and 84% of area median income respectively. Market units will rent at \$1,510 (\$50.33 daily) for an efficiency, \$1,710 (\$57.00 daily) for a 1-bedroom, and \$1,910 (\$63.67 daily) for a 2-bedroom. These rents are affordable to households at 78%, 89% and 87% of area median income respectively.

Vermont Maintenance Corporation will manage the property (a company owned by Richard Dybvig and another partner); it currently manages the adjacent Section 8 elderly project. A market study is being prepared by John Ryan and is not yet completed. An appraisal has not yet been commissioned.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest to finance this development upon satisfactory completion of staff underwriting and due diligence.

**RESOLUTION PERTAINING TO A LETTER OF INTEREST RE: CONSTRUCTION
AND PERMANENT FINANCING FOR THE GARDENS AT WILLIAMSTOWN
SQUARE, WILLIAMSTOWN**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, a proposal has been presented to the Agency by The Gardens Limited Liability Limited Partnership, a to-be-formed limited partnership whose general partner will be Tunbridge Limited Liability Company, Richard Dybvig as principal, involving the acquisition, rehabilitation, and construction of 30 units of rental housing in the Town of Williamstown (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$2,250,000 aggregate principal amount (the "Bonds") to finance a loan to The Gardens Limited Liability Limited Partnership (the "Borrower") to acquire, rehabilitate and construct a 30-unit project (the "Project") in Williamstown, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$1,881,500 as construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and a first mortgage loan in the amount of up to \$2,050,000 as permanent financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the to-be-formed limited partnership is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated August 12, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The sponsor and its general partner are financially responsible and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction financing in an amount not to exceed \$1,900,000; and the long term financing of the Development in an amount not to exceed \$2,100,000. The term of the construction loan will be 18 months; and the interest rate not more than 150 basis points above the Agency's cost of funds. The term of the permanent loan will be twenty years; the amortization period thirty years; and the interest rate not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide an appraisal satisfactory to VHFA prior to closing that demonstrates adequate value in the project;
 - b) Sponsor must provide a market study satisfactory to VHFA prior to closing that demonstrates the feasibility of the project;
 - c) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings in the scope of work to the satisfaction of the Agency;

- d) Sponsor must provide evidence of necessary permits;
 - e) Sponsor must provide a written property tax estimate;
 - f) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - g) Sponsor must provide an executed construction contract by loan closing that is within the project's budget to maintain overall feasibility and is reasonably in line with an independent cost estimate to be performed by the Agency in the event Sponsor does not competitively bid the construction contract; builders profit, overhead and general requirements must be in compliance with the Housing Credit Allocation Plan.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.



TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: August 12, 1999

RE: Multifamily Loan Application for South Burlington Community Housing

Name:	South Burlington Community Housing	Location:	South Burlington
Housing Type:	Family	Unit Type:	Townhouses/Flats
Total Units:	18	Unit Sizes:	2 bedroom (1039 avg sf)
Total Cost:	\$2,228,974	Per Unit Cost:	\$123,832
Loan Requested:	\$254,515	Housing Credits:	\$141,000
Other Funding:	VHCB, HOME, VCDP, Housing Credits		
Sponsors:	Lake Champlain Housing Development Corporation (LCHDC), Housing Vermont (HVT)		

LCHDC and HVT are proposing an 18-unit new construction family development off of Hayden Parkway and Williston Road in South Burlington. The site is behind the New Covenant Baptist Church. The 18 units will be located in nine duplex buildings around a central green. All of the units are two-bedroom; three are affordable to households below 50% of area median income (gross rent is \$520), and fifteen are affordable to households at 50% of area median income (gross rent is \$570). Two of the 18 units will be designated for persons with psychiatric disabilities; four units will be designated for persons with disabilities transitioning from a separate 10-unit congregate facility adjacent to it being developed by Cathedral Square Corporation for young people with disabilities unable to live independently. The sitework is unusually expensive due largely to a requirement that a storm water pumping system be installed which pumps storm water into the municipal system. The project received a waiver from the Housing Credit cost limits due to the expense associated with the storm water issue. The project has received all of its funding commitments. It has received its local permit which is now in a 30 day appeal period. The neighbors have indicated that they will appeal the local permit. The project anticipates Act 250 by the end of September. An as built appraisal has not yet been completed. The loan to project cost ratio is 11%. Lake Champlain Housing Ventures will manage the property once construction is completed.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743 or (800) 339-5866

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

consumer helpline (800) 287-8432 **fax** (802) 864-5746 **www.vhfa.org**



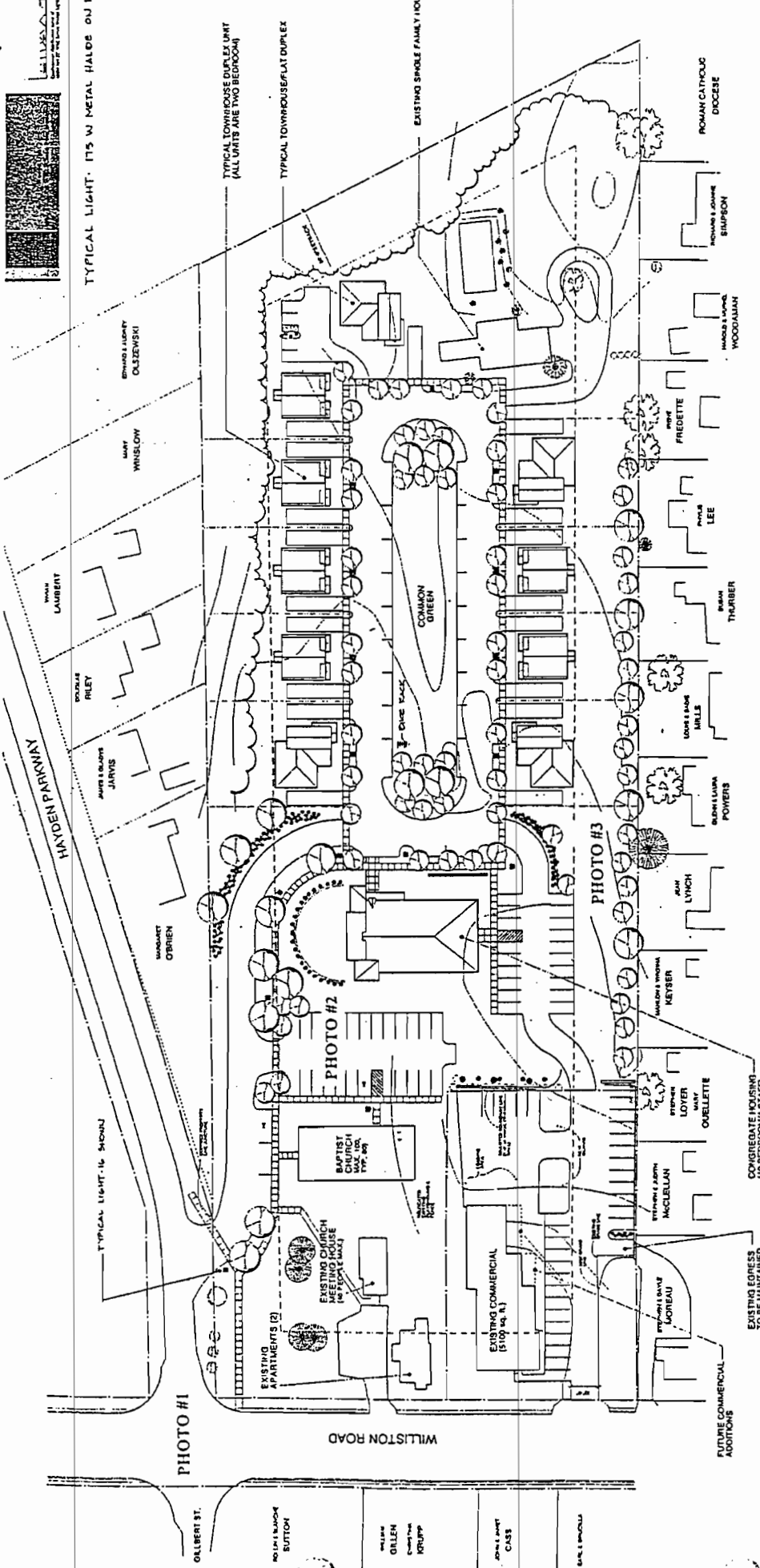


TYPICAL LIGHT METAL HALIDE UNIT

TYPICAL TOWNHOUSE DUPLEX UNIT (ALL UNITS ARE TWO BEDROOM)

TYPICAL TOWNHOUSE FLAT DUPLEX

EXISTING SHED FAMILY HO



SCHEMATIC SITE PLAN 2

OWNERS OF RECORD:
 New England Baptist Church, 48 Shaw Street
 141 Wilbur Road
 Burlington, VT 05401
 (802) 255-1234
 NEW ENGLAND BAPTIST CHURCH
 141 Wilbur Road
 Burlington, VT 05401
 (802) 255-1234

NEW TREES

EXISTING TREES

South Burlington Affordable Housing

DUNCAN • WISNIEWSKI ARCHITECTURE
 255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 844-4431

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND
COMMITMENT LETTER RE: PERMANENT FINANCING FOR SOUTH
BURLINGTON COMMUNITY HOUSING, SOUTH BURLINGTON**

WHEREAS, a proposal has been presented to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation, on behalf of a to-be-formed limited partnership whose general partners will be Lake Champlain Housing Ventures and H. V. 1999, Inc., involving the construction of 18 units of rental housing in the City of South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$260,000 as permanent financing, with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the to-be-formed limited partnership is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated August 12, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the long term financing of the Development in South Burlington in an amount not to exceed \$260,000. The term of the loan will be twenty years; the amortization period thirty years; and the interest rate not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;
 - b) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings in the scope of work to the satisfaction of the Agency;
 - c) Sponsor must provide evidence of permits;
 - d) Sponsor must provide a written property tax estimate;
 - e) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - f) Sponsor must provide evidence of competitive bidding by loan closing with bids approximately at budgeted levels, to maintain overall feasibility.
3. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for permanent financing of the Development, in an amount not to exceed \$260,000.
4. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due no more than 20 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the

Agency's cost of funds plus 75 basis points. The source of funds shall be determined by the Executive Director . The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 1999, Inc. and Lake Champlain Housing Ventures as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



MEMORANDUM

TO: VHFA Board of Commissioners
FROM: The Joint Committee on Tax Credits
DATE: August 5, 1999
RE: Round One Tax Credit Reservation Meeting of 8/3/99

The Committee met to review the update to the tax credit application status (see attached memo). The four remaining projects under discussion were all represented at the meeting, and the updates in the memo were confirmed by their representatives. Charlie Brush of Green Mountain Development Group told the Committee that he is unable to close the gap between what the seller of the St. Johnsbury House wants and what he can secure from funders. The policy of only permitting non-profit sellers who are requesting other public resources to receive the outstanding balance of the mortgage as the sales price has been in practice for a long time, and was communicated to the seller years ago during earlier negotiations, but was not written into the Allocation Plan or the rules governing the other funding sources. Mr. Brush expressed to the Committee that he did not object to this policy, but that a lot of time and effort could have been saved if this policy were written and more widely disseminated. Mr. Brush withdrew the St. Johnsbury House from consideration this round.

The Committee confirmed its recommendation to the Board from the meeting of June 1 prior to the AHP round announcements, and is recommending to the Board that Manchester Knoll, Mary Exner Block, and Bus Barns receive credits. The entire list of projects receiving credits for the year would be:

<u>Project</u>	<u>Credit Amount</u>	<u>Cumulative Credit</u>
Mill View Housing	85,779	85,779
Manchester Knoll	138,113	223,892
Hayden Parkway	141,000	364,892
Hawkins Housing	85,471	450,363
Mary Exner Block	63,512	513,875
Bus Barns	153,492	<u>667,367</u>

Amount Available to Allocate in 1999:	486,966
Amount to be Committed from 2000:	180,401

All of the Bus Barns and \$26,909 of the credits for Mary Exner Block are coming from the year 2000 credit ceiling, and the entire remaining 1999 ceiling will be allocated to the remaining projects listed above.

Recommendation: That the Board of Commissioners pass the attached resolution pertaining to the reservation and allocation of 1999 and 2000 Housing Credits.



GREEN MOUNTAIN DEVELOPMENT GROUP, INC.

VHFA

AUG 05 1999

RECEIVED

August 4, 1999

Charlie Carter
Executive Director
Northeastern Vermont Development Association
Box 630
St. Johnsbury, VT 05017

Dear Charlie,

I attended the meeting of the Joint Committee on Tax Credit this morning in Montpelier. As expected, the committee did not approve a reservation of Low Income Housing Tax Credits for the St. Johnsbury House. The apparent reason for not approving the credits is because the sale price demanded by N.V.D.A. is not consistent with policy adopted by the various state agencies regarding the sale of property by non-profit state funded agencies.

I realize N.V.D.A. has a sharp disagreement with this policy, but I believe that the policy is applied consistently and makes good sense from a public policy point of view.

The renovation of the St. Johnsbury House cannot move forward at this time. Unfortunately, further deterioration of the building and living conditions for the current senior tenants will be on-going with no relief in sight.

I strongly believe the historic St. Johnsbury House is vital to the fabric of downtown and the needs of the local senior citizens. Through the extensive efforts of many people, both public and private sectors, a realistic and viable plan for a comprehensive historic rehabilitation was agreed upon. Unfortunately, that effort was in vain and I am very perplexed as to why.

If you or the Board wishes to pursue the project again in the future and have a "change of heart" regarding the sale price, I am very willing to pick up where we have left off.

Please do not hesitate giving me a call at 864-9899 if you would like to discuss the project any further.

Sincerely,



Charles N. Brush

CNB:yhd

cc: Howard Dean, Governor
Steve Marsh, Board Chair, NVDA
Larry Donna, Larry Donna Realty
Roger Joslin, Century 21 Jack Associates
Greg Brown, Commissioner, Department of Housing & Community Affairs
Lynn Heglund, Community Development Specialist
Molly Lambert, Secretary, ACCD
✓ Sarah Carpenter, Vermont Housing Finance Agency
Joe Erdelyi, Vermont Housing Finance Agency
John Hall, Town Manager, St. Johnsbury
Joel Schwartz, Town of St. Johnsbury

St. Johnsbury\Carter4

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on August 3, 1999 and considered recommendations for reservations of tax credits for 7 proposed projects; and

WHEREAS, the Sponsor of one of the proposed projects withdrew its request for credits; and

WHEREAS, staff has prepared a memorandum dated August 5, 1999 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.
2. The Agency approves the reservation for the projects recommended by the JCTC in the amounts listed:

<u>Project</u>	<u>Credit Amount</u>	<u>Cumulative Credit</u>
Mill View Housing	85,779	85,779
Manchester Knoll	138,113	223,892
Hayden Parkway	141,000	364,892
Hawkins Housing	85,471	450,363
Mary Exner Block	63,512	513,875
Bus Barns	153,492	<u>667,367</u>
Amount Available to Allocate in 1999:		486,966

Amount to be
Committed from 2000:

180,401

subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.

3. All of the Bus Barns and a \$26,909 of the credits for Mary Exner Block are coming from the year 2000 credit ceiling, and the entire remaining 1999 ceiling will be allocated to the remaining projects listed above.

4. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

C:\mydocuments\vhfa\lihtc\boardreso



MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Sam Balzone, Director of Multifamily Programs
DATE: August 12, 1999
RE: Saxtons River Family Housing

This is a 17-unit scattered site family property originally financed by the Agency in 1982 under the Section 8 program. Its current condition is poor and the owner has accepted a Housing Vermont (HVT) offer to purchase the property at a reasonable price. HVT has proposed a two-step transaction that will first accomplish ownership transfer and address immediate rehab needs and then in the Spring, they intend to complete a more comprehensive rehab of these units.

The transfer of ownership of this property to a HVT Limited Partnership, will include a binding Preservation Agreement that will place these units in the affordable inventory for the remainder of their useful life. The initial transaction will use an assumption of the existing mortgage and a \$145,000 0% deferred loan for acquisition and first stage rehabilitation using existing project reserves. This is scheduled to occur in late August and Paul Stewart's management company has agreed to take over management on September 1st.

In the second phase of this transaction, we expect to replace VHFA's existing debt financing as part of an upcoming multifamily tax exempt bond issue and allocate out-of-cap housing credits. Although the exact scope of rehab work has not been agreed upon, HVT is also projecting that additional sources of funding will be provided by Federal Historic Credits, HOME funds, VHCB non-federal Lead money, housing credit Equity and an additional 0% loan. We are confident that however the final scope of work and sources of funding end up, this property will be in far better physical condition than if we were to leave it in the hands of the current owner who has performed marginally for years.

Recommendation: That the VHFA Board pass the attached resolution stating our intent to provide financing and reimburse any advances in connection with HVT's acquisition of this 17-unit property in Rockingham.

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY
ADVANCES WITH RESPECT TO A 17-UNIT PROJECT IN ROCKINGHAM

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$1,000,000 aggregate principal amount (the "Bonds") to finance a loan to Saxtons River Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 17-unit project (the "Project") in Rockingham, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
2. The preliminary approval of paragraph 1 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
3. This Resolution shall become effective immediately.



BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 19, 1999 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Randall, Brown (designee of Lambert)

Staff: Ms. Carpenter, Ms. Loller, Ms. Gent, Ms. Crady, Ms. Reid, Mr. Adams, Mr. Falzone

Other: Mr. Richardson (Capital Ideas, Inc.), Mr. Broderick (Housing Vermont), Mr. Brush (Green Mountain Development Group), Mr. Dybvig and Ms. Norman (The Gardens Limited Liability Limited Partnership)

Via Telephone Conference Call: Mr. Schoenbeck, Mr. Hans (Evensen Dodge), Mr. Gurley (PaineWebber, Inc), Mr. Amsden (Kutak Rock)

Chairman White called the meeting to order at 12:50 p.m. A motion was made by Mr. Candon to approve the minutes of July 15, 1999. The motion carried unanimously after being seconded by Mr. Brown.

DEVELOPMENT

Ms. Reid discussed the multifamily loan application for The Gardens at Williamstown Square. Richard Dybvig, as principal, plans to acquire, rehabilitate, and add new construction to a historic property in Williamstown and develop 30 units of assisted living. It will consist of efficiencies, one-bedroom units and two bedroom units for elders. Phase 1 will have 30 units and will provide a basic service package, which will include housekeeping, one meal daily, evaluation and case management, medication management, 24-hour administration, transportation and activities. Additional services can be purchased so those residents can age in place and take advantage of any support they may need.

The developer is seeking tax exempt financing and will utilize the 4% out of cap housing credit. There will be six tax credit efficiency units at \$340 and one tax credit one bedroom unit at \$364. The median rents will be \$1410 for an efficiency and \$1610 for a 1 bedroom. These amounts include rent and basic services and represent 85% of a household's income.

John Ryan has completed a preliminary market study and indicates he is positive, but guarded, in his assessment. The final market study should be completed by the end of September.



BOARD MINUTES

August 19, 1999

Page 2 of 4

After further discussion, a motion was made by Mr. Brown to approve the "Resolution Pertaining to a Letter of Interest Re: Construction and Permanent Financing for the Gardens at Williamstown Square, Williamstown," with a condition that the developer must make arrangements for a plan of services (meals, housekeeper, and personal care) which is satisfactory to VHFA. The motion carried unanimously after being seconded by Ms. Randall.

Ms. Reid discussed the multifamily loan application for South Burlington Community Housing next. Lake Champlain Housing Development Corporation (LCHDC) and Housing Vermont (HVT) are proposing an 18 unit new construction family development off of Hayden Parkway and Williston Road in South Burlington. The units will be located in nine duplex buildings surrounding a central green. All of the units are two bedroom; three are affordable to households below 50% of area median income (rent is \$520), and fifteen are affordable to households at 50% of area median income (gross rent is \$570). Two of the 18 units will be designated for persons with psychiatric disabilities; four units will be designated for persons with physical disabilities transitioning from a separate 10 unit congregate facility adjacent to it being developed by Cathedral Square Corporation for adults unable to live independently.

The project has received all of its funding commitments and has received its local permit, which is now in a 30-day appeal period. The project is anticipating Act 250 by the end of September. An appraisal has not yet been completed. After further discussion, a motion was made by Mr. Candon to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Permanent Financing for South Burlington Community Housing, South Burlington." The motion carried unanimously after being seconded by Ms. Randall.

Ms. Carpenter reviewed the memo from the Joint Committee on Tax Credits (JCTC). The JCTC met to review the update to the tax credit application status. The four remaining projects under discussion were all represented at the meeting.

The Committee is recommending to the Board that Manchester Knoll, Mary Exner Block, Bus Barns, and the St. Johnsbury House receive credits. After further discussion, a motion was made by Mr. Brown for Manchester Knoll to receive 1999 credits, Mary Exner Block to receive half in 1999 credits and the remaining in 2000 credits, and for Bus Barns to receive all 2000 credits. The Board expressed a concern about forward committing credits. The JCTC will meet before the September Board meeting to reconsider the St. Johnsbury House's recommendation to allocate 2000 credits. The motion carried unanimously after being seconded by Ms. Randall.

FINANCE

At this time, the Board connected via telephone with Mr. Schoenbeck, Mr. Gurley (PaineWebber, Inc.), Mr. Hans (Evensen Dodge), and Mr. Amsden (Kutak Rock) to discuss bond financing. Mr. Schoenbeck, Mr. Gurley, and Mr. Hans reviewed a number of materials with the Board. A number of indicators will be released this week by various federal agencies. The market has already added 25 basis point rate tightening in anticipation of a federal reserve increase in interest rates. The market looks good for VHFA's bond financing.

After further discussion, a motion was made by Mr. Brown to approve the "Fifteenth Supplemental Single Family Housing Bond Resolution." The motion carried unanimously after being seconded by Ms. Randall.

Mr. Schoenbeck reviewed his memo regarding the multifamily bond financing next. The bond sale is scheduled for September 2nd to permanently finance the Briars and Blair Park Apartments (also known as Eagle Crest), both projects that the Board has previously approved. Mr. Schoenbeck indicated that a Board conference call would also take place on September 2nd to discuss the multifamily bond sale purchase. No Board action required at this time.

Private activity bond volume cap was discussed next. Each year the Agency is allocated part of the State's \$150 million annual volume cap for private activity bonds. On July 15, the Emergency Board allocated \$50 million to the Agency and the Agency allocated \$10 million of that amount to exempt facility bonds. With the single family bond issue scheduled for sale later this month, it is necessary to allocate the remaining \$40 million for single family uses.

Mr. Candon made a motion to approve the "Resolution Relating to Vermont Housing Finance Agency Election to Allocate 1999 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Mr. Brown.

MULTIFAMILY MANAGEMENT

Next, Mr. Falzone discussed Saxtons River family housing. This 17 unit family property is currently in poor condition and the owner has accepted a Housing Vermont offer to purchase the property at a reasonable price. Housing Vermont has proposed a two-step transaction that will first transfer ownership and address immediate rehab needs, and then in the spring, they intend to complete a more comprehensive rehab of these units. Ms. Carpenter emphasized that the property needs significant work done and that future restructuring may be very expensive to complete.

In the second phase of this transaction, they expect to replace VHFA's existing debt financing as part of an upcoming multifamily tax exempt bond issue and allocate out of cap housing credits. Ms. Carpenter noted that Phase II will be brought before the Board when it is ready to begin. Ms. Randall made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a 17-unit Project in Rockingham." The motion carried unanimously after being seconded by Mr. Candon.

HOMEOWNERSHIP PROGRAM

Ms. Crady indicated that as of August 12, there are approximately \$2.5 million in funds available for reservation. We have had lower levels of activity since the higher interest rates came out on August 2. MGIC is doing a great job underwriting for us, as responses from lenders continue to be very positive. VHFA's one-year agreement with MGIC expires in the spring of 2000, so staff is planning to meet with MGIC in September to begin discussions of criteria for eligible loans after the expiration of the current agreement.

Ms. Crady noted that there was an error in the May 31 servicing report. A majority of the loans that were in foreclosure as of that date were counted as foreclosure accounts and also as 90+ accounts. As a result, the total percentage of loans delinquent was lower than those reported.

Ms. Crady indicated that in early spring, VHFA applied for a HUD Housing Counseling Grant of \$321,000. We have been notified that we received \$96,321 for 5 Homeownership Centers and the Vermont Development Credit Union counseling program.

BOARD MINUTES

August 19, 1999

Page 4 of 4

ADMINISTRATION

Ms. Carpenter reviewed her report with the Board. She then introduced David Adams to the Board. David is VHFA's new Chief of Program Operations.

The Board agreed to hold its retreat on November 11 and 12 in Stowe. More information will follow as time gets closer.

The Board spent the remainder of the meeting discussing strategic planning. Overviews of each agency program (Multifamily Development, Homeownership, and Multifamily Management) were presented to the Board by staff and discussed.

With no further business, and after a motion moved by Mr. Candon and seconded by Ms. Randall, the meeting adjourned at 4:00 p.m.

Sincerely,

A handwritten signature in cursive script that reads "Sarah E. Carpenter". The signature is written in dark ink and is positioned above the printed name and title.

Sarah E. Carpenter

Executive Director and Secretary



BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, September 02, 1999 at 11:00 a.m.

VIA TELEPHONE: Chairman White; Commissioners Canney, Candon (designee of Costle), Douglas, Seelig, Beyer (designee of Lambert) Mr. Gurley (PaineWebber Inc.), Mr. Hans (Evensen Dodge), Ms. Cross (Orrick & Herrington), Mr. Wagner (Kutak Rock)

Present: Ms. Carpenter, Ms. Loller, Ms. Gent, Ms. Caragher, Mr. Schoenbeck, Mr. Erdelyi, Mr. Adams
Other: Mr. Brush (Green Mountain Development Group)

Chairman White called the meeting to order at 11:01 a.m.

FINANCE

Mr. Schoenbeck introduced Mr. Gurley to begin the discussion of the sale of the 1999 Series B Multi-Family Bonds. Mr. Gurley indicated that the market was nervous based on economic information that was released on Tuesday. In spite of the market, the bonds were placed, including a significant portion to Fannie Mae.

Mr. Hans indicated that the results for the bond sale were successful. The interest rate for Briars Apartments and Eagle Crest project loans are 7.00% and 7.10%, respectively. This bond issue will generate \$35,000 of cash flow per year to the Agency. Mr. Hans also mentioned that an innovative feature of these bonds are that they are callable in 7 years compared to 3 years ago, when 10-year calls were the standard.

Mr. Wagner noted that he recommends that the Board of Commissioners approve the "Multi-Family Mortgage Bonds 1999 Series B Resolution." A motion was made by Mr. Douglas to approve the resolution. The motion carried unanimously after being seconded by Mr. Seelig.

DEVELOPMENT

Mr. Erdelyi indicated that the Joint Committee on Tax Credits (JCTC) met yesterday to discuss commitments for year 2000 credits. The JCTC agreed to give the St. Johnsbury House \$161,615 from Year 2000 credits. Housing Vermont has also asked that



Bus Barns be given an additional \$13,000 in credits. When Housing Vermont originally asked for the credits, their request was reduced by \$50,000. They are now asking for \$13,000 of that \$50,000.

After further discussion, Mr. Seelig made a motion to approve the "Resolution Regarding Low Income Housing Tax Credit Project Reservations," allowing St. Johnsbury House and Bus Barns to receive Year 2000 credits in the amounts listed above. The motion carried unanimously after being seconded by Mr. Douglas.

MISCELLANEOUS

The Board agreed to have the September 20th Board meeting from 4:00 p.m. until approximately 7:00 p.m. with a working dinner.

Ms. Gent asked if we wanted to reschedule our October 21st meeting because Art Wolf was not available that day to speak to the Board regarding economic and strategic planning issues. Ms. Beyer suggested that Ms. Gent contact Tom Kavet for the strategic planning presentation. Mr. Seelig agreed, indicating that Mr. Kavet does great presentations. Chairman White suggested that we keep the Board meeting on October 21st and perhaps try to get Tom Kavet or Jeff Carr that day to present to the Board, and maybe we can have Art come to our retreat in November and present to us then.

Ms. Carpenter reminded the Board that the retreat would be held on November 11th and 12th. Staff is researching a place for the retreat and will let everyone know as soon as we have decided on a location. The Highland Lodge in Greensboro and Blueberry Hill in Goshen were mentioned as possible locations. We are also looking at locations in Stowe.

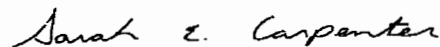
It was asked if we would still have a board meeting on November 18th. Chairman White stated that we would cancel that meeting.

The December Board meeting was also changed from December 16th to December 3rd in Burlington. VHFA will host its Holiday Party on the evening of December 3rd.

In closing, Mr. Candon congratulated Chairman White, Ms. Carpenter and staff on the wonderful 25th anniversary celebration held at the Boathouse. Ms. Carpenter then thanked Ms. Gent and her staff for doing a great job.

With no further business, the meeting adjourned at 11:45.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary

**RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE
1999 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION**

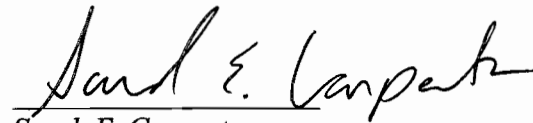
WHEREAS, the Vermont Housing Finance Agency (the "Agency") was allocated \$50 million in 1999 private activity bond volume cap by the State of Vermont Emergency Board and allocated \$10 million of that to exempt facility bonds on July 15, 1999; and

WHEREAS, the Agency desires to elect to utilize the remaining \$40 million in volume cap for qualified mortgage bonds and mortgage credit certificates; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency elects to allocate \$40,000,000 of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 19, 1999.



*Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency*

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

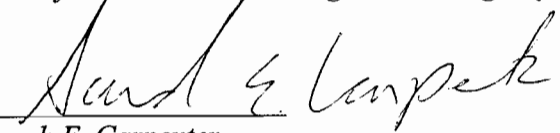
WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on September 1, 1999 and reconsidered recommendations for reservations of tax credits for 2 proposed projects that had been discussed at earlier meetings, St. Johnsbury House and Bus Barns; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has reconsidered the projects named above.
2. The Agency approves the reservation from Year 2000 credits for the projects recommended by the JCTC in the amounts listed: St. Johnsbury House--\$161,615 and Bus Barns--\$13,000 in addition to credits previously approved, subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.
3. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 2, 1999.



Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency



BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Monday, September 20, 1999 at 4:00 p.m.

PRESENT: Chairman White; Commissioners Seelig, Douglas, Randall, Canney, Beyer (designee of Lambert), Candon (designee of Costle)

Staff: Ms. Carpenter, Ms. Loller, Ms. Caragher, Ms. Gent, Ms. Crady, Mr. Erdelyi, Mr. Schoenbeck, Mr. Falzone, Mr. Adams

Other: Mr. Gurley (PaineWebber Inc.), Ms. Welsh (PaineWebber Inc.), Mr. Dormitzer (PaineWebber Inc.), Mr. Irvin (PaineWebber Inc.), Mr. Hans (Evensen Dodge), Mr. Hoepfner (Evensen Dodge), Mr. Tu (Evensen Dodge), Mr. Culnan (Moody's Investors Service), Mr. Bresnahan (Moody's Investors Service)

Chairman White called the meeting to order at 4:13 p.m. Mr. Candon made a motion to approve the minutes of August 19 and September 2, 1999. The motion carried unanimously after being seconded by Mr. Douglas. (Ms. Randall abstained from the September 2, 1999 Board minutes).

ADMINISTRATION

Ms. Carpenter indicated that she was interviewed for a television show "Restore America." Hosted by Bob Villa, this show highlights successful historic preservation initiatives in all 50 states. Ms. Carpenter was interviewed regarding Dalton Drive in Colchester and VHFA's role in that project.

Ms. Carpenter stated that our all day full staff meeting at Shelburne Farms went very well. We had 100% staff participation. The two facilitators, Judy Warriner Walke and Merryn Rutledge, did a wonderful job. Pat Loller has sent out a survey to staff to get their responses on how the day went. Ms. Carpenter indicated that we are in the process of typing up the results of the day and will share them with the Board at the November meeting.

HOMEOWNERSHIP

Ms. Crady indicated that reservations continue to average approximately \$2 million to \$2.5 million in loans weekly. Ms. Crady noted that, as of the middle of September, we have only 27 REOs. There has been a significant amount of activity with our REOs.



mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 or (800) 339-5866 **consumer helpline** (800) 287-8432 **fax** (802) 864-5746 **www.vhfa.org**



Currently, MGIC and VHFA are working on a plan to implement automated underwriting. Staff is meeting with MGIC on October 6 to discuss our contract for Year 2. Ms. Randall asked if we were using Desktop Underwriting or Loan Prospector. Ms. Crady indicated that we were not using them yet, but staff is looking into it.

MULTIFAMILY MANAGEMENT

Mr. Falzone indicated that staff has been working with Housing Vermont, Merchant's Bank, and St. Michaels College to restructure the debt for Winchester Place by refunding the current bonds and extending the term of financing beyond 2017. St. Michaels College is willing to modify the terms of their ground lease in exchange for getting access to 13 of Winchester's unrestricted units of housing located near their main campus for student housing. With this change and the refinancing, we believe we can get Winchester on its feet with a positive cash flow.

Staff is recommending that the Board authorize the Executive Director to enter into a Three Party Memorandum of Understanding and allow staff to continue working to accomplish a bond refunding and debt restructuring as outlined above. After further discussion, a motion was made by Mr. Candon to approve the staff's recommendation listed above. The motion carried unanimously after being seconded by Mr. Seelig.

MISCELLANEOUS

Ms. Carpenter noted that there had been a vacancy with one of VHFA's appointments to the Housing Vermont Board. Bob Skiff, former president of Champlain College, founder of the Vermont Commons School, and director of the Merchants Bank, has since then been recommended by Housing Vermont to take that spot.

After review of the Board appointment process, Mr. Candon made a motion to accept Bob Skiff as the VHFA -appointed Board member for Housing Vermont. The motion carried unanimously after being seconded by Mr. Douglas.

Ms. Carpenter also mentioned that Housing Vermont appointment Paul Bohne of Bennington, has submitted his resignation from the Housing Vermont Board, and will be leaving once a replacement is found. Ms. Carpenter indicated that if anyone has any thoughts on candidates to take his place to please let her know. They would like the candidate preferably from the southern part of the state.

STRATEGIC PLANNING

The Board went on to continue its strategic planning discussion. Mr. Culnan and Mr. Bresnahan, of Moody's Investors Service, made a presentation how VHFA bonds are viewed and about what factors and performance measures are especially important to a rating agency. Next, representatives from PaineWebber Inc. and Evensen Dodge made a presentation about VHFA's recent bond financing and options to consider when planning future bond programs. A working dinner followed with a open discussion among the Board members, visitors, and staff.

With no further business and after a motion made by Mr. Douglas and seconded by Mr. Candon, the meeting adjourned at 7:30 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary



VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners
FROM: Joe Erdelyi, Senior Development Officer ✍
DATE: October 15, 1999
RE: Multifamily Loan Application for Saxton's River Family Housing

Name:	Saxton's River Family Housing	Location:	Saxton's River
Housing Type:	Family	Building Type:	Garden / Flats
Total Units:	17	HC Restricted Units:	17
Unit Sizes:	Five 2 bedroom Seven 3 bedroom Five 4 bedroom	Unit Square Footage:	955 2 br (avg) 1,164 3 br (avg) 1,598 4 br (avg)
Total Cost:	\$1,898,865	Per Unit Cost:	\$111,698
Loan Requested:	\$575,000 permanent \$275,000 "0%" funds \$425,000 construction	Credits Requested:	\$68,512
Other Funding:	VHCB	Sponsors:	Housing Vermont, RACLT

The development, currently in VHFA's portfolio, consists of seven buildings on four sites that were rehabilitated and operated under the Section 8 New Construction/Substantial Rehabilitation program. The for-profit owner has operated the project in a manner that has caused some deterioration of the buildings, but the project has always managed to maintain full occupancy. There are approximately 12 years left on the rent assistance contract with HUD. For tax reasons the owner was motivated to sell, and Housing Vermont assumed the existing debt and took ownership in August of this year. The proposal is to take out this existing debt with new tax-exempt bond funds and in doing so to qualify the project for the 4% Housing Credit. To make the project financially feasible it will also need soft financing and the sponsor is proposing to use VHCB funds and VHFA's "0%" funds. The rehabilitation work includes a town sewer hook-up, well contamination clean-up, carpentry and finishes, and new heating systems for all of the buildings.

The permanent loan amount requested is approximately 30% of the total development cost. The tax-exempt financing needs to be at least 50% in order to qualify the project for the out-of-cap credits, so the sponsor is requesting a construction loan of an additional \$425,000. The sponsor does not have an appraisal, and any financing commitment from VHFA needs to be conditioned upon receipt and review of an appraisal acceptable to VHFA staff that supports the loan amounts requested. Should the appraisal not provide sufficient value in the real estate to secure the VHFA loans, staff will seek additional security from Housing Vermont for the loans. Staff also requests that the Board give the Executive Director the authority to determine the final loan amounts from the two sources (the current split is \$575,000 bond funds and \$275,000 in 0% funds; the final split will depend on the appraisal, the VHCB award, and the interest rate).

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined."), and that the Board authorize the Executive Director to issue a Letter of Commitment to finance this development upon satisfactory completion of staff underwriting and due diligence.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408

Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364

802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832

FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org



14-Oct-99 Saxton's River

Total Residential Units:	17	Increase in Income from Rental Units:	0.00%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	1,898,865	Expense increase:	1.50%
Total Development Cost per Unit:	111,698	Vacancy Rate:	1%
Total Development Cost Per SF:	91	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	69,562	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	68,512	Sponsor's Estimated Yield:	112.64%

LIHTC - 9%	8.45%	(Oct '99)
LIHTC - 4%	3.62%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term		
First Mortgage	575,000	30.28%	7.75%	12	12	74,043	73,747
0% loan	275,000	14.48%	0.00%	N/A	18		
Lead loan	40,000	2.11%	0.00%	30	30		
VHCB	200,000	10.53%	0.00%	30	30		
existing replacement reserves	20,000	1.05%	N/A	N/A			
deferred fees	24,865	1.31%	N/A	N/A			
Tax Credit Equity	764,000	40.23%	N/A	N/A			
TOTAL SOURCES	1,898,865	100.00%					

USES

Acquisition	550,500	28.99%
Construction Hard Costs	945,945	49.82%
Soft Costs	402,420	21.19%
TOTAL USES	1,898,865	100%

Gap 0

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	0	0
2 Br	95,890	5	479,450
3 Br	101,637	7	711,459
4 Br	107,390	5	536,950
Maximum cost allowed under the per unit cost limits			1,727,859
Projected total cost, excluding cash accounts			1,886,115
	(over)/under		(158,256)

General Partner's Capital Contribution	0	1.00%
Limited Partner's Capital Contribution	764,000	99.00%
Total Equity	764,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	17
Total Units	17
Unit Fraction	100.00%
Tax Credit Square Footage	20,911
Total Residential Square Footage	20,911
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

		Allocation of Sources							
	Budget	Per Unit	Per s.f.	VHCB Terms: _____	HOME Terms: _____	VCDP Terms: _____	Debt Terms: _____	Equity Terms: _____	Other Terms: _____
									TOTAL SOURCES
ACQUISITION									
1 Land	64,800	3,812	3.10						0
2 Purchase of Building(s)	475,200	27,953	22.72						0
3 Demolition (without replacement)		0	0.00						0
4 Property Appraisal	3,000	176	0.14						0
5 Legal - Title and Recording	7,500	441	0.36						0
Subtotal - Acquisition	550,500	32,382	26.33						0
CONSTRUCTION HARD COSTS									
6 Rehabilitation	715,000	42,059	34.19						0
7 New Building(s)		0	0.00						0
8 Accessory Buildings		0	0.00						0
9 Sitework	85,000	5,000	4.06						0
10 Commercial Space Costs (if any)		0	0.00						0
11 General Requirements		0	0.00						0
12 Contractor Overhead		0	0.00						0
13 Contractor Profit		0	0.00						0
14 Construction Contingency	85,995	5,059	4.11						0
15 Construction Management		0	0.00						0
16 Construction Bond Fee		0	0.00						0
17 Hazardous Materials Abatement	45,500	2,676	2.18						0
18 Off-Site Improvements		0	0.00						0
19 Furnishings, Fixtures, & Equipment	14,450	850	0.69						0
20 Other		0	0.00						0
Subtotal - Hard Costs	945,945	55,644	45.24						0
SOFT COSTS									
21 Architectural	64,000	3,765	3.06						0
22 Engineering		0	0.00						0
23 Legal/Accounting	12,000	706	0.57						0
24 Relocation	24,000	1,412	1.15						0
25 Environmental Assessment	2,500	147	0.12						0
26 Energy Assessment		0	0.00						0
27 Permits/Fees	3,600	212	0.17						0
28 Independent Market Study		0	0.00						0
29 Construction Period Insurance	3,750	221	0.18						0
30 Construction Interest	28,000	1,647	1.34						0
31 Construction Loan Origination Fee	13,500	794	0.65						0
32 Taxes During Construction	3,750	221	0.18						0
33 Clerk of the Works	12,500	735	0.60						0
34 Marketing	2,000	118	0.10						0
35 Tax Credit Fees	2,240	132	0.11						0
36 Soft Cost Contingency	5,330	314	0.25						0
37 Permanent Loan Origination Fee		0	0.00						0
38 Lender's Counsel's Fee		0	0.00						0
39 Other (_____)		0	0.00						0
SYNDICATION COSTS									
40 Organizational (Partnership)		0	0.00						0
41 Bridge Loan Fees and Expenses		0	0.00						0
42 Syndication Consultant		0	0.00						0
43 Tax Opinion		0	0.00						0
DEVELOPER'S FEES									
44 Developer's Fees	200,000	11,765	9.56						0
45 Other Partnership Fees		0	0.00						0
46 Consultant Fees	12,500	735	0.60						0
RESERVES									
47 Working Capital	12,750	750	0.61						0
48 Rent-up (Deficit Escrow) Reserve		0	0.00						0
49 Other Operating Reserves		0	0.00						0
50 Sinking Fund		0	0.00						0
51 Replacement Reserves		0	0.00						0
Subtotal - Soft Costs	402,420	23,672	19.24						0
TOTAL DEVELOPMENT COSTS	1,898,865	111,698	91	0	0	0	0	0	0
	12.70%								
	9,000								
	6,000								

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION						
1 Land	64,800					
2 Purchase of Building(s)	475,200	475,200		475,200		
3 Demolition (without replacement)	0					
4 Property Appraisal	3,000	3,000		3,000		
5 Legal - Title and Recording	7,500	7,500		7,500		
Subtotal - Acquisition	550,500					
CONSTRUCTION HARD COSTS						
6 Rehabilitation	715,000		715,000	715,000		
7 New Building(s)	0		0			
8 Accessory Buildings	0		0			
9 Sitework	85,000		85,000			
10 Commercial Space Costs (if any)	0					
11 General Requirements	0		0			
12 Contractor Overhead	0		0			
13 Contractor Profit	0		0			
14 Construction Contingency	85,995		85,995	85,995		
15 Construction Management	0		0			
16 Construction Bond Fee	0		0			
17 Hazardous Materials Abatement	45,500		45,500	45,500		
18 Off-Site Improvements	0		0			
19 Furnishings, Fixtures, & Equipment	14,450		14,450			
20 Other	0		0			
Subtotal - Hard Costs	945,945					
SOFT COSTS						
21 Architectural	64,000		64,000	64,000		
22 Engineering	0		0			
23 Legal/Accounting	12,000		12,000	12,000		
24 Relocation	24,000		24,000	24,000		
25 Environmental Assessment	2,500		2,500	2,500		
26 Energy Assessment	0		0			
27 Permits/Fees	3,600		3,600	3,600		
28 Independent Market Study	0		0			
29 Construction Period Insurance	3,750		3,750	3,750		
30 Construction Interest	28,000		28,000	28,000		
31 Construction Loan Origination Fee	13,500					
32 Taxes During Construction	3,750		3,750	3,750		
33 Clerk of the Works	12,500		12,500	12,500		
34 Marketing	2,000			2,000		
35 Tax Credit Fees	2,240		2,240	2,240		
36 Soft Cost Contingency	5,330		5,330	5,330		
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	0					
39 Other	0					
SYNDICATION COSTS						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
DEVELOPER'S FEES						
44 Developer's Fees	200,000	27,000	173,000	200,000		
45 Other Partnership Fees	0					
46 Consultant Fees	12,500		12,500	12,500		
RESERVES						
47 Working Capital	12,750					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	402,420					
TOTALS						
	1,898,865	512,700	1,293,115	1,708,365	1,046,773	
LESS: Amount of Non-qualified Financing						469,681
LESS: Adjustment for per unit cost limits						1,184,615
LESS: Historic tax Credit (Residential Portion)			209,355	209,355	20% Historic Credit Rate	975,261
					209,355 Annual Hist	17,002
TOTALS						45,896
TIMES: Adjusted for QCT/DDA						
TOTALS	130.0%	512,700	1,083,760			
TIMES: Applicable Fraction						
TOTALS	100.00%	512,700	1,408,889			
TIMES: Total Qualified Basis						
TOTALS		512,700	1,408,889	1,499,010	Long Term Depreciable Basis	
TIMES: Applicable Percentage						
TOTALS		3.62%	3.62%	27.5	Depreciation Schedule	62,898
TIMES: Total Annual Credit Qualified						
TOTALS		18,560	51,002	54,509	Annual Depreciation	
Total Tax Credits Requested						
TOTALS	68,512		69,562	14,450	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)						
TOTALS	764,000			7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication						
TOTALS	112.64%			2,064	Annual Depreciation	
Equity Gap						
TOTALS	788,865					
Credits Needed to fill Equity Gap						
TOTALS	70,742					

14-Oct-99 Saxton's River

HC Restricted Units	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
Bedrooms						
0 Br			0	0		0
1 Br			0	0		0
2 Br		955	5	711		42,660
3 Br		1,164	7	799		67,128
4+ Br		1,598	5	918		55,104
Totals		20,911	17			164,892

Non-HC Restricted Units	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
Bedrooms						
0 Br			0	0		0
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
Totals		0	0			0

All Units

Grand Totals	20,911	17				164,892
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Less Vacancy 1.00% (1,649)

NET RENT 163,243

OTHER INCOME

Laundry 1,300
 Parking 0
 Commercial Space Income 0
 Other 0

TOTAL INCOME 164,543

Saxton's River

[illegible]

max 60%

14-Oct-99 **Saxton's River**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,180	765	45	5.6%
Supportive Services	1,020	85	5	
Audit/Accounting	4,080	340	20	
Legal	1,020	85	5	
Compliance Monitoring	408	34	2	
Office and Salaries	4,080	340	20	
Other	1,632	136	8	
TOTAL ADMINISTRATIVE	21,420	1,785	105	
Utilities				
Electricity	3,060	255	15	
Fuel	3,060	255	15	
Water and Sewer	6,732	561	33	
Fire Alarm / Emergency	408	34	2	
Other		0	0	
TOTAL UTILITIES	13,260	1,105	65	
Maintenance				
Maintenance / Janitor Payroll	11,220	935	55	
Janitor Supplies	1,020	85	5	
Exterminating	408	34	2	
Trash Removal	1,836	153	9	
Snow Removal	1,632	136	8	
Grounds	1,428	119	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	2,040	170	10	
Other		0	0	
TOTAL MAINTENANCE	19,584	1,632	96	
Real Estate Taxes	18,360	1,530	90	<div>per unit month excl. ds & res. 369</div>
Property Insurance	2,652	221	13	
Replacement Reserves	5,100	425	25	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
Total	80,376	6,698	394	

14-Oct-99

Saxton's River

Year

13

Operating Income

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Gross Rent	164,892	164,892	164,892	164,892	164,892	164,892	164,892	164,892	164,892	164,892	164,892	164,892	127,788	129,705	131,650
Other Income	1,300	1,320	1,339	1,359	1,380	1,400	1,421	1,443	1,464	1,486	1,509	1,531	1,554	1,578	1,601
Vacancy and other losses	(8,245)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(2,473)	(6,389)	(6,485)	(6,583)
Total Operating Income	157,947	157,967	157,967	157,967	157,967	157,967	157,967	157,967	157,967	157,967	157,967	157,967	122,953	124,797	126,669

Operating Expenses

Total Expenses (excl. Reserves)	75,276	76,405	77,551	78,714	79,895	81,094	82,310	83,545	84,798	86,070	87,361	88,671	90,001	91,351	92,722
Reserves	5,100	5,177	5,254	5,333	5,413	5,494	5,577	5,660	5,745	5,831	5,919	6,008	6,098	6,189	6,282
Total Operating Expense	80,376	81,582	82,805	84,047	85,308	86,588	87,887	89,205	90,543	91,901	93,280	94,679	96,099	97,540	99,004

Net Operating Income

	77,571	76,385	80,953	79,731	78,490	77,231	75,954	74,657	73,340	72,004	70,648	69,271	67,854	66,441	65,000
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Less Primary Debt Service

Less Secondary Debt Service	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747	73,747
Annual Cash Flow	3,825	2,639	7,206	5,984	4,744	3,485	2,207	910	(407)	(1,743)	(3,099)	(4,476)	(5,854)	(7,227)	(8,600)

Operating Subsidies / Sinking Fund

Net Cash	3,825	2,639	7,206	5,984	4,744	3,485	2,207	910	(407)	(1,743)	(3,099)	(4,476)	(5,854)	(7,227)	(8,600)
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Cumulative Cash Flow

DCR	105.19%	103.58%	109.77%	108.11%	106.43%	104.73%	102.99%	101.23%	99.45%	97.64%	95.80%	93.93%	N/A	N/A	N/A
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Beginning Balance

Deposits	12,750	17,097	20,392	28,452	35,556	41,651	46,682	50,591	53,319	54,805	54,983	53,829	51,282	80,441	111,049
Interest	3,825	2,639	7,206	5,984	4,744	3,485	2,207	910	(407)	(1,743)	(3,099)	(4,476)	(5,854)	(7,227)	(8,600)
Withdrawals	522	656	855	1,120	1,351	1,546	1,702	1,818	1,892	1,921	1,945	1,929	2,305	3,351	4,449
Ending Balance	17,097	20,392	28,452	35,556	41,651	46,682	50,591	53,319	54,805	54,983	53,829	51,282	80,441	111,049	143,163

Cumulative Replacement Reserves

Beginning Balance	0	5,189	10,643	16,370	22,381	(4,945)	647	6,346	12,333	18,620	(8,424)	(2,399)	3,715	10,054	16,711
Deposits	5,100	5,177	5,254	5,333	5,413	5,494	5,577	5,660	5,745	5,831	5,919	6,008	6,098	6,189	6,282
Interest	89	277	473	678	883	1,088	1,293	1,498	1,703	1,908	2,113	2,318	2,523	2,728	2,933
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	5,189	10,643	16,370	22,381	(4,945)	647	6,346	12,333	18,620	(8,424)	(2,399)	3,715	10,054	16,711	(9,955)

Net Operating Income

Plus Reserves	77,571	76,385	80,953	79,731	78,490	77,231	75,954	74,657	73,340	72,004	70,648	69,271	67,854	66,441	65,000
Less Interest Expense	5,100	5,177	5,254	5,333	5,413	5,494	5,577	5,660	5,745	5,831	5,919	6,008	6,098	6,189	6,282
Less Long Depreciation	(92,754)	(80,311)	(66,870)	(53,427)	(39,984)	(26,541)	(13,098)	(2,655)	(1,212)	(1,332)	(1,452)	(1,572)	(1,692)	(1,812)	(1,932)
Less Short Depreciation	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)	(54,509)
Taxable Income (Loss)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)	(2,064)

Cash Flow

Plus Tax Savings	23,330	19,363	13,033	2,494	1,828	1,083	250	(1,399)	(2,428)	(3,568)	(4,828)	(6,218)	(7,545)	(8,872)	(10,199)
Plus Tax Credits	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512	68,512
After Tax Cash Flow	91,842	87,875	81,545	71,006	70,340	69,595	68,762	67,113	66,084	64,944	63,804	62,664	61,524	60,384	59,244

Total Years

Reinvestment Rate	15	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
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Current After Tax Cash Flows

Future Value of Cash Flows at Yr 15:	91,842	87,875	81,545	71,006	70,340	69,595	68,762	67,113	66,084	64,944	63,804	62,664	61,524	60,384	59,244
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Discount Rate:

Capital Contribution Number:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Date of Capital Contribution:	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03	30-Sep-04	30-Sep-05	30-Sep-06	30-Sep-07	30-Sep-08	30-Sep-09	30-Sep-10	30-Sep-11	30-Sep-12	30-Sep-13
Amount of Capital Contribution:	8,722	43,610	87,219	174,438	383,764	817,438	1,744,438	3,833,764	8,444,438	18,888,438	42,000,438	94,888,438	211,000,438	474,000,438	1,066,000,438
Present Value of Contributions:	8,722	42,300	82,058	154,431	300,831	583,764	1,066,613	1,990,438	3,764,438	6,944,438	12,888,438	24,000,438	44,000,438	82,000,438	151,000,438
Cash Flows	(733,659)	0	0	0	0	0	0	0	0	0	0	0	0	0	2,666,195

IRR:

Equity Yield:	8.98%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%
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MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RS*

DATE: OCTOBER 14, 1999

RE: MULTI-FAMILY BOND FINANCING

Attached to this memorandum is a copy of the draft of the Series Resolution for the proposed refunding of the Multi-Family Mortgage Bond Resolution. The Series Resolution is the document that lists the parameters under which the Bonds can be sold. The provisions in Article II mandate the limits of the financing, i.e. a bond financing not exceeding \$40,000,000, a yield payable to the bondholders of 7% or less (for tax-exempt bonds) and less than 8.5% (for taxable bonds), with all bonds maturing no later than February 15, 2040.

We have just recently started working on this financing in earnest. Due to the timing of the holidays, Y2K issues and the bond markets, we are currently on a schedule to provide an offering statement to potential investors by the second week of November and sell the bonds during the third week. The Board meeting (retreat) scheduled in November would occur after the proposed pricing on the bonds. We thought it important to get Board approval to move forward at this time due to these timing constraints.

As has been discussed in the past, the goal of the refunding is to reduce the rates paid on the existing debt and use those savings to preserve and assist both existing portfolio and new developments. We expect that the refunding (replacement bonds) would be about \$30 million. We are also reviewing additional financing needs for projects in the portfolio and in our development pipeline which could be included in this financing. We sized a maximum amount of new financings based on the bonding cap available of approximately \$5.2 million. The taxable bond portion would go to finance projects that would not qualify for tax-exempt financing. More details will be available at the Board meeting.

If you have questions on the documents enclosed or the financing in general, please call me at 652-3436 at your convenience.

Recommended Action

Adoption of the Multi-Family Mortgage Bond 1999 Series C, D and E Series Resolution.



KUTAK ROCK
DRAFT 10/13/99

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of a Maximum of \$40,000,000

Multi-Family Mortgage Bonds, 1999 Series C, D and E

Adopted October 21, 1999

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**VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND
SALE OF A MAXIMUM OF \$40,000,000 MULTI-FAMILY MORTGAGE BONDS,
1999 SERIES C, D and E**

October 21, 1999

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being Public Act No. 260 of the Laws of Vermont, 1973 (Adjourned Session), as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose; and

WHEREAS, the Agency heretofore adopted on February 3, 1977 a resolution entitled "Multi-Family Mortgage Bond Resolution" (hereinafter referred to as the "General Bond Resolution"), and from time to time has issued series of Multi-Family Bonds thereunder ("Bonds") to finance Mortgage Loans or to refund Bonds issued to finance Mortgage Loans; and

WHEREAS, in order to obtain funds with which to refund (and reduce the borrowing cost on) certain outstanding Bonds and to provide permanent financing for Mortgage Loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue three series of Multi-Family Mortgage Bonds of the Agency as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions.

(a) Except as provided in subparagraph (b) of this Section, all defined terms contained in the General Bond Resolution shall have the same meanings in this 1999 Series C/D/E Resolution as such defined terms are given in the General Bond Resolution.

(b) As used in this 1999 Series C/D/E Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"1999 Series B Bonds" means the Bonds of the Agency of the Series authorized by the 1999 Series B Resolution.

"1999 Series C/D/E Resolution" means this 1999 Series C, D and E Resolution of the Agency.

"1999 Series C/D/E Bonds" means the Bonds of the Agency of the Series authorized by this 1999 Series C/D/E Resolution.

"1999 Series C Bonds" means the 1999 Series C Bonds of the 1999 Series C/D/E Bonds.

"1999 Series D Bonds" means the 1999 Series D Bonds of the 1999 Series C/D/E Bonds.

"1999 Series E Bonds" means the 1999 Series E Bonds of the 1999 Series C/D/E Bonds.

"Official Statement" means the Official Statement of the Agency describing the 1999 Series C/D/E Bonds, in substantially the form of the Official Statement, dated September 2, 1999, for the 1999 Series B Bonds, but with appropriate changes to reflect the 1999 C/D/E Bonds and the purposes therefore, the terms of which shall be completed upon the sale of the 1999 Series C/D/E Bonds pursuant to the provisions of Section 2.03 hereof.

"Rebate Account" means the 1999 Series C/D Rebate Account established pursuant to Section 4.01 hereof.

"Record Date" means, with respect to the payment of interest on a 1999 Series C/D/E Bond, the first day of the month in which interest is to be paid on such 1999 Series C/D/E Bond or, if such first day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on any overdue amount, the Trustee may establish a special record date, which date shall be not more than 20 business days before the date set for payment, and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice in the manner provided in the General Bond Resolution to the registered owners of all 1999 Series C/D/E Bonds Outstanding to which such special record date is applicable at least 10 days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"Refunded Bonds" means the outstanding Bonds of the following Series, or portions thereof as designated in the Series Certificate, to be refunded by the Series C/D/E Bonds: 1977 Series A, 1977 Series B, 1978 Series A, 1979 Series A and 1988 Series A.

"Series Certificate" means the Series Certificate of the Chairman and Executive Director of the Agency dated on or before the date of issuance of the 1999 Series C/D/E Bonds which Series Certificate shall establish certain terms of the 1999 Series C/D/E Bonds as provided herein.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this 1999 Series C/D/E Resolution, refer to this 1999 Series C/D/E Resolution.

Section 1.02. Authority for 1999 Series C/D/E Resolution. This 1999 Series C/D/E Resolution is adopted pursuant to and in accordance with the provisions of the Act and the General Bond Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF 1999 SERIES C/D/E BONDS

Section 2.01. Authorization of Bonds, Principal Amount, Designation and Series. In order to provide sufficient funds necessary for the Program, including the refunding of the Refunded Bonds, in accordance with and subject to the terms, conditions and limitations established in the General Bond Resolution and this 1999 Series C/D/E Resolution, three series of Multi-Family Mortgage Bonds, designated "Multi-Family Mortgage Bonds, 1999 Series C," "Multi-Family Mortgage Bonds, 1999 Series D" and "Multi-Family Mortgage Bonds, 1999 Series E," are hereby authorized to be issued in an aggregate principal amount of not to exceed \$40,000,000, the final principal amount of each Series to be specified in the Series Certificate. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended for the Program, including the refunding of the Refunded Bonds (the selection of the exact Refunded Bonds to be determined in the Series Certificate); (b) that the Mortgage Loans to be financed on behalf of the Agency with the proceeds of the 1999 Series C/D/E Bonds can be issued bearing a rate of interest that will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans made with the proceeds of the 1999 Series C/D/E Bonds (or the Refunded Bonds) sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the 1999 Series C/D/E Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the 1999 Series C/D/E Bonds are issued.

Section 2.02. Purposes. The purposes for which the 1999 Series C/D/E Bonds are being issued are to provide funds for deposit in the Debt Service Reserve Fund, the 1999 Series C/D/E Cost of Issuance Account, the Redemption Fund and the 1999 Series C/D/E Mortgage Loan Accounts, subject to the limitations and provisions provided in Article IV of the General Bond Resolution and in the amounts determined by or pursuant to Article III hereof.

Section 2.03. Issue Date. Notwithstanding Section 304 of the General Bond Resolution, all 1999 Series B Bonds shall be dated December 1, 1999 (unless otherwise specified in the Series Certificate).

Section 2.04. 1999 Series C/D/E Bonds. Notwithstanding Section 304(c) of the General Bond Resolution, the 1999 Series C/D/E Bonds shall bear interest from the February 15 or August 15 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from December 1, 1999 (unless otherwise specified in the Series Certificate), or if the date of authentication of any 1999 Series C/D/E Bond is subsequent to the Record Date for any Interest Payment and on or prior to the Interest Payment Date therefor, and if interest is paid on such Interest Payment Date, from such Interest Payment Date. The 1999 Series C/D/E Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates set forth in the Series Certificate, provided that the rates on the 1999 Series C Bonds and on the 1999 Series D Bonds shall not exceed 7% per annum, and the rates on the 1999 Series E Bonds shall not exceed 8½%, nor may the final maturity of the 1999 Series C/D/E Bonds be later than February 15, 2040. Subject to the

provisions of the General Bond Resolution and Article II of the 1999 Series C/D/E Resolution, each 1999 Series C/D/E Bond shall be in substantially the form of the 1999 Series B Bonds and as set forth in the Series Certificate, with such insertions or variations by Series as to any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required or permitted by the General Bond Resolution or the Series Certificate; the 1999 Series C/D/E Bonds shall be executed by the manual or facsimile signature of the Chairman or Vice Chairman and attested by the Secretary or Director of Finance and have impressed or imprinted thereon the corporate seal of the Agency or a facsimile thereof. Interest on each 1999 Series C/D/E Bond shall be payable semiannually on February 15 and August 15 in each year, commencing on the date specified in the Series Certificate.

Section 2.05. Denomination, Numbers and Letters.

(a) The 1999 Series C/D/E Bonds shall be issued solely in fully registered form in the denomination of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of 1999 Series C/D/E Bonds of each Series maturing in the year of maturity of the Bonds for which the denomination is to be specified. Notwithstanding Section 307 of the General Bond Resolution, registered 1999 Series C/D/E Bonds shall not be interchangeable for non-registered-coupon 1999 Series C/D/E Bonds. The 1999 Series C/D/E Bonds of each Series shall be numbered consecutively from one upwards in order of maturity with the letter "R" preceding each number.

The 1999 Series C/D/E Bonds shall be issued to CEDE & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as fully registered bonds in denominations of one bond for each maturity in the aggregate principal amount of such maturity. In the event DTC determines to discontinue providing its services or the Agency elects to terminate the book-entry system with DTC and a successor securities depository for all the 1999 Series C/D/E Bonds is not designated, the Agency and the Trustee shall arrange for the delivery of certificates for the 1999 Series C/D/E Bonds.

Subject to paragraph (b) below, the principal and Redemption Price of 1999 Series C/D/E Bonds shall be payable at the Principal Office of the Trustee. Interest on the 1999 Series C/D/E Bonds shall be payable by check or draft drawn upon the Trustee and mailed to the address of the registered owner thereof as it shall appear on the registry books of the Trustee; provided, however, the Agency may pay interest on fully registered 1999 Series C/D/E Bonds by checks or drafts mailed to the persons entitled thereto, and the Agency may provide for any such payment by wire transfer of funds; provided, further, that if the 1999 Series C/D/E Bonds are in book-entry form, payment shall be made in accordance with the procedures of DTC. The principal and Redemption Price of and interest on 1999 Series C/D/E Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents.

(b) Notwithstanding any other provisions herein or the provisions of the General Bond Resolution to the contrary, the following shall be applicable with respect to

the payment, transfer and provision of notices with respect to the 1999 Series C/D/E Bonds:

(i) During the term of the 1999 Series C/D/E Bonds, ownership and subsequent transfer of ownership will be reflected by book entry on the records of DTC and those financial institutions for whom DTC effects book-entry transfers (collectively, the "Participants"). No person for whom a Participant has an interest in the 1999 Series C/D/E Bonds (a "Beneficial Owner") shall receive bond certificates representing their respective interest in the 1999 Series C/D/E Bonds except in the event that DTC or the Agency shall determine, at its option, to terminate the book-entry system described in this Section. Payment of principal and Redemption Price of, and interest on, the 1999 Series C/D/E Bonds will be made by the Trustee to DTC, which will in turn remit such payment of principal and Redemption Price and interest to its Participants, which will in turn remit such principal and Redemption Price and interest to the Beneficial Owners of the 1999 Series C/D/E Bonds until and unless DTC or the Agency elects to terminate the book-entry system, whereupon the Agency shall deliver bond certificates to the Beneficial Owners of the 1999 Series C/D/E Bonds or their nominees. Bond certificates issued under this Section may not be transferred or exchanged except as provided in this Section.

(ii) Upon the reduction of the principal amount of any maturity of the 1999 Series C/D/E Bonds, the registered Bondowner may make a notation of such redemption on the panel of the Bond, stating the amount so redeemed, or may return the Bond to the Trustee for exchange for a new 1999 Series C/D/E Bond authenticated by the Trustee in the proper principal amount. Such notation, if made by the Bondholder, may be made for reference only and may not be relied upon by any other person as being in any way determinative of the principal amount of such Bond Outstanding, unless the Trustee has initialed the notation on the panel.

(iii) DTC, or its nominee, will be the sole Bondholder of the 1999 Series C/D/E Bonds, and no investor or other party purchasing, selling or otherwise transferring ownership of any 1999 Series C/D/E Bonds will receive, hold or deliver any bond certificates as long as DTC holds the 1999 Series C/D/E Bonds immobilized from circulation.

(iv) The 1999 Series C/D/E Bonds may not be transferred or exchanged except:

(A) To any successor of DTC (or its nominee) or any substitute depository ("Substitute Depository") designated pursuant to (B) below, provided that any successor of DTC or any Substitute Depository must be a qualified and registered "clearing agency" as provided in Section 17A of the Securities Act of 1934, as amended;

(B) To a Substitute Depository designated by or acceptable to the Agency upon (1) the determination by DTC that the 1999 Series C/D/E Bonds shall no longer be eligible for depository services or (2) a determination by the Agency that DTC is no longer able to carry out its functions, provided that any such Substitute Depository must be qualified to act as such, as provided in subparagraph (A) above; or

(C) To those persons to whom transfer is requested in written transfer instructions in the event that:

(1) DTC shall resign or discontinue its services for the 1999 Series C/D/E Bonds and only if the Agency is unable to locate a qualified successor within two months following the resignation or determination of noneligibility; or

(2) Upon a determination by the Agency that the continuation of the book-entry system described herein, which precludes the issuance of certificates to any Bondholder other than DTC (or its nominee) is no longer in the best interest of the Beneficial Owners of the Bonds.

(v) DTC is hereby appointed the securities depository for the 1999 Series C/D/E Bonds.

Section 2.06. Paying Agents. The Howard Bank, N.A., in the City of Burlington, Vermont, and such additional Paying Agent or Paying Agents, if any, as may be selected by the Executive Director in New York, New York or Boston, Massachusetts with due regard to the fees charged and for services rendered to the Agency are hereby appointed the Paying Agents for the 1999 Series C/D/E Bonds, subject to Section 1102 of the General Bond Resolution.

Section 2.07. Redemption at the Election of the Agency and Terms.

(a) Unless otherwise specified in the Series Certificate, the 1999 Series C/D/E Bonds shall be subject to redemption otherwise than by operation of Sinking Fund Installments, either in whole or in part on any date on or after February 15, 2007 and prior to their respective maturities, from moneys deposited in the Optional Redemption Account in the Redemption Fund upon receipt of the Officer's Certificates as provided in Section 508 of the General Bond Resolution, and upon notice as provided in Section 2.09 hereof, and when redeemed in any period shown in the following table, at a Redemption Price equal to 100% of the principal amount of each 1999 Series C/D/E Bond to be so redeemed, plus accrued interest to the redemption date.

(b) Unless otherwise specified in the Series Certificate, the 1999 Series C/D/E Bonds are also subject to redemption in whole or in part at any time at par plus accrued interest to the redemption date from moneys deposited in the Optional Redemption Account or the Special Redemption Account in the Redemption Fund, upon receipt of the Officer's Certificates as provided in Section 508 of the General Bond Resolution and

upon notice as provided in Section 2.09 hereof, from (a) unused moneys in the 1999 Series C/D/E Mortgage Loan Account, (b) reductions in the Mortgage Reserve Fund Requirement, (c) reductions in the Debt Service Reserve Fund Requirement or (d) Recovery Payments.

Section 2.08. Sinking Fund Installments. If so provided in the Series Certificate, 1999 Series C/D/E Bonds maturing on the dates set forth in the Series Certificate shall be subject to sinking fund redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the principal amount of each 1999 Series C/D/E Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. Unless none of such Bonds shall then be Outstanding, the Agency shall be required to pay on February 15 and/or August 15 of each year, as set forth in the Series Certificate, for the retirement of such Bonds the amount set opposite such date in said Series Certificate, and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Bonds; provided, however, that where there has been special or optional redemption of 1999 Series C/D/E Bonds subject to sinking fund redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 508 of the General Bond Resolution prior to such special or optional redemption.

Section 2.09. Notice of Redemption. Notwithstanding anything in the Bond Resolution to the contrary, the requirements of Section 703 of the Bond Resolution for the publication of notice of redemption in Authorized Newspapers shall not apply to the 1999 Series C/D/E Bonds. Notwithstanding said Section 703, notice of redemption of 1999 Series C/D/E Bonds shall be sufficiently given for all purposes of the General Bond Resolution if given by mailing a copy of such notice, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to the registered owners of all 1999 Series C/D/E Bonds or portions thereof to be redeemed at their addresses appearing on the registry books (with respect to a 1999 Series C/D/E Bond in book-entry-only form, such notice shall be mailed to the Securities Depository), provided failure to mail such notice to any Holder of a 1999 Series C/D/E Bond or any defect in such notice shall not affect the redemption of any other 1999 Series C/D/E Bond for which the required notice has been given. Notice having been given by mailing as aforesaid, the 1999 Series C/D/E Bonds so called for redemption shall be due and payable on the redemption date in the manner and with the effect provided in Section 705 of the General Bond Resolution.

Section 2.10. Sale of 1999 Series C/D/E Bonds.

(a) The 1999 Series C/D/E Bonds authorized to be issued herein shall be sold to PaineWebber Incorporated, Salomon Smith Barney and A.G. Edwards & Sons, Inc., or any institutional purchaser they may specify, at a price equal to the principal amount of the 1999 Series C/D/E Bonds, plus accrued interest, unless otherwise specified in the Series Certificate, pursuant to the terms of a Purchase Contract substantially in the form of that used in connection with the sale of the 1999 Series B Bonds and on file with the Agency, the terms and provisions of which Purchase Contract are hereby approved and which the Executive Director is hereby authorized to execute on behalf of the Agency, subject to such changes as the Executive Director may deem appropriate and as may be required to accommodate the terms and provisions of the Series Certificate. The

purchasers shall be paid a fee by the Agency, as set forth in the Series Certificate, provided that such fee shall not exceed 1.5% of the principal amount of the 1999 Series C/D/E Bonds. The Commissioners of the Agency hereby authorize the Executive Director and the Chairman to approve the final fee for the purchase of the 1999 Series C/D/E Bonds.

(b) The distribution of a preliminary Official Statement, in the form approved by the Executive Director, is hereby approved. The completion of the terms of the final Official Statement by the Chairman, the Vice Chairman, the Executive Director and the Director of Finance of the Agency is hereby authorized and approved, and each is hereby authorized to permit the distribution of the final Official Statement, with such changes, omissions, insertions and revisions as they shall deem advisable, and the Chairman or Executive Director is authorized to sign and deliver such final Official Statement.

(c) The 1999 Series C/D/E Bonds shall be delivered upon compliance with the provisions of Section 202 of the General Bond Resolution.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF 1999 SERIES C/D/E BOND PROCEEDS

Section 3.01. Debt Service Reserve Fund. Upon receipt of the proceeds of the sale of the 1999 Series C/D/E Bonds, there shall be deposited from such proceeds in the Debt Service Reserve Fund such amount as is needed to increase the amounts held by the Trustee in such Fund as of the date of delivery of the 1999 Series C/D/E Bonds to an amount at least equal to the Debt Service Reserve Requirement calculated as of such date. In order to determine Bonds issued for the purpose of funding the Debt Service Reserve Fund in the definition of Debt Service Reserve Requirement in the General Bond Resolution, there shall be delivered to the Trustee at the time of delivery of the 1999 Series C/D/E Bonds an Officer's Certificate designating such Bonds.

Section 3.02. Establishment of the 1999 Series C/D/E Cost of Issuance Account. There is hereby established within the Program Fund an Account to be designated as the 1999 Series C/D/E Cost of Issuance Account the moneys in which shall be used for the purposes and as authorized by Section 403 of the General Bond Resolution.

Section 3.03. Establishment of the 1999 Series C/D/E Mortgage Loan Accounts. There is hereby established within the Program Fund an Account for each Series of the 1999 Series C/D/E Bonds, to be designated by Series, the moneys in which shall be used for the purposes and as authorized by Section 402 of the General Bond Resolution.

Section 3.04. Application of Other Proceeds.

(a) From the proceeds of the 1999 Series C/D/E Bonds remaining after the deposit made pursuant to Section 3.01 hereof, there shall be paid to the Trustee for deposit as follows:

(i) Into the Debt Service Fund the amount (if any) of interest accrued from the date of the 1999 Series C/D/E Bonds to the date of delivery thereof.

(ii) All other proceeds of the sale of the 1999 Series C/D/E Bonds shall be deposited by the Trustee into the Debt Service Reserve Fund, the 1999 Series C/D/E Cost of Issuance Account, the Redemption Fund (and therein Accounts for each Series of the Refunded Bonds) or the 1999 Series C/D/E Mortgage Loan Accounts in the amounts, if any, as shall be set forth in the Series Certificate.

(b) The Agency shall designate in the Series Certificate the amounts, if any, to be deposited in or transferred among the Debt Service Reserve Fund or the Accounts and Funds referred to in Section 401 of the General Bond Resolution in accordance with this Article III upon the delivery of the 1999 Series C/D/E Bonds by the Agency, including any amounts necessary for the purposes of fully funding the 1999 Series C/D/E Costs of Issuance Account.

(c) The Agency hereby covenants that it will not take any action, or fail to take any action, and it will not use or direct the use of the proceeds of the 1999 Series C/D/E Bonds or any other moneys in its possession or control, in any manner which would adversely affect the tax-exempt status of the interest payable on any Bonds then Outstanding under Section 103 of the Code.

ARTICLE IV

ESTABLISHMENT OF REBATE ACCOUNT AND SPECIAL COVENANTS

Section 4.01. Rebate Account.

(a) There is hereby established in the General Fund a separate trust account, to be held by the Trustee but not subject to the pledge or lien of the General Bond Resolution, designated the "1999 Series C/D Rebate Account," moneys in which are pledged to and shall be used solely for the purposes set forth in this Section 4.01. The Rebate Account shall not be subject to the claim of any party (including Bondholders) and shall not be paid over to any party other than the United States of America or the Agency to the extent provided in this Section 4.01.

(b) The Agency hereby covenants to establish such other separate accounts or subaccounts within the Funds and Accounts established pursuant to the General Bond Resolution as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of the 1999 Series C Bonds and the 1999 Series D Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an Authorized Officer.

(c) At least annually, the Agency shall compute and certify to the Trustee in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code and shall deposit or direct the Trustee to deposit such amount into the 1999 Series C/D Rebate Account from moneys held in the Revenue Fund after application of such moneys in accordance with clauses First, Second, Third and Fourth of Section 504 of the General Bond Resolution or, in the event such moneys are insufficient to make such deposit, from the General Fund or from any other moneys available to the Agency and not subject to the pledge or lien of the Bond Resolution. If for any reason funds are not available under the Bond Resolution for such deposit into the Rebate Fund, the Agency covenants to transfer moneys from its own funds for such deposit.

(d) If, at the close of any fiscal year, the amount in the 1999 Series C/D Rebate Account exceeds the amount that would be required to be paid to the United States under (c), upon certification thereof in reasonable detail by the Agency to the Trustee, such excess shall promptly be paid to the Agency for deposit in the General Fund.

(e) As required by Section 148 of the Code pursuant to direction from the Agency, the Trustee shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code.

(f) The Trustee and the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section 4.01 and shall retain such records for at least six years following final payment of the 1999 Series C Bonds and the 1999 Series D Bonds.

Section 4.02. Governmental Program Requirement. The Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase 1999 Series C Bonds or 1999 Series D Bonds in an amount related to the amount of such Mortgage Loan.

Section 4.03. Covenants as to Code. The Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the 1999 Series C Bonds or 1999 Series D Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any 1999 Series C Bond or 1999 Series D Bonds from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) The Agency has specifically required that no person (or any related person, as defined in Section 144(a)(3) of the Code) shall purchase Bonds pursuant to any agreement, formal or informal, in an amount related to the amount of the Mortgage Loans to be made or acquired under the Program by the Agency;

(c) The Agency shall continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of the 1999 Series C Bonds or 1999 Series D Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on the 1999 Series C Bonds and 1999 Series D Bonds as may be required by the Code; and

(d) The Agency shall take such other action as may be necessary or desirable to maintain the exclusion of interest of the 1999 Series C Bonds and 1999 Series D Bonds in accordance with Section 103(a) of the Code.

Section 4.04. Compliance With Article IV. The provisions of this Article IV shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the 1999 Series C Bonds and 1999 Series D Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the 1999 Series C Bonds and 1999 Series D Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article IV will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article IV.

ARTICLE V

MISCELLANEOUS

Section 5.01. Mailed Notice. Notwithstanding anything in the Bond Resolution to the contrary, the requirements of Article IX and Sections 1108 and 1110 of the General Bond Resolution regarding the publication of notice of the matters referred to therein shall not apply to the 1999 Series C/D/E Bonds, and mailed notice to the Holders of the 1999 Series C/D/E Bonds, given in the manner described in Section 901(A) of the General Bond Resolution, in lieu of such published notice, shall be deemed to comply with the notice requirements of said Article and Sections.

Section 5.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders to be inserted as per the General Bond Resolution.

Section 5.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or



MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE
DATE: OCTOBER 14, 1999
RE: GENERAL FUND BUDGET PERFORMANCE

RAS

Attached to this memo is the budget performance report for the fiscal year ending June 30, 1999. The report agrees to the audited financials by adjusting for \$100,098 of net fee income recognized on the audited financials from prior year deferrals but not collected during the fiscal year and therefore shown as an adjustment on the budget report.

INCOME. Although, we finished at 100% for the income categories, several line items were significantly different from the original budget. Loan activity was much higher than anticipated which increased our total interest income over the budgeted amount. The payment of points to the lenders on no point mortgages eliminated all single family fee income. A \$5 million assisted living project we had expected to finance resulted in the loss of \$75,000 of expected fees. Federal Home Loan Bank grants for affordable housing programs of \$121,000 was not budgeted.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected but the General Fund had to contribute \$969,000 to the Single Family Housing and Home Mortgage Purchase Bond programs to cover loan losses, which was much higher than anticipated.

EXPENSES. Operating expenses ended at 101% of budget although several accounts had significant variances from original budgeted amounts. Interest expense in excess of the budget were necessary to pay for bond and note costs associated with the higher interest income line item. Legal costs increased due to the staff attorney being outsourced and trustee and credit fees were high to the bond redemption activity. The organization subsidy expenses were quite a bit higher than originally budgeted due to the close down of VHMGB and some additional funding for the Homeownership Centers.

CAPITAL BUDGET. The approved capital budget for the fiscal year was \$251,000, of which \$159,348 was expended representing 63.5% of the capital budget. Some exterior building work was deferred and savings were realized on the computer purchases and entranceway construction.

If you have any questions, please contact me at your earliest convenience.



**BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY**

June 30, 1999

	<u>APPROVED</u> <u>BUDGET</u>	<u>ACTUAL</u> <u>6/30/99</u>	<u>PERCENT</u> <u>OF BUDGET</u>
<i>INCOME</i>			
Single family fees	30,000	(58,687)	-195.6%
Multi-family fees	226,000	135,846	60.1%
Project Administration fees	95,000	73,716	77.6%
Single family servicing fees	22,000	22,309	101.4%
Interest income-loans	790,000	919,594	116.4%
Interest income-invest	100,000	78,900	78.9%
VHMGB charges	355,000	320,651	90.3%
Miscellaneous income	45,000	174,698	388.2%
TOTAL INCOME	1,663,000	1,667,027	100.2%
<i>FUND TRANSFERS</i>			
Single Family Housing Bonds	1,500,000	897,673	59.8%
Single Family Insured Mtg Bonds	200,000	200,000	100.0%
Single Family Mortgage Purchase	175,000	45,000	25.7%
Single Family Home Mortgage Purchase	120,000	122,900	102.4%
Multi-Family Mortgage Bonds	440,000	440,000	100.0%
Multi-Family Housing Bonds	160,000	143,163	89.5%
Multi-Family Housing Develop Bonds	20,000	20,000	100.0%
Direct Placement Bonds	35,000	33,500	95.7%
TOTAL TRANSFERS	2,650,000	1,902,236	71.8%
TOTAL INCOME & TRANSFERS	4,313,000	3,569,263	82.8%
<i>EXPENSES</i>			
Advertising & Promotion	140,900	116,629	82.8%
Annual report	12,000	10,141	84.5%
Audit expense	44,500	46,190	103.8%
Commissioners expense	3,500	4,939	141.1%
Consulting fees	279,950	243,241	86.9%
Depreciation	156,000	152,394	97.7%
Dues & Subscriptions	36,065	33,415	92.7%
Insurance	205,845	200,289	97.3%
Interest expense	480,000	651,711	135.8%
Legal expense	30,000	37,298	124.3%
Miscellaneous	6,500	9,574	147.3%
Occupancy expense	67,000	66,909	99.9%
Office expenses	38,500	28,854	74.9%
Payroll taxes	125,537	119,706	95.4%
Pension expense	145,000	150,548	103.8%
Postage	23,000	19,373	84.2%
Repairs & Maintenance	35,000	32,881	93.9%
Salaries & Wages	1,653,091	1,580,825	95.6%
Staff travel & Training	83,650	74,366	88.9%
Telephone	48,000	46,725	97.3%
Trustee & Credit fees	225,000	263,734	117.2%
TOTAL OPERATING EXPENSES	3,839,038	3,889,742	101.3%
Organization subsidy expense	325,000	426,260	131.2%
TOTAL EXPENSES	4,164,038	4,316,002	103.6%
SURPLUS (DEFICIT)	\$ 148,962	(746,739)	-501.3%
Fee deferral		100,098	
AUDIT SURPLUS (DEFICIT)	\$	(646,641)	



MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Public Affairs Director

DATE: October 14, 1999

RE: Strategic Planning

At next week's Board meeting, the strategic planning work will focus on current economic trends in Vermont. Jeffrey Carr, vice president of Economic & Policy Resources, will join the Board to provide a "big picture" macro economic view of the current Vermont economy. We will also discuss how housing tracks the economy in general and the outlook for affordable housing.

Attached is a summary of the all-day VHFA staff meeting held at Shelburne Farms on September 8th. This summary provides you with a synopsis of what we accomplished on that day and may be helpful to you in your work next week as well as during your retreat on November 11th and 12th.

Thank you.



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Staff Meeting September 8, 1999

Shelburne Farms

The entire VHFA staff met for an all-day meeting at the Shelburne Farms coach barn. The staff spent the day contemplating VHFA's future, examining what makes good customer service, and developing short-term plans as departments. Most importantly, we got to know each other better and had fun!

What makes excellent customer service possible?

- ♦ Trust
- ♦ Going the extra mile
- ♦ Amicable working relationships
- ♦ Personal commitment
- ♦ Self education
- ♦ Pride in work
- ♦ Obligation to respond to customers
- ♦ Team work
- ♦ Good morale
- ♦ Good communication (internal & external)
- ♦ Willingness to listen and respond to customer need
- ♦ Identifying what is important to customers
- ♦ Willingness to make appropriate exceptions
- ♦ Finding creative ways to meet customer needs
- ♦ Establish new procedures to provide internal customers with better service
- ♦ Communication is a key for both internal and external
- ♦ Make people feel comfortable and welcome

Examples of great Customer Service – going the extra mile

Group 1

External Customer Service

- Provided service we don't usually provide. We wrote a letter that satisfied a town's request for a letter of credit.

Internal

- IS department tested MITAS, crystal reports, etc. for Y2K. They have been on call, understanding and accommodating.

Group 2

External Customer Service

- Gilman Group Home REO –quick and clear decisions.
- Ventures predevelopment loan to mobile home park. Quick turnaround for nonstandard deal.

Internal

- VHMGB Closing
 - Teamwork from every department.
 - Great spirit during transition. Employees kept working while business was increasing.

Group 3

External/Internal Customer Service

Call received from property management company for financial information -

- Multifamily and finance departments worked together to provide hard copies of loan amortization, notes, and audited financials; finance dept (Lisa) provided detailed remittance history on outstanding loans.

Teamwork

Cooperation

Established working relationships (both external and internal)

Internal systems (capabilities – technology)

Group 4

External

- Borrower in financial and emotional distress. VHFA worked with borrower to allow her to keep her home until she was strong enough to rebuild her life and to move on.
- Compassionate servicing.

Internal

- Finance provided an on-the-spot check to remedy a last minute closing issue. Finance, multifamily and development went the extra mile to meet the customer's needs.
- Teamwork and flexibility
- Public affairs dept put in the extra effort to meet numerous important and time-sensitive requests from the finance and homeownership departments.

Group 5

External

- VHMGB – PMI. 3000 files shipped to California. Great teamwork by all staff across all departments.
- Multifamily commitment to convince owners/managers to make energy conversions.
- IS staff worked hard to donate old computers to nonprofits.
- Servicing staff goes the extra mile to assist borrowers to maintain their homes.

Internal

- Special Events Committee. Creative approaches to raise money for United Way.
- Y2k testing. Staff spent extra time away from responsibilities to accomplish this.
- Procedures manual for Mitas. Special thanks to Kim Fitzgerald.

Medallions

Each group created a medallion depicting an image of what VHFA will be doing in the year 2002. To create the medallions, group members used a variety of craft materials. Once completed, the medallions were shown to the full staff. Each group discussed the process of creating the medallion.

Process of Creating Medallions

- ♦ Teamwork – all involved
- ♦ Spirit of responsiveness
- ♦ Flexibility in a time of change
- ♦ Personal investment in outcome
- ♦ Commitment to quality
- ♦ Level of compassion – internal/external
- ♦ Finding new ways – never done it this way before
- ♦ Technology – internal systems
- ♦ Communication to/from (listening)
- ♦ Willingness to be unappreciated (or under)
- ♦ Approachability among fellow workers
- ♦ Generosity/welcoming
- ♦ Competence and confidence – able to do the job
- ♦ Identifying customer needs – anticipating
- ♦ Accountability
- ♦ Willingness to share resources outside the group
- ♦ Ability to perceive resources as “enough”
- ♦ Significant willingness to contribute and take a risk
- ♦ Planning – does this make a big picture?

What helped in creating medallions?

- ♦ Agreement of a concept
- ♦ Willingness to listen
- ♦ Multiple ideas coming together to make a strong plan
- ♦ Keep it simple
- ♦ No rules
- ♦ Sense of humor
- ♦ Thinking creatively
- ♦ Looking for people who aren't alike

What got in the way of completing the medallions?

- ♦ Not hearing the quiet ones
- ♦ Lack of creativity
- ♦ Everyone going their own way

Assumptions About how VHFA will do its business in the Fall of 2002

- ♦ No typing in application data
- ♦ Automated lending - Applications directly available to consumers
- ♦ Technology more pervasive and rapid
- ♦ All mortgage servicing owned by VHFA
- ♦ Changes in delivery of mortgages. e.g. make direct loans or through community organizations
- ♦ Direct debit on all payments
- ♦ Video teleconferencing
- ♦ Consolidation of nonprofit entities (from 9 – 3)
- ♦ Less paper – more document imaging
- ♦ Nontraditional funding sources for services. e.g. taxable programs
- ♦ Consolidation of state's housing organizations
- ♦ New methods and different approach to advertising – e.g. Internet
- ♦ Unlimited access to all pertinent data
- ♦ More rental development - shortage now existing
- ♦ Expand and restructure multifamily portfolio
- ♦ Increase in mobile home park redevelopment
- ♦ Refinancing of existing mortgages
- ♦ Increase in mobile home parks
- ♦ VHFA continues to be independent
- ♦ Integrated VHFA activities so customers can take advantage of more than one
- ♦ Midlife Chrysler – Madison Square Garden
- ♦ Customer service, not necessarily personal service
- ♦ Increase in assisted elderly housing
- ♦ Mitas gone
- ♦ VT based mortgage lenders will be smaller and fewer
- ♦ No more REOs
- ♦ More competitive – survival of the fittest
- ♦ Freddie Mac and Fannie Mae will be originating directly on the Internet
- ♦ More mixed-use, intergenerational projects
- ♦ Education at elementary level on finances, budgets and checkbooks
- ♦ More work from our homes
- ♦ Change in relationship with HUD – move responsibilities to the states – devolving
- ♦ Niche programs – reverse mortgages, support services
- ♦ Gap between high and low incomes will increase
- ♦ Remittances on line – paperless

Common Themes for VHFA Thriving in 2002

- ♦ Happy families
- ♦ Providing housing through whatever means
- ♦ Innovation – and innovative delivery systems of our programs
- ♦ Sense of VHFA as an umbrella – all kinds of housing, all kinds of people
- ♦ Being a leader
- ♦ Ambitious – we're just going to do it!
- ♦ Simplicity in the face of complexity of method
- ♦ Anticipating a change
- ♦ Our work is all based on people
- ♦ Embracing technology
- ♦ Focus on mission sustaining us

Department Groups

What steps can be taken in the next 3 or 4 months (without a lot of additional money or staff) to move toward the future?

Finance

1. financial analysis of self-serviced loans
 - a. cost benefit analysis
 - b. software evaluation
 - c. staffing issues – employees vs. sub-contractors
2. electronic data transmission
 - a. autobank debits and credits (mortgage payments, HAP)
 - b. remittance reports
 - c. networking relationship with trustee
3. lead organization to review state housing consolidation
 - a. financial resources
 - b. expertise
4. review department/personnel functions
 - a. assisting other departments – customer service
 - b. streamline and improve efficiency
 - c. integrate existing responsibilities with new challenges

Development and Multifamily

1. technological innovation
2. mixed use/intergenerational housing
3. expand stabilize/restructure the current portfolio
4. identify new product ideas
5. complete financial analysis of multifamily portfolio (triage)
6. simplify and maximize existing programs and processes (preservation agreements and closing checklist)
7. make full use of existing resources
8. develop financing programs for service enriched housing
9. new programs and sources of financing

Administration/IS/Public Affairs & Planning

1. ask departments how we can support them
2. need to integrate planning into everyday tasks
3. consider integrating services with other departments
4. Intranet

Homeownership


1. enhance and adapt new systems of delivery
2. look for new sources of capital for home repair, mobile homes, and other borrowers
3. look for new ways of changing servicing release to give faster service
4. research technology to find data links, interfaces, methods of reporting on line and information systems



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE 

DATE: OCTOBER 14, 1999

RE: FISCAL YEAR JUNE 30, 1999 AUDIT REPORTS

The final audited financial statements for the fiscal year ended June 30, 1999, and related letters addressing internal controls and conduct of the audit are attached as reviewed by our auditors, KPMG LLP.

In a normal operating environment, we would expect to see an annual surplus of \$3-4 million. The surplus for the June 30, 1999 fiscal year is only \$65,587, which is significantly less than the \$5.7 million surplus recorded in FY98. The major differences between the two years are noted below.

- We recognized a decline in the market value of the investments we are holding in the amount of \$1.6 million. In FY98, (the first year where recognition of market values became the standard) we showed a gain of \$4.7 million.
- In FY98 we increased our loss reserves by \$1.9 million and an additional \$1.9 million of loan losses were recognized. In FY99 loan losses dropped to \$1.4 million and reserves were reduced by \$500,000. Real estate owned continues to decline and is now at \$2.1 million a 25% reduction from FY98 levels.
- The other item of significance relates to the bond redemption's that occurred in the fiscal year. Although we will earn more in the long run from calling bonds from prepayments and refunding, in the short-term we are required to write off the non-expensed portions of bond issuance costs. In FY99 this amounted to \$1.55 million.

The management letters contain no comments or issues of substance. The auditors spent a lot of time on Y2K review and compliance and although professional standards require an unaudited opinion on the issue, they were impressed with our policies and procedures.

If you have any questions regarding the audited financials or the management letters presented, feel free to contact me at your convenience.

Recommended Board Action:

Acceptance of the audit and accompanying reports as presented.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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TO: VHFA Board of Commissioners
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*
DATE: November 4, 1999
RE: Multifamily Loan Application for The Gardens at Williamstown Square

Name:	The Gardens at Williamstown Square	Location:	Williamstown
Housing Type:	Elderly	Unit Type:	Elevator
Total Units:	30	Unit Sizes:	0 Br (450 sf); 1 Br (575 sf); 2 Br (725 sf)
Total Cost:	\$2,482,837	Per Unit Cost:	\$82,761
Loan Requested:	\$1,973,000 construction and permanent	Housing Credits:	\$21,173
Other Funding:	Developer Equity, Housing Credits (4% out of cap)		
Sponsor:	The Gardens Limited Liability Limited Partnership (Richard Dybvig, principal)		

The Board approved the issuance of a Letter of Interest to finance this assisted living development at the August meeting. The development consists of 30 new construction full living units attached to a historic brick building which will contain common areas, kitchen, dining room, living room, library and administrative offices. The developer intends to construct a second phase of 20 additional assisted living units in the future. The median and market rents cover a basic service package which includes initial screening and development of individualized resident "service plans", one meal daily, weekly housekeeping, weekly linen service, activities and transportation, an exercise program, lifeline service with onsite 24 hour response system, cable and utilities. The tax credit unit residents can obtain the same package at a discounted rate which is in addition to their monthly rent. Personal care will be provided by a licensed home health care organization. There will be three levels of care available. This will allow residents to age in place, taking advantage of more services and assistance as needed. Rates appear to be competitive given the market data we have received and the quality of the proposed development.

The developer has submitted Act 250 and local permit applications, and anticipates obtaining permits by the end of January. A market study has been completed by John Ryan of Development Cycles. It



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cites a number of positive factors of the proposed project and states that it is feasible and also comes with some risk. It outlines measures to minimize the risk involved including aggressively networking with area health care, aging and other professionals, aggressive outreach effort to potential residents and their adult children, the continuation of area focus groups, maintaining the project's pricing advantage over competitors, and attracting slightly younger residents. The developer and manager enjoy a positive reputation in the area (have owned and managed the adjacent Section 8 elderly project for 20 years) and are actively working on the outreach suggested in the market study in the development of the project. An appraisal has been ordered and we anticipate its completion by the end of November.

We are recommending a higher than our standard limit (which is 10% of initial equity after taxes) on annual owner distributions for this project. The project will be financed using a tax exempt bond and the 4% out of cap housing credit. In addition, equity investors are investing in the cash flow, so are providing a higher amount of equity than usual for a tax credit deal. Because the project is not utilizing other public resources, and because the equity investors are providing a higher amount of equity than usual for a tax credit development, we are recommending a limit of up to 15% of equity for this project.

VHFA's loan is financing the provision of services as well as the real estate because this is an assisted living development and not just rental housing. The value of the services beyond the real estate alone is approximately 25% (depending on assumptions used). In order to mitigate the risk associated with lending beyond the value of the real estate alone, we are proposing the following: First, a personal guarantee from the developer through the end of the first year of full occupancy; Second, an operating reserve capitalized upfront and maintained which represents approximately three months of real estate and service operating costs. Owner Distributions will be contingent upon the account being fully funded, as well as review of audited financials and no outstanding legal or management issues.

Lastly, in order to monitor the services provided at this facility, in addition to our annual physical inspections, management staff will conduct a survey of residents to determine that the quality and availability of services meet with the development's service plan.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Commitment to finance this development upon satisfactory completion of staff underwriting and due diligence.

**RESOLUTION PERTAINING TO A COMMITMENT LETTER RE:
CONSTRUCTION AND PERMANENT FINANCING FOR THE
GARDENS AT WILLIAMSTOWN SQUARE, WILLIAMSTOWN**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, a proposal has been presented to the Agency by The Gardens Limited Liability Limited Partnership, a to-be-formed limited partnership whose general partner will be Tunbridge Limited Liability Company, Richard Dybvig as principal, involving the acquisition, rehabilitation, and construction of 30 units of rental housing in the Town of Williamstown (the "Development"); and

WHEREAS, this Development has been the subject of prior action by the Agency on August 19, 1999; and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$2,000,000 as construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and a first mortgage loan in the amount of up to \$2,000,000 as term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the to-be-formed limited partnership is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated November 4, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of

the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The sponsor and its general partner are financially responsible and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in her discretion, to issue a Commitment Letter for a first mortgage loan to a to-be-formed limited partnership for construction financing in an amount not to exceed \$2,000,000; and the long term financing of the Development in an amount not to exceed \$2,000,000. The term of the construction loan will be 18 months; and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The term of the permanent loan will be thirty years; the amortization period forty years; and the interest rate not more than 150 basis points above the Agency's cost of funds.
2. The Sponsor shall be responsible for loan fees. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The Commitment Letter shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide an appraisal satisfactory to VHFA prior to closing that demonstrates adequate value in the project;
 - b) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings in the scope of work to the satisfaction of the Agency;
 - c) Sponsor must provide evidence of necessary permits;
 - d) Sponsor must provide a written property tax estimate;
 - e) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;

- f) Sponsor must provide an executed construction contract by loan closing that is within the project's budget to maintain overall feasibility and is reasonably in line with an independent cost estimate to be performed by the Agency in the event Sponsor does not competitively bid the construction contract; builders profit, overhead and general requirements must be in compliance with the Housing Credit Allocation Plan;
 - g) Sponsor must provide a final service plan satisfactory to VHFA prior to closing;
 - h) Sponsor must provide a marketing plan satisfactory to VHFA prior to closing;
 - i) Sponsor must provide a personal guarantee satisfactory to VHFA through the end of the first year of full occupancy;
 - j) Sponsor must certify that the project meets the building codes applicable to a mid level Level III Community Care Home.
4. The Executive Director, the Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

05-Nov-1999		Williamstown ALF Phase I				
Total Residential Units:	30	Increase in Income from HC Units:		1.50%		
Housing Credit Restricted Units	7	Increase in Income from Median & Market Rents:		2.20%		
Percent Restricted:	23.33%	Increase in Income from Other Sources:		2.00%		
Total Development Cost:	2,482,837	Expense increase:		3.00%		
Total Development Cost per UN	82,761	Housing Credit Units Vacancy Rate:		3.00%		
Total Development Cost Per SF	153	Median & Market Vacancy Rate:		7.00%		
		Partner's Tax Rate:		35%		
Max Credit Potential:	21,173	Long Depreciation Schedule:		27.5	years	
Credit Amount Allocated:	21,173	Short Depreciation Schedule:		7	years	
		Sponsor's Estimated Yield:		178%		
LIHTC - 9%	8.46%	November-99				
LIHTC - 4%	3.63%					
SOURCES						
		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	1,973,000	79.47%	7.75%	40	30	
Deferred Developer's Fee	136,000	5.48%	6.00%	15	15	
Other Debt	0	0.00%	0.00%	0	0	
Tax Credit Equity	374,128	15.07%	N/A	N/A	N/A	
TOTAL SOURCES	2,483,128	100.01%				
Construction Loan Amount	1,973,000					
USES						
Acquisition	229,000	9.22%				
Construction Hard Costs	1,603,031	64.56%				
Soft Costs	650,806	26.21%				
TOTAL USES	2,482,837	100%				
Gap	(291)					
PER UNIT COST LIMIT CALCULATION						
	per unit limits	number of units				
0 Br	84,390	12	1,012,680			
1 Br	90,140	15	1,352,100			
2 Br	95,890	3	287,670			
3 Br	101,637	0	0			
4 Br	107,390	0	0			
Maximum cost allowed under the per unit cost limits			2,652,450			
Projected total cost, excluding cash accounts			2,347,837			
		(over)/under	304,613			
General Partner's Capital Contribution						
			3,741	1.00%		
Limited Partner's Capital Contribution						
			370,387	99.00%		
Total Equity						
			374,128			
APPLICABLE FRACTION CALCULATION						
		Tax Credit Restricted Units	7			
		Total Units	30			
		Unit Fraction	23.33%			
		Tax Credit Square Footage	3,275			
		Total Residential Square Footage	16,200			
		Square Footage Fraction	20.22%			
		Applicable Fraction	20.22%			

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Carryover Budget
ACQUISITION							
1	Land	24,200					
2	Purchase of Building(s)	195,800	195,800		0		
3	Demolition (without replacement)	0					
4	Property Appraisal	0	0		0		
5	Legal - Title and Recording	9,000	0		0		
	Subtotal - Acquisition	229,000					
CONSTRUCTION HARD COSTS							
6	Rehabilitation	104,650		104,650	104,650		
7	New Building(s)	1,031,500		1,031,500	1,031,500		
8	Accessory Buildings	0					
9	Sitework	100,000		100,000	100,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	74,169		74,169	74,169		
12	Contractor Overhead	37,085		37,085	37,085		
13	Contractor Profit	37,085		37,085	37,085		
14	Construction Contingency	80,000		80,000	80,000		
15	Construction Management	0		0	0		
16	Construction Bond Fee	18,542		18,542			
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	120,000		120,000			
20	Other ()	0					
	Subtotal - Hard Costs	1,603,031					
SOFT COSTS							
21	Architectural	55,627		55,627	55,627		
22	Engineering	0					
23	Legal/Accounting	10,000		10,000	10,000		
24	Relocation	0		0	0		
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	20,000		20,000	20,000		
28	Marketing	30,000					
29	Construction Period Insurance	10,000		10,000	10,000		
30	Construction Interest	85,000		85,000	85,000		
31	Construction Loan Origination Fee	26,000		26,000	26,000		
32	Taxes During Construction	3,000		3,000	3,000		
33	Clerk of the Works	0		0	0		
34	Marketing	0					
35	Tax Credit Fees	1,013		1,013	1,013		
36	Soft Cost Contingency	3,166		3,166	3,166		
37	Permanent Loan Origination Fee	0					
38	Lenders Building Inspector	5,000		0			
39	Audit/Cost cert	5,000		0	0		
SYNDICATION COSTS							
40	Organizational (Partnership)	10,000					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
DEVELOPER'S FEES							
44	Developer Fee	236,000		236,000	236,000		
45	Development Consultant Fee	15,000		15,000	15,000		
46	Consultant Fees	0		0	0		
RESERVES							
47	Working Capital	135,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	650,806					
TOTALS		2,482,837	195,800	2,068,837	1,930,295		
LESS: Amount of Non-qualified Financing				0			
LESS: Historic tax Credit (Residential Portion)				0			
LESS: Cost Overage					0		
Total Eligible Basis			195,800	2,068,837			
TIMES: Adjusted for QCT/DDA	130%			2,689,488			
TIMES: Applicable Fraction	20.22%		39,583	543,708			
Total Qualified Basis			39,583	543,708	1,930,295	Long Term Depreciable Basis	
TIMES: Applicable Percentage			3.63%	3.63%	27.5	Depreciation Schedule	
Total Annual Credit Qualified			1,437	19,737	70,193	Annual Depreciation	
Total Tax Credits Requested		21,173		21,173	120,000	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)		374,128			7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndicat		178%			17,143	Annual Depreciation	
Equity Gap		374,128					
Credits Needed to fill Equity Gap		21,173					


05-Nov-99 Williamstown ALF Phase I									
HC Restricted Units	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent	Daily Rent	Daily Rate W/ Services	% Median
Bedrooms									
0 Br		450	6	340		24,480	\$ 11.18	24.67	38%
1 Br		575	1	364		4,368	\$ 11.97	25.47	40%
2 Br		725	0	436		0			43%
Totals		3,275	7			28,848			
VIHFA Restricted Units									
Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent			
0 Br		450	5	1,090		65,400	\$ 36.33	56.17	77%
1 Br		575	4	1,390		66,720	\$ 46.33	66.17	93%
2 Br		725	0	0		0			
Totals		4,550	9			132,120			
Market Units									
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent			
0 Br		450	1	1,390		16,680	\$ 46.33	66.17	
1 Br		575	10	1,690		202,800	\$ 56.33	76.17	
2 Br		725	3	1,990		71,640	\$ 66.33	86.17	
Totals		8,375	14			291,120			
All Units									
Grand Totals		16,200	30			452,088			
Less Vacancy Housing Credit Units				3.00%	(865)				
Less Vacanc				7.00%	(29,627)				
Total Vacancy						(30,492)			
NET RENT						421,596			
OTHER INCOME									
Monthly Services Income from HC Units									
Amount		3 Units			Total Monthly	Total Annual			
400		4			1,600	19,200			
Per Meal Fee		Meals/Mo		Meals/Yr					
3		450		5,400		23,400			
(15 people for 2 meals additional)									
Laundry	2.00	20 Loads/Week				2,080			
Respite Care		# Rooms	Daily Rate	ays/Rm/Wk					
		2	125	2		26,000			
Addit'l Housekeep/Laundry	Cost/Month	Cost/Yr	# People						
100		1,200	10			12,000			
Total Annual Other Income					Total Annual Other Income	82,680			
TOTAL INCOM					TOTAL INCOM	504,276			

05-Nov-99 Williamstown ALF Phase I										Real Estate Only				Services Only				Totals	
	Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	Totals
Salaries																			
Administration	40,000	3,333	111	7.9%	12,600	1,050	35	27,400	2,283	76	40,000								
Buildings & Grounds	10,000	833	28		10,000	833	28	0	0	0	10,000								
Dietary	30,000	2,500	83		0	0	0	30,000	2,333	78	28,000								
Housekeeping	14,000	1,167	39		0	0	0	14,000	1,250	42	15,000								
Kitchen Aide, Laundry	28,000	2,333	78		0	0	0	28,000	2,333	78	28,000								
Other (Activity Dir, Driver)	15,000	1,250	42		0	0	0	15,000	1,250	42	15,000								
Benefits	34,250	2,854	95		2,500	208	7	31,750	2,646	88	34,250								
TOTAL ANNUAL SALARIE	171,250	14,271	476		25,100	2,092	70	146,150	12,179	406	171,250								
Administration																			
Legal/Audit	4,000	333	11		4,000	333	11	0	0	0	4,000								
Advertising/Travel/Training	2,500	208	7		625	52	2	1,875	156	5	2,500								
Dietary	42,000	3,500	117		0	0	0	42,000	3,500	117	42,000								
Housekeeping	5,250	438	15		0	0	0	5,250	438	15	5,250								
Nursing Service	2,000	167	6		0	0	0	2,000	167	6	2,000								
Other - Programs, Auto	7,000	583	19		0	0	0	7,000	583	19	7,000								
TOTAL ADMINISTRATION	62,750	5,229	174		4,625	385	13	58,125	4,844	161	62,750								
Utilities																			
Electricity	10,500	875	29		10,500	875	29	0	0	0	10,500								
Fuel	6,000	500	17		6,000	500	17	0	0	0	6,000								
Water and Sewer	7,500	625	21		7,500	625	21	0	0	0	7,500								
Cable TV/ Fire	2,400	200	7		2,400	200	7	0	0	0	2,400								
Telephone	2,500				1,250			1,250			2,500								
Gas	1,050	88	3		1,050	88	3	0	0	0	1,050								
TOTAL UTILITIES	29,950	2,496	83		28,700	2,392	80	1,250	104	3	29,950								
Maintenance																			
Maintenance & Repairs	7,000	583	19		7,000	583	19	0	0	0	7,000								
Supplies	2,100	175	6		2,100	175	6	0	0	0	2,100								
Exterminating		0	0			0	0	0	0	0	0								
Trash Removal	1,400	117	4		1,400	117	4	0	0	0	1,400								
Snow Removal	1,000	83	3		1,000	83	3	0	0	0	1,000								
Grounds	1,600	133	4		1,600	133	4	0	0	0	1,600								
Repairs Material		0	0			0	0	0	0	0	0								
Repairs Contract		0	0			0	0	0	0	0	0								
HVAC Repairs / Maintenance		0	0			0	0	0	0	0	0								
Elevator Contract / Repairs		0	0			0	0	0	0	0	0								
Decorating	700	58	2		700	58	2	0	0	0	700								
Other		0	0			0	0	0	0	0	0								
TOTAL MAINTENANCE	13,800	1,150	38		13,800	1,150	38	0	0	0	13,800								
Real Estate Taxes																			
Property Insurance	25,000	2,083	69		25,000	2,083	69	0	0	0	25,000								
Replacement Reserves	5,400	450	15		3,000	250	8	2,400	200	7	5,400								
Primary Debt Service	9,000	750	25		9,000	750	25	0	0	0	9,000								
Other "must pay" debt service	160,197	13,350	445		55,171	4,598	153	105,026	8,752	292	160,197								
Other	13,772	1,148	38		4,743	395	13	9,029	752	25	13,772								
Total	491,118	40,927	1,364		169,139	14,095	470	321,979	26,832	894	491,118								
					109,225		34%	207,925		66%									
	p.u.m. exl ds & res	856			p.u.m. excl ds & res	278		p.u.m. excl ds & res	578										
	317,150				100,225		278												
	321,922				100,800		280												
	26,827				7,560		21												

05-Nov-99		Williamstown ALF Phase I														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross HC Rent		28,848	29,281	29,720	30,166	30,618	31,077	31,544	32,017	32,497	32,985	33,479	33,981	34,491	35,009	35,534
Gross Median Rent		132,120	135,027	137,997	141,033	144,136	147,307	150,549	153,860	157,245	160,704	164,239	167,853	171,545	175,319	179,177
Gross Market Rent		291,120	297,525	304,070	310,760	317,596	324,584	331,724	339,022	346,481	354,103	361,894	369,855	377,992	386,308	394,807
Vacancy - HC Units		(865)	(878)	(892)	(905)	(919)	(932)	(946)	(961)	(975)	(990)	(1,004)	(1,019)	(1,035)	(1,050)	(1,066)
Vacancy - Median & Market Units		(29,627)	(30,279)	(30,945)	(31,626)	(32,321)	(33,032)	(33,759)	(34,502)	(35,261)	(36,037)	(36,829)	(37,640)	(38,468)	(39,314)	(40,179)
Other Income		82,680	84,334	86,020	87,741	89,495	91,285	93,111	94,973	96,873	98,810	100,786	102,802	104,858	106,955	109,095
Total Operating Income		504,276	515,009	525,971	537,169	548,606	560,289	572,221	584,410	596,860	609,576	622,565	635,833	649,385	663,227	677,367
Operating Expenses																
Total Expenses (excl. Reserves)		308,150	317,395	326,916	336,724	346,826	357,230	367,947	378,986	390,355	402,066	414,128	426,552	439,348	452,529	466,105
Reserves		9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338	10,545	10,756	10,971	11,190	11,414	11,642	11,875
Total Operating Expense		317,150	326,575	336,280	346,275	356,567	367,167	378,083	389,324	400,900	412,822	425,099	437,742	450,762	464,171	477,980
Net Operating Income		187,126	188,434	189,691	190,894	192,039	193,122	194,139	195,086	195,959	196,754	197,466	198,091	198,622	199,056	199,387
Less Primary Debt Service		160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197	160,197
Less Developer Loan Payment		13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772	13,772
Annual Cash Flow		13,157	14,466	15,723	16,926	18,071	19,153	20,171	21,118	21,991	22,786	23,498	24,122	24,654	25,088	25,419
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		13,157	14,466	15,723	16,926	18,071	19,153	20,171	21,118	21,991	22,786	23,498	24,122	24,654	25,088	25,419
DCR		117%	117.63%	118.41%	119.16%	119.88%	120.59%	121.19%	121.78%	122.32%	122.82%	123.27%	123.65%	123.99%	124.26%	124.46%
Cumulative Cash Flow																
Beginning Balance		75,000	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	102,217	105,795	109,498	113,330	117,297



MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE 
DATE: NOVEMBER 5, 1999
RE: INTENT RESOLUTION

At the end of the last Board meeting we distributed a resolution drafted by John Wagner from Kutak Rock (our Bond counsel). Since there was not enough time to discuss the resolution, we have included another copy with this mailing.

The idea for this resolution came up when we were reviewing our options for the multi-family refunding issue. One of the objectives was to bond for any eligible projects that we may have "pre-financed" with General fund monies. Kutak Rock informed us that if we did not have an intent resolution, we would not be able to bond for those projects. This resolution solves that problem by having the Board authorize the Executive Director to issue a declaration of intent letter that would meet the requirements of tax law, so that designated pre-financed projects would be eligible for bond financing, if we choose to do so at a later date. Of course, the Board of Commissioners would have to approve the ultimate bond financing for any of these projects that would be subject to bonding. Kutak will draft the necessary pro-forma declaration letters that will qualify under the Tax Code. According to John Wagner, more and more State HFA's are taking this approach to increase the flexibility of future choices.

If you have any questions regarding the contents of this memorandum or the resolution attached, feel free to contact Sarah or me at your convenience.

Recommended Board Action

Approval of the attached resolution.



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phone (802) 864-5743 or (800) 339-5866

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

consumer helpline (800) 287-8432 **fax** (802) 864-5746 **www.vhfa.org**



**VERMONT HOUSING FINANCE AGENCY
RESOLUTION DESIGNATING AND AUTHORIZING THE EXECUTIVE DIRECTOR
TO DECLARE OFFICIAL INTENT OF THE AGENCY FOR FEDERAL TAX LAW
PURPOSES**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") from time to time makes original expenditures with its general unrestricted or other funds with the intent of financing such expenditures at a later date with the proceeds of an obligation (reimbursement bonds); and

WHEREAS, the Internal Revenue Code and related Treasury Regulations ("Federal Tax Laws") impose certain requirements with respect to the issuance of reimbursement bonds, one of which is that the bond issuer declare its official intent to reimburse the expenditure no later than 60 days after such expenditure was made (if a declaration is made concerning an expenditure, an issuer has, under current Federal Tax Laws, up to 18 months and in some cases as long as 3 years to issue reimbursement bonds for such expenditure); and

WHEREAS, the same Federal Tax Laws provide that a developer of a project can utilize tax-exempt bond proceeds to finance only those costs incurred after the issuer has declared its official intent to issue bonds for such project; and

WHEREAS, there are a variety of programs, projects and expenditures of the Agency which are expected to give rise to the foregoing Declarations.

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

Section 1. The Executive Director of the Vermont Housing Finance Agency is the appropriate representative to, and hereby is authorized, empowered, and directed to:

- (a) Declare the Agency's intent to reimburse original expenditures with the proceeds of reimbursement bonds or issue bonds for a particular project, for the purposes of the Federal Tax Laws; and
- (b) Evidence such Declaration in writing or other form or by some other action acceptable under Federal Tax Laws.

Section 2. A Declaration of the Executive Director issued pursuant to Section 1 does not obligate the Agency to finally approve the issuance of the related bonds. Final approval of the issuance of bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the bonds and shall not be liable to any developer, borrower or any other applicant for its refusal to do so.

Section 3. This resolution shall take effect immediately.



BOARD MINUTES

Montpelier City Hall
Memorial Room
39 Main Street
Montpelier, Vermont

Thursday, October 21, 1999 at 1:30 p.m.

PRESENT: Commissioners Seelig, Douglas, Canney, Randall, Candon (designee of Costle), Beyer (designee of Lambert)

Staff: Ms. Carpenter, Ms. Loller, Ms. Gent, Ms. Caragher, Ms. Devos, Ms. Crady, Mr. Schoenbeck, Mr. Erdelyi, Ms. Reid, Mr. Adams

Other: Mr. Wagner (strategic planning facilitator), Mr. Carr (Economic & Policy Resources, Inc.)

Mr. Candon made a motion for Mr. Douglas to chair the meeting in Chairman White's and Mr. Seelig's absence. The motion carried unanimously after being seconded by Ms. Canney.

Mr. Douglas called the meeting to order at 1:33 p.m. Mr. Candon made a motion to approve the minutes of September 20, 1999. The motion carried unanimously after being seconded by Ms. Randall.

DEVELOPMENT

Mr. Erdelyi reviewed the multifamily loan application for Saxton's River Family Housing. This development consists of seven buildings on four sites with a total of seventeen units. For tax reasons, the owner sold the project, and Housing Vermont assumed the existing debt and took ownership in August of this year. The proposal is to take out this existing debt with new tax-exempt bond funds and to qualify the project for the 4% Housing Credit. The project needs some rehabilitation work done, including a town sewer hook-up, well contamination clean-up, carpentry and finishes, and new heating systems for all of the buildings.

Currently, the main issue with this proposal is that an appraisal has not been completed yet. Any financing commitments from VHFA need to be conditioned upon review of the appraisal to be sure the appraisal value is acceptable to VHFA staff and supports the loan amounts requested. The Board's general concern was that the per unit costs were extremely high. Mr. Erdelyi agreed and indicated that many of these types of refinancings are for older properties needing significant rehabilitation work.

After further discussion, Ms. Canney made a motion to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Saxtons River Family Housing." Ms. Randall seconded the motion, but indicated that she would like to have staff discuss the developer fee with the developer. The motion carried unanimously.



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Ms. Reid next discussed the Gardens assisted living project in Williamstown. Ms. Reid noted that the project was not yet ready for the Board's review, but would be in November. She wanted to give the Board a quick review on the project. This is a new construction (partial) assisted living project in Williamstown and is currently under contract by Dick Dybvig and adjacent to his section 8 elderly project. The project does not have permits yet, but should have them by the end of January 2000. Staff is anticipating that this project will be in the next bond issue. If the owners need to close before the bond is issued, we could possibly advance them the funds once the project is permitted.

Since this is not a new type of loan activity for VHFA, several issues are still being worked on. Staff hasn't resolved what type of loan security we will seek since we are lending on the value of services in addition to real estate. Secondly, we'll be recommending a higher limit on distributions to owner (normally limit is 10%) due to the unique nature of this financing.

HOMEOWNERSHIP

Ms. Crady indicated that we are still seeing a high level of reservations coming in. Staff has implemented new loan purchase procedures. Staff is also working with MGIC to add more automation to our program to make the process for lenders easier and quicker. This automation will also give applicants quicker decisions on the credit side. Ms. Crady noted she would like to have this automation in place by the end of the year.

Ms. Crady stated that we continue to see improvement in delinquency rates but we are still seeing a steady flow of loans going into foreclosure. Ms. Randall asked if it would be possible for staff to get the Board an overall projection of what we will be looking at for losses for the next 24 months. Both Ms. Crady and Mr. Adams indicated that they would have projected losses for the Board for the December Board meeting.

STRATEGIC PLANNING

Jeff Carr, Vice President of Economic & Policy Resources, Inc., gave the Board an overview of economic projections for the United States, Vermont, and regions within Vermont.

FINANCE

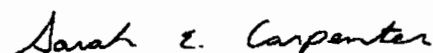
Mr. Schoenbeck discussed his memo regarding multi-family bond financing. Staff is currently on schedule to provide an offering statement to potential investors by the second week of November and sell the bonds during the third week. Mr. Schoenbeck noted that the goal for refunding is to reduce the rates paid on the existing debt and use those savings to preserve and assist both existing portfolio and new developments. A conference call will be scheduled in early November to discuss pricing on the multi-family bond financing.

After review of the Multi-Family Mortgage Bond 1999 Series C-E Resolution, a motion was made by Mr. Candon and seconded by Ms. Randall to adopt the Resolution as presented.

Ms. Carpenter handed out a draft resolution that would allow VHFA to convert general fund loans into bonds. The Board will take action on this at the conference call scheduled for next month.

With no further business, Mr. Candon made a motion to adjourn. The motion carried unanimously after being seconded by Ms. Beyer. The meeting adjourned at 4:45 p.m.

Sincerely,



Sarah E. Carpenter
Executive Director and Secretary



BOARD MINUTES
Ten Acres Lodge
Stowe, Vermont

Thursday, November 11, 1999 at 11:00 a.m.

PRESENT: Chairman White, Commissioners Seelig, Randall, Douglas, Beyer (designee of Lambert), Candon (designee of Costle), Canney

Staff: Ms. Carpenter, Ms. Loller, Mr. Schoenbeck, Ms. Reid, Mr. Erdelyi, Mr. Falzone, Mr. Adams, Ms. Gent

Other: Mr. Wagner (strategic planning facilitator), Mr. Dybvig (The Gardens at Williamstown Square), Ms. Norman (The Gardens at Williamstown Square)

Chairman White called the meeting to order at 11:03 a.m.

DEVELOPMENT

Ms. Reid reviewed the multifamily loan application for the Gardens at Williamstown Square. This elderly assisted living project will contain 30 units and is located adjacent to a Section 8 elderly project owned by the developer. The units will be constructed in a wing behind a historic brick building, which will contain common areas, kitchen, dining room, living room, library, and administrative offices. Ms. Reid indicated that the developer intends to construct a second phase of 20 additional assisted living units in the future. There will be three packages of services available to allow residents to age in place, taking advantage of more assistance as needed.

The Board approved the issuance of a Letter of Interest to finance this development in August. The developer has submitted Act 250 and local permit applications and anticipates obtaining permits by the end of January. A market study has been completed and cites a number of positive factors for the proposed project and states that it is feasible but also comes with some risk. An appraisal has been ordered and should be available by the end of November. The project will be financed using a tax-exempt bond and the 4% out of cap housing credit.

It was asked what the developer fee was. Ms. Reid indicated that it is \$236,000 (12% of total development cost), which is within the usual range, with \$136,000 of it being deferred. Ms. Canney asked about the mix of units and wondered why the majority of the smaller units were the Housing Credit units. Ms. Reid explained that the market and median units subsidize the Housing Credit units and the unit mix was created to create enough rental income to support the operating costs. A question was raised regarding the definition of assisted living. Ms. Carpenter indicated that there is a legislative definition, however there are not yet adopted regulations that clearly outline what can be called assisted living. In previous draft regulations this was quite controversial and the regulations were put on hold. This type of non licensed service enriched housing is often referred to as assisted living, although states are very different.



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After further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to a Commitment Letter Re: Construction and Permanent Financing for the Gardens at Williamstown Square, Williamstown." The motion carried unanimously after being seconded by Ms. Beyer

FINANCE

Mr. Schoenbeck discussed the Intent Resolution next. The objective was to be able to bond for any eligible projects that we may have "pre-financed" with general fund monies. If we do not have an intent resolution, we would not be able to bond for those projects. This resolution would allow the Executive Director to issue a declaration of intent letter that would meet the requirements of tax law, so those projects would be eligible for bond financing. The Board would have to approve the final bond financing for these projects.

After a brief discussion, Mr. Seelig made a motion to approve the "Vermont Housing Finance Agency Resolution Designating and Authorizing the Executive Director to Declare Official Intent of the Agency for Federal Tax Law Purposes." The motion carried unanimously after being seconded by Mr. Candon.

Mr. Schoenbeck then discussed the multi-family bond financing. Mr. Schoenbeck indicated that the Preliminary Official Statement was delivered to the printers on November 8th, and was then distributed to underwriting firms and brokers the next day.

In addition to replacing the higher bond debt with lower cost bonds and creating the new 0% pool, we are expecting the annual takeout used to support VHFA administration to continue at the \$440,000 level. We will be financing the Saxtons River project with new proceeds and will be creating a pool of funds of about \$1.5 million that will be used to rehab existing projects or to fund new projects that do not qualify for tax credits.

Energy efficiency utility (EEU) was reviewed next. Mr. Schoenbeck indicated that VHFA has been asked by the Vermont Energy Investment Corporation (VEIC) to assist them in the financing portion of their application to be designated as the State Energy Efficiency Utility. VEIC has been a long time partner with VHFA in energy efficiency projects for housing. The EEU is expected to receive over \$30 million over 3 years.

Staff believes that this would involve funding approximately \$3 million to fund shortages in cash flow from the Public Service Board during the three-year contract agreement. This has the advantage of lowering the borrowing costs for VEIC and also giving Chittenden Bank additional comfort for repayment of their investment. John Wagner, of Kutak Rock, has indicated that we could issue a tax-exempt debt under the 501 (c)(3) authority that VEIC is qualified to use, as long as certain criteria are met, such as being able to indicate that at least \$3 million of funds were going to be eligible exempt purposes.

It was asked what would happen if the Chittenden Bank pulled out. Mr. Schoenbeck indicated that we would get a commitment letter up front from the Chittenden before pursuing this process further. Once we have a final package, we would bring it to the Board for final approval.

After further discussion, a motion was made by Ms. Randall to issue a letter of interest. The motion carried unanimously after being seconded by Mr. Douglas. (Mr. Seelig abstained from motion).

Due to the strategic planning schedule, we will plan to discuss the audit and financial reports at the December Board meeting. The final general fund budget report will be discussed as well.

Ms. Carpenter reminded the Board that the Holiday Party would be held after the Board meeting in Burlington on December 3rd.

There being no further business, after a motion made and seconded, the meeting adjourned at 12:10 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST
AND COMMITMENT LETTER RE: SAXTONS RIVER FAMILY HOUSING**

WHEREAS, a proposal has been presented to the Agency by Housing Vermont, a non-profit development corporation, (the "Sponsor") on behalf of Saxtons River Housing Limited Partnership, involving the rehabilitation and long-term financing of a 17 unit family rental property located in seven buildings on four sites on Mill Street, River Street, Oak Street and Main Street in the Town of Rockingham (the "Development"); and

WHEREAS, this development was the subject of a prior resolution of the Agency on August 19, 1999; and

WHEREAS, in 1980 the Agency made a mortgage loan in the original principal amount of \$563,234 to a prior owner of the development; and

WHEREAS, the limited partnership purchased the property on August 26, 1999, assumed the existing VHFA loan and borrowed \$155,000 from the Agency in 0 percent funds; and

WHEREAS, the proposal contemplates a takeout of the existing VHFA loan with an approximate current balance of \$425,000, a new VHFA loan from newly issued tax-exempt bond proceeds in an amount not to exceed \$575,000, the use of 0% funds in the total amount of \$275,000 (an additional \$120,000) and an additional construction loan of \$425,000; however, a different mix of sources and amounts may be necessary; and

WHEREAS, the Sponsor is intending to use Housing Tax Credits that will be available to the Development; and

WHEREAS, the Sponsor and the limited partnership qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated October 15, 1999 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the

residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed term housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

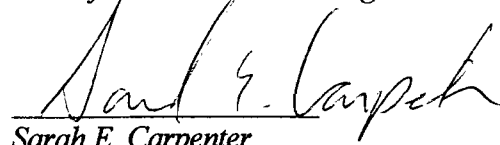
6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Saxtons River Housing Limited Partnership, for the rehabilitation and long-term financing of the Saxtons River Family housing development in Rockingham. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency. The Letter of Interest shall be conditioned on, among other items, receipt and review of an appraisal satisfactory to Staff supporting the loan amounts requested.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a long-term loan for the rehabilitation and long-term financing of the Development, in a combined amount not to exceed \$1,000,000. The combined amount of long-term financing and 0 percent financing (including the August loan) shall not exceed \$850,000.
3. The term loan shall be amortized over a period of approximately 12 years from the date of the term loan. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The source of funds shall be newly-issued tax-exempt bond proceeds. The Commitment Letter may be issued to the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
4. The Executive Director, after consultation with the Chairman of the Agency is given the discretion to vary the amounts and sources of funds

5. The Executive Director, Director of Administration, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on October 21, 1999.



Sarah E. Carpenter

Executive Director and Secretary
Vermont Housing Finance Agency

**VERMONT HOUSING FINANCE AGENCY
RESOLUTION DESIGNATING AND AUTHORIZING THE EXECUTIVE DIRECTOR
TO DECLARE OFFICIAL INTENT OF THE AGENCY FOR FEDERAL TAX LAW
PURPOSES**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") from time to time makes original expenditures with its general unrestricted or other funds with the intent of financing such expenditures at a later date with the proceeds of an obligation (reimbursement bonds); and

WHEREAS, the Internal Revenue Code and related Treasury Regulations ("Federal Tax Laws") impose certain requirements with respect to the issuance of reimbursement bonds, one of which is that the bond issuer declare its official intent to reimburse the expenditure no later than 60 days after such expenditure was made (if a declaration is made concerning an expenditure, an issuer has, under current Federal Tax Laws, up to 18 months and in some cases as long as 3 years to issue reimbursement bonds for such expenditure); and

WHEREAS, the same Federal Tax Laws provide that a developer of a project can utilize tax-exempt bond proceeds to finance only those costs incurred after the issuer has declared its official intent to issue bonds for such project; and

WHEREAS, there are a variety of programs, projects and expenditures of the Agency which are expected to give rise to the foregoing Declarations.

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

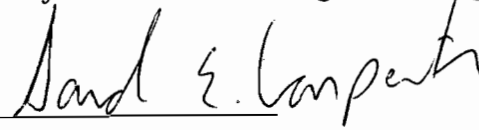
Section 1. The Executive Director of the Vermont Housing Finance Agency is the appropriate representative to, and hereby is authorized, empowered, and directed to:

- (a) Declare the Agency's intent to reimburse original expenditures with the proceeds of reimbursement bonds or issue bonds for a particular project, for the purposes of the Federal Tax Laws; and
- (b) Evidence such Declaration in writing or other form or by some other action acceptable under Federal Tax Laws.

Section 2. A Declaration of the Executive Director issued pursuant to Section 1 does not obligate the Agency to finally approve the issuance of the related bonds. Final approval of the issuance of bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the bonds and shall not be liable to any developer, borrower or any other applicant for its refusal to do so.

Section 3. This resolution shall take effect immediately.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Stowe, Vermont, on November 11, 1999.

A handwritten signature in dark ink, appearing to read "Sarah E. Carpenter", written over a horizontal line.

SARAH E. CARPENTER
Executive Director and Secretary
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO A COMMITMENT LETTER RE:
CONSTRUCTION AND PERMANENT FINANCING FOR THE
GARDENS AT WILLIAMSTOWN SQUARE, WILLIAMSTOWN**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, a proposal has been presented to the Agency by The Gardens Limited Liability Limited Partnership, a to-be-formed limited partnership whose general partner will be Tunbridge Limited Liability Company, Richard Dybvig as principal, involving the acquisition, rehabilitation, and construction of 30 units of rental housing in the Town of Williamstown (the "Development"); and

WHEREAS, this Development has been the subject of prior action by the Agency on August 19, 1999; and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$2,000,000 as construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and a first mortgage loan in the amount of up to \$2,000,000 as term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the to-be-formed limited partnership is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated November 4, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such

persons and families.

4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The sponsor and its general partner are financially responsible and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

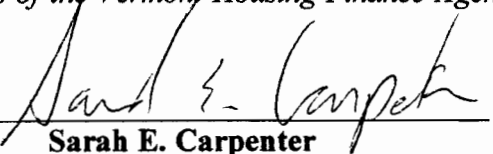
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in her discretion, to issue a Commitment Letter for a first mortgage loan to a to-be-formed limited partnership for construction financing in an amount not to exceed \$2,000,000; and the long term financing of the Development in an amount not to exceed \$2,000,000. The term of the construction loan will be 18 months; and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The term of the permanent loan will be thirty years; the amortization period forty years; and the interest rate not more than 150 basis points above the Agency's cost of funds.
2. The Sponsor shall be responsible for loan fees. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The Commitment Letter shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
 - a) Sponsor must provide an appraisal satisfactory to VHFA prior to closing that demonstrates adequate value in the project;
 - b) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings in the scope of work to the satisfaction of the Agency;
 - c) Sponsor must provide evidence of necessary permits;
 - d) Sponsor must provide a written property tax estimate;
 - e) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - f) Sponsor must provide an executed construction contract by loan closing

that is within the project's budget to maintain overall feasibility and is reasonably in line with an independent cost estimate to be performed by the Agency in the event Sponsor does not competitively bid the construction contract; builders profit, overhead and general requirements must be in compliance with the Housing Credit Allocation Plan;

- g) Sponsor must provide a final service plan satisfactory to VHFA prior to closing;
 - h) Sponsor must provide a marketing plan satisfactory to VHFA prior to closing;
 - i) Sponsor must provide a personal guarantee satisfactory to VHFA through the end of the first year of full occupancy;
 - j) Sponsor must certify that the project meets the building codes applicable to a mid level Level III Community Care Home.
4. The Executive Director, the Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Stowe, Vermont, on November 11, 1999.


Sarah E. Carpenter
*Executive Director and Secretary
Vermont Housing Finance Agency*



MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett *G.A.J.*

Date: November 21, 1999

Re: Multi-Family Bond Issues—Portland and Main (Morrisville), Swanton School and Crystal Lake (Barton)

Background:

These three developments came before the Board on June 17 and were all approved at that time. In all three cases, the Agency will be financing the construction of this development and the takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short-term financing will allow the development to receive out-of-cap housing credits without having to compete for the increasingly scarce in-cap credits. The Agency has over \$11.5 million in multi-family volume cap available.

These three developments are all scheduled to close in the next three or four weeks. The Agency will utilize short term bonds issued to Stratevest & Co., BankNorth Group's trust subsidiary. The bond for Portland and Main will be for \$550,000; for Swanton School, \$980,000; and for Crystal Lake, \$900,000.

The Agency has held the required TEFRA hearings.

Requested Action:

Approval of the attached resolutions that approve the bond issuance and the financing for the Portland and Main development in Morristown, the Swanton School development in Swanton and the Crystal Lake development in Barton..

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. IN A MAXIMUM AMOUNT OF \$550,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO PORTLAND AND MAIN HOUSING LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF AN 8-UNIT DEVELOPMENT IN MORRISTOWN

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys on the basis of its general credit and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$550,000 aggregate principal amount to Stratevest & Co. , or some other subsidiary of BankNorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Portland and Main Housing Limited Partnership (the "Borrower") to acquire a leasehold interest in, and rehabilitate an 8-unit development (the "Project") in Morristown, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$550,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") with a bond date of November 30, 1999 is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed two years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. An acquisition and construction loan of not more than \$550,000 to the Borrower to finance the rehabilitation of the Project is hereby authorized and approved, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

3. The Executive Director, Chief of Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the

amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

4. The Executive Director, Chief of Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

5. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this _____ day of December, 1999.

VERMONT HOUSING FINANCE AGENCY

Attest:

By _____
Executive Director

By _____
Authorized Officer

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A
GENERAL OBLIGATION BOND TO STRATEVEST & CO. IN A MAXIMUM
AMOUNT OF \$980,000 AND USING THE PROCEEDS TO MAKE A LOAN
IN SUCH AMOUNT TO SWANTON SCHOOL HOUSING LIMITED
PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION
OF A 16-UNIT DEVELOPMENT IN SWANTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys on the basis of its general credit and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$980,000 aggregate principal amount to Stratevest & Co., or some other subsidiary of BankNorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Swanton School Housing Limited Partnership (the "Borrower") to acquire and rehabilitate an 16-unit development (the "Project") in Swanton, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$980,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") with a bond date of November 24, 1999 is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed two years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. An acquisition and construction loan of not more than \$1,000,000 to the Borrower to finance the rehabilitation of the Project is hereby authorized and approved, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

3. The Executive Director, Chief of Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the

amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

4. The Executive Director, Chief of Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

5. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this _____ day of December, 1999.

VERMONT HOUSING FINANCE AGENCY

Attest:

By _____
Executive Director

By _____
Authorized Officer

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A
GENERAL OBLIGATION BOND TO STRATEVEST & CO. IN A MAXIMUM
AMOUNT OF \$900,000 AND USING THE PROCEEDS TO MAKE A LOAN
IN SUCH AMOUNT TO CRYSTAL LAKE HOUSING LIMITED
PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION
OF A 15-UNIT DEVELOPMENT IN BARTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys on the basis of its general credit and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$900,000 aggregate principal amount to Stratevest & Co., or some other subsidiary of BankNorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Crystal Lake Housing Limited Partnership (the "Borrower") to acquire and rehabilitate an 15-unit development (the "Project") in Barton, Vermont that will qualify for federal low-income housing tax credits, and which Project is expected to obtain permanent financing from the United States Department of Agriculture/Rural Development;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$900,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed two years and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. An acquisition and construction loan of not more than \$900,000 to the Borrower to finance the rehabilitation of the Project is hereby authorized and approved, and the Executive Director, Chief of Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as such person deems appropriate to evidence such loan, and such officer executing such documents is further authorized to require such repayment terms and security therefor as such person deems appropriate. Moneys to make such loan are to be obtained from the Borrowing authorized in Section 1 hereof, and the repayment of such loan is to ultimately be used to repay the Borrowing.

3. The Executive Director, Chief of Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the

amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

4. The Executive Director, Chief of Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

5. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this _____ day of December, 1999.

VERMONT HOUSING FINANCE AGENCY

Attest:

By _____
Executive Director

By _____
Authorized Officer



TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 23, 1999

RE: Multifamily Construction and Permanent Loan for Bus Barns, Burlington

Name:	Bus Barns	Location:	Burlington
Housing Type:	Family	Unit Type:	Flats
Total Units:	25	Unit Sizes:	12- 1 BR (600 s.f.) 13- 2 BR (800 s.f.)
Total Cost:	\$3,247,997	Per Unit Cost:	\$129,920
Loan Requested:	\$250,000 permanent; \$790,000 construction	Housing Credits:	\$47,352 (out of cap)
Other Funding:	VHCB, HOME, Neighborworks, Housing Credits		
Sponsors:	Burlington Community Land Trust (BCLT), Housing Vermont (HVT)		

BCLT and HVT are proposing to redevelop an industrial brownfields site in Burlington's Old North End located at 343 North Winooski Avenue, into 25 units of rental housing and a new location for the Good News Garage. There will be three buildings on the 2.1 acre site: a historic trolley barn will be rehabilitated, a new building will be constructed, and an existing garage will be rehabilitated. The project is a 100% tax credit project. The sponsors, who will form the "Bus Barns Housing Limited Partnership", are requesting a tax exempt construction loan of \$790,000 for the trolley barn (a 9-unit building), in order to obtain the out of cap 4% housing credit for this building only. The project received a commitment of 1999 Housing Credits, however not at the level requested. Utilizing a tax exempt construction loan and obtaining 4% housing credits enables the sponsor to narrow the financing gap. The sponsor is also requesting a permanent loan of \$250,000 for the whole residential 25-unit project. The source of funds will be determined by the Executive Director, but will not be from tax exempt bond proceeds. The sponsor is also awaiting a funding commitment from Neighborworks. The property has been appraised as is at \$790,000. Housing Vermont is awaiting a Phase I Environmental Site Assessment, and a more thorough Phase II will be commissioned in order to adequately design an environmental cleanup plan. The high cost of the project is due largely to the environmental cleanup costs associated with the site. BCLT will manage the property once construction is completed.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT RE:
CONSTRUCTION AND PERMANENT FINANCING FOR BUS BARNs, BURLINGTON**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow moneys and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, a proposal has been presented to the Agency by the Bus Barns Housing Limited Partnership, whose general partners are H.V. 2000, Inc. and Burlington Community Land Trust, Inc. involving the acquisition and rehabilitation of 25 units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$800,000 aggregate principal amount (the "Bonds") to finance a loan to the Bus Barns Housing Limited Partnership (the "Borrower") to acquire and rehabilitate a 9-unit "Trolley Barn" building within the Bus Barns development (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$800,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 75 basis points above the Agency's cost of funds; and

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$250,000 as term financing, to finance a loan to the Borrower for the long term financing of the entire 25-unit Bus Barns project with the interest rate to be determined by the Agency depending on the source of funds, and an interest rate of not more than 75 basis points above the Agency's cost of funds; and

WHEREAS, the limited partnership is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated November 23, 1999, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

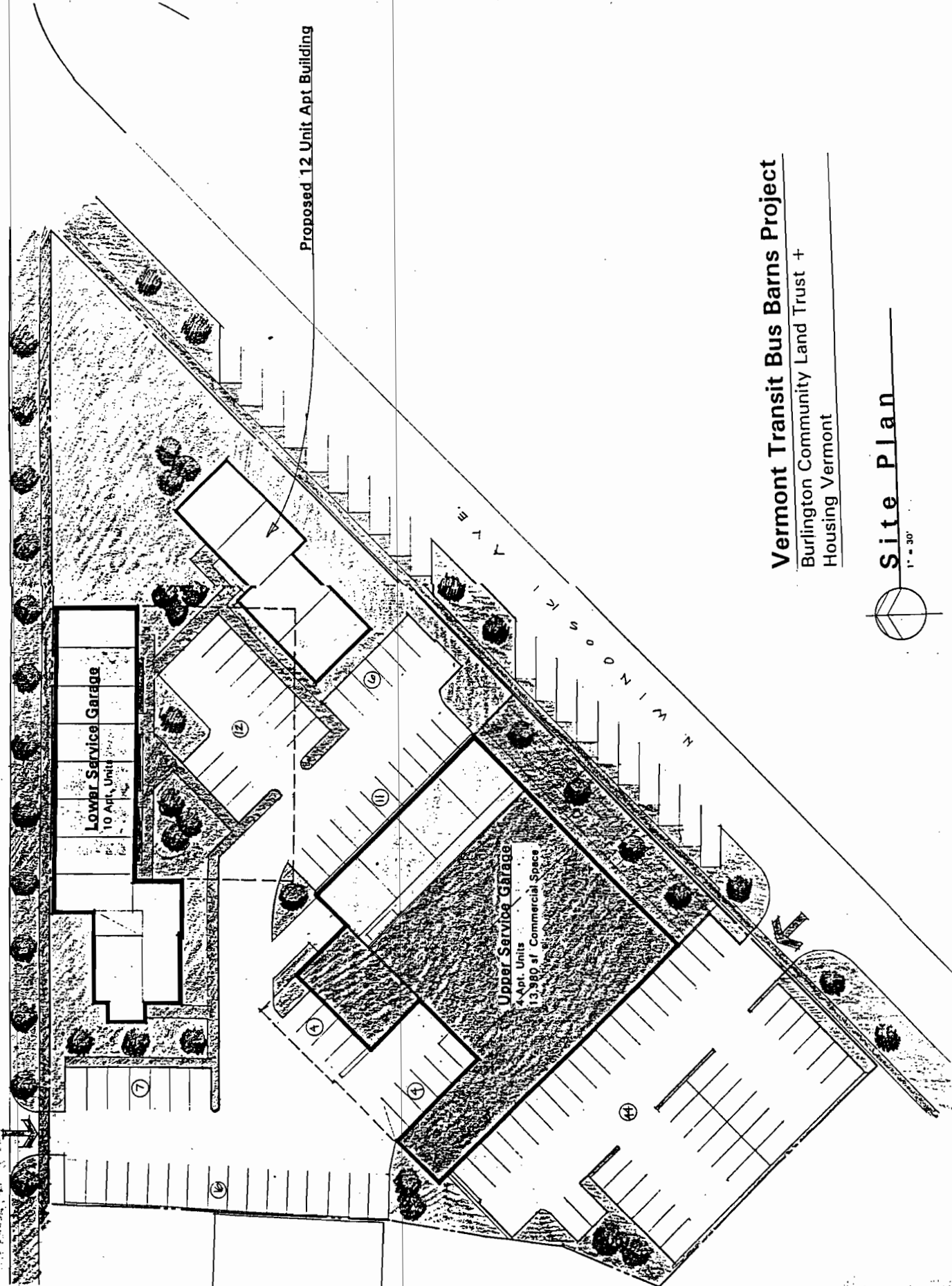
1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate

- b) Sponsor must provide a Phase I and a Phase II Environmental Site Assessment (ESA) and address any findings of the Phase I and the Phase II

Environmental Site Assessments in the scope of work to the satisfaction of the Agency;

- c) Sponsor must provide evidence of necessary permits;
 - d) Sponsor must provide final plans and specifications for VHFA review and approval prior to VHFA loan closing;
 - e) Sponsor must provide evidence of competitive bidding;
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
 4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
 5. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed \$900,000; and a Commitment Letter for a term loan in an amount not to exceed \$250,000.
 6. The construction loan shall be due and payable not more than 12 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The permanent loan shall be due and payable 20 years from the date the loan is made, payments shall be based on a 30 year amortization period and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of the funds shall be determined by the Executive Director. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to H. V. 2000, Inc. and Burlington Community Land Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
 7. The Executive Director, the Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

P I V E R S I D E A V E.



Vermont Transit Bus Barns Project

Burlington Community Land Trust +
Housing Vermont

Site Plan

1" = 30'

1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999

1. Ventures Pre-Development Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Charrette MHP	MHP	Family	14	Housing Foundation Inc.	Dummerston	\$29,000	Committed 1/13/98.
Red Lion Inn	Acq/Rehab	Elderly	20	Randolph Neighborhood Housing Services	Randolph	\$45,000	Committed 5/27/98.
Stoughton House	Acq/Rehab	Elderly	48	Cathedral Square Corp	Windsor	\$5,000	Paid off 6/24/99
222 Riverside Ave	New Const	Family	12	Lake Champlain Housing Devel Corp	Burlington	\$25,600	Paid off 7/29/99
South Burl/ LCHDC	New Const	Family	16	Lake Champlain Housing Devel Corp	So. Burlington	\$17,000	Committed 8/26/98; 1999 Tax Credits & VHFA Loan.
South Burl/ CSC	New Const	Elderly	10	Cathedral Square Corp	So. Burlington	\$9,000	Committed 8/26/98
Fairwood Meadows Hse	New Const	Level III CCH	20	Lamoille Housing Partnership	Morrisville	\$50,000	Committed 11/10/98. (Now "Copley House")
Manchester Knoll	New Const	Family	20	Regional Affordable Housing Corp	Manchester	\$20,000	Committed 12/22/98; 1999 Tax Credits.
Barlow & Union	Acq/Rehab & New Const	Family	12	Rutland County Community Land Trust	Brandon	\$11,715	Committed 12/22/98. 515 project - may apply for construction loan.
Portland & Main	Acq/Rehab	Family	11	Lamoille Housing Partnership	Morrisville	\$27,500	Committed 2/2/99; 515 project VHFA tax exempt financing & out of cap credits.
The Copley House	Acq/Rehab	Level III CCH	23	Lamoille Housing Partnership	Morrisville	\$5,000	Committed 5/4/99
Bus Barns	Acq/Rehab	Family	25	Burlington Community Land Trust	Burlington	\$35,000	Committed 5/18/99; 2000 tax credits
Hawkins Housing	Acq/Rehab	Family	14	Addison County Community Action Group	Middlebury & Vergennes	\$4,200	Committed 5/18/99; 1999 tax credits; paid off 9/29/99.

1999 Multifamily Development Activity **January 1, 1999 through November 23, 1999**

I. Ventures Pre-Development Loans, Cont'd	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Saxtons River	Acq/Rehab	Family	17	Housing Vermont	Saxtons River	\$28,922	Committed 5/19/99. Portfolio project, tax exempt loan & out of cap credits.
Manchester Knoll	New Const	Family	20	Regional Affordable Housing Corp	Manchester	\$18,000	Committed 7/16/99; 1999 Tax Credits.
Hawkins Housing	Acq/Rehab	Family	14	Addison County Community Action Group	Middlebury & Vergennes	\$5,000	Committed 7/16/99; 1999 tax credits. Paid off 9/29/99.
Safford Street	Lease to Own	SFH	1	Regional Affordable Housing Corp	Bennington	\$89,000	<i>Bridge loan</i> made 11/7/97; paid off 7/23/99
North Branch	Lease to Own	SFH	1	Regional Affordable Housing Corp	Bennington	\$83,546	<i>Bridge loan</i> made 3/12/97; loan matures 6/30/00
Willows MHP	MHP	Eld/Fam	4	Regional Affordable Housing Corp	Bennington	\$15,143	<i>Bridge loan</i> made 12/28/94; loan matures 12/31/99
Bus Barrs	Acq/Rehab	Family	25	Burlington Community Land Trust	Burlington	\$15,000	Committed 9/2/99; 2000 tax credits.
Manchester Knoll	New Const	Family	20	Regional Affordable Housing Corp	Bennington	\$24,500	Committed 9/23/99; 1999 tax credits
Waterbury Seminary	Acq/Rehab	Family	16	Central Vermont Community Land Trust/Housing Vermont	Waterbury	\$14,787	Committed 8/16/99; may apply for 2000 tax credits and debt.
Townhouse Terrace	Acq/Rehab	Family	36	Housing Vermont	St. Johnsbury	\$31,000	Committed 11/4/99; applying for 2000 tax credits
South Burlington	New Const	Family	18	LCHDC	South Burlington	\$28,000	Committed 10/27/99; 2000 tax credits and debt
South Burlington	New Const	Special Needs	10	Cathedral Square Corp	South Burlington	\$16,000	Committed 10/27/99

1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999

2. 1998 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Barre & Bailey Streets	Acq/Rehab	Family	15	Central Vermont CLT	Montpelier	\$50,000	Under construction; Carryover issued 10/8/98
Bennington Arts	Acq/Rehab	Family	15	Housing Vermont & Vermont Arts Exchange	Bennington & Greater Area	\$73,000	Carryover issued 12/24/98
Cora B. Whitney	Acq/Rehab	Elderly	22	Regional Affordable Housing Corp	Bennington	\$73,399	Construction complete. 8609 issued.
Lakeview Housing	Acq/Rehab	Fam/Eld	16	Housing Vermont & Gilman Housing Trust	Newport	\$35,900	Out of Cap Credit; Closed 12/16/98; under construction
The Maples	New Const	Elderly	51	Green Mountain Devel Group	Rutland	\$220,871	Carryover issued 12/31/98
McAuley Square	New Const	Family	19	Housing Vermont & Cathedral Square Corp	Burlington	\$88,000	1999 Credits (forward commitment); legal appeal of permit conditions pending; closing 12/99?
Park Place II	Acq/Rehab	Family	14	Housing Vermont	Burlington	\$75,000	1998 & 1999 Credits (partial forward commitment) Carryover issued 12/31/98
Park Village Apts	Acq/Rehab	Fam/Eld	39	Holmberg Construction Inc.	Brandon	\$171,851	Received 1998 & 1999 Credits (partial forward commitment); Carryover issued 12/30/98
Pearl & Union SRO	Acq/Rehab	SRO	21	Housing Vermont & Burlington CLT	Burlington	\$56,534	Carryover issued 12/31/98; Received 1999 Credit.
Homestead Greene	New Const	Elderly	17	THM Inc.	North Bennington	\$59,150	Out of Cap credits and <i>tax-exempt</i> bond financing; closed 4/13/99; construction complete.
Highland Hill Housing	Acq/Rehab	Family	14	Housing Vermont & Lamoille Housing Partnership	Hardwick	\$47,500	Carryover issued 9/25/98.
Allen Apartments	Acq/Rehab	Family	17	Lake Champlain Housing Devel Corp	Winooski	\$28,987	Closed 2/24/99. Out of Cap Tax Credits. Under construction.

**1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999**

3. 1999 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Hawkins Housing	Acq/Rehab	Family	14	ACCAG/HVT	Middlebury & Vergennes	\$85,471	Credit Reservation issued 7/29/99.
Hayden Parkway, South Burlington	New Const	Family	18	LCHDC/HVT	South Burlington	\$141,000	Credit Reservation issued 7/1/99. Will utilize 2000 tax credits.
Manchester Knoll	New Const	Family	20	RAHC	Manchester	\$138,113	Credit Reservation issued 9/12/99.
Mary Exner Block	Acq/Rehab	Family	10	HVT/RACLT	Bellows Falls	\$63,512	Credit Reservation issued 10/22/99; Carryover issued 11/19/99.
Mill View Housing	New Const	Family	12	LCHDC/HVT	Burlington	\$85,779	Credit Reservation issued 7/1/99; carryover issued 11/16/99.
Bus Barns	Acq/Rehab	Family	25	BCLT/HVT	Burlington	\$166,492	Utilizing 1999 tax credits.
Swanton School	Acq/Rehab	Elderly	16	Lake Champlain Housing Development Corporation / HVT	Swanton	\$53,010	Out of Cap. Scheduled closing 11/24/99.
Portland & Main	Acq/Rehab	Family	8	Lamoille Housing Partnership/HVT	Morrisville	\$26,565	Out of Cap. Closing 11/99 or 12/99.
Crystal Lake, Barton	Acq/Rehab	Family	16	Housing Vermont/Gilman Housing Trust	Barton	\$47,223	Out of Cap. Closing 12/7/99.
The Briars	Acq/Rehab	Family	24	Housing Vermont/Twin Pines Housing Trust	Wilder	\$21,900	Out of Cap; Closed 6/29/99; under construction.
Eagle Crest (Blair Apartments)	New Construction	Elderly	60	Yandow/Dousevitz Construction Corp	Williston	\$26,978	Out of Cap; Closed 9/1/99; under construction.
St. Johnsbury House	Acq/Rehab	Elderly	36	Green Mountain Development Group	St. Johnsbury	\$161,615	Forward Commitment of 2000 Credits
The Gardens	Acq/Rehab/New Const	Elderly	30	Dick Dybvig	Williamstown	\$21,173	Out of Cap; tax exempt bond

**1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999**

4. Multifamily Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Homestead Greene	New Const	Elderly	17	THM Inc. – Jack Heaton and Frank Murphy	No. Bennington		\$975,000	Interim Financing Commitment 7/23/98; Closed 4/13/99; Construction complete; RD will do permanent takeout in 1999.
Lakeview Housing	Acq/Rehab	Family/ Elderly	16	Housing Vermont	Newport		\$800,000	Interim Financing Commitment 7/23/98; Closed 12/16/98; RD will do permanent takeout in 1999. Under construction.
Allen Apartments	Acq/Rehab	Family	17	Lake Champlain Housing Devel Corp	Winooski	\$515,000 Tax Exempt; \$199,000 0% Funds		Commitment 12/17/98; Closed 2/24/99; Out of Cap Tax Credits. Under construction. <i>TE</i>
The Briers	Acq/Rehab	Family	24	Housing Vermont/Twin Pines Housing Trust	Wilder	\$681,000	\$771,000	Commitment 3/17/99. Out of cap credits. Closed 6/29/99. <i>TE</i>
Jacobs Mobile Court	Existing MHP	Family/ Elderly	19	Randolph Area CDC	Randolph	\$80,862		Commitment 4/15/99. Closing January 2000.
Blair Apartments	New Construction	Elderly	60	Yandow/Dousev iez Construction Corp	Williston	\$3,200,000	\$3,707,000	Commitment 5/27/99; Closed 9/1/99; under construction. <i>TE</i>
Swanton School	Acq/Rehab	Elderly	16	Lake Champlain Housing Development Corporation / HVT	Swanton		\$980,000	Commitment 6/17/99. <i>Tax exempt</i> financing and out of cap tax credits. Closing 11/24/99.

1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999

4. Multifamily Loans (Continued)	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Portland & Main	Acq/Rehab	Family	8	Lamoille Housing Partnership/HVT	Morrisville		\$550,000	Commitment 6/17/99. <i>Tax exempt</i> financing and out of cap tax credits. Closing 11/99 or 12/99.
Crystal Lake, Barton	Acq/Rehab	Family	16	Housing Vermont/ Gilman Housing Trust	Barton		\$900,000	Commitment 6/17/99. <i>Tax exempt</i> financing and out of cap tax credits. Closing 12/7/99.
South Burlington Community Housing	New Const	Family	18	Housing Vermont/LCHDC	So. Burlington	\$254,515		Commitment 8/19/99. To close Spring 2000.
The Gardens at Williamstown Square	Acq/Rehab & New Construction	Elderly/ Assisted Living	30	Dick Dybvig	Williamstown	\$1,973,000	\$1,973,000	Letter of Commitment approved 11/11/99; <i>Tax exempt</i> bond & 4% credit.
Saxtons River	Acq/Rehab	Family	17	Housing Vermont/RACLT	Rockingham	\$541,000	\$459,000	Commitment 10/21/99; <i>tax exempt</i> financing and 4% tax credits. Closing 12/99

1999 Multifamily Development Activity
January 1, 1999 through November 23, 1999

5. Multifamily pipeline and potential projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Barlow & Union (515)	Acq/Rehab & New Const	Family	12	Rutland County Community Land Trust	Brandon	\$600,000 C/P/or C&P?		Loan application not submitted; Contingency plan to seek <i>tax exempt</i> financing and out of cap tax credits.
McAuley Square	New Const	Family/ Elderly	54	Housing Vermont/Cathedral Square Corp	Burlington	\$3,500,000	\$3,500,000	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Stratton Mountain	New Const	Family	36	Capital Ideas Inc.	Stratton or Winhall	\$2,600,000	\$2,600,000	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Jeffersonville Elderly	New Const	Elderly	24	Housing Vermont	Jeffersonville	\$350,000	\$1,450,000	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Limerock I	New Const	Family	40	Housing Vermont/LCHDC	So. Burlington	\$2,250,000	\$2,250,000	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Franklin Homestead Assisted Living	New Const	Elderly	18	HVT/CSC/Franklin Homestead Inc.	Franklin	\$230,000	?	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Marketplace	New Const	Family	160	LCHDC/HVT	South Burlington	\$980,000	?	Loan application not yet submitted; seeking tax exempt financing & out of cap tax credits.

1999 Multifamily Development Activity **January 1, 1999 through November 23, 1999**

5. Multifamily pipeline and potential projects (Cont'd)	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
The Copley House	Acq/Rehab	Level 3 CCH	23	LHP/Housing Vermont	Morrisville	?		May seek permanent debt.
Richford	Acq/Rehab	Elderly	10	LCHDC/Housing Vermont	Richford		\$500,000	Loan application not yet submitted; in planning stage. <i>Tax exempt</i> bond & 4% credit.
Westgate	Acq/Rehab	Family	100	Housing Vermont	Brattleboro	?		In planning stages.
St. Johnsbury House	Acq/Rehab	Elderly	36	Green Mountain Development Group	St. Johnsbury	\$600,000	\$305,000	2000 Tax Credits; to January Board meeting.

Notes for Future Reports:

- Add HUD Note sales?
- Templeton Court (VSHA)
- Milton MHP (VSHA)
- Plainfield (VSHA)
- Royaltan (VSHA)