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Vermont Housing Finance Agency

January 16, 2001

Ms. Mary Moore
Vermont Department of Libraries
109 State Street
Montpelier, VT 05609

Dear Ms. Moore:

The Vermont Housing Finance Agency Board of Commissioners will have its regular meeting on Thursday, January 25th at 12:00 p.m. at the State Treasurer's Office Building, Room #2, 133 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3413.

Sincerely,

Kari Caragher

Kari A. Caragher
Executive/HR Assistant

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: January 19, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on January 25, 2001, at 12:00 p.m. at the State Treasurer's Office Building, 133 State Street, Montpelier, Vermont.

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on January 25th!

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Vermont Housing Finance Agency

BOARD AGENDA
State Treasurer's Office Building, Room #2
133 State Street
Montpelier, VT

January 25th at 12:00 p.m. (working lunch)

1. Approval of the December 15, 2000 minutes.

2. DEVELOPMENT

A.	Construction & Permanent Loans for Clark/Canal Streets, Brattleboro	{Erdelyi/Enclosure}
B.	Multifamily Construction Loan Application for Columbian Avenue, Rutland	{Reid/Enclosure}
C.	Permanent Loan for 43 King Street, Burlington	{Erdelyi/Enclosure}
D.	Multifamily Permanent and 0% Loans for Ben-South, Bennington	{Reid/Enclosure}
E.	2001 Housing Credit Allocation Plan	{Erdelyi/Enclosure}

3. HOMEOWNERSHIP

A.	Summary of Homeownership Activities	{Crady/Enclosure}

4. MULTIFAMILY

A.	Lake Champlain Apartments Acquisition	{Falzone/Enclosure}

5. FINANCE

A.	Single Family Bond Financing	{Schoenbeck/Enclosure}
B.	Multifamily 2000 Wrap Up (Evensen Dodge report)	{Schoenbeck/Handout}

6. ADMINISTRATION

A.	Executive Directors Report	{Carpenter/Enclosure}
B.	Strategic Planning Discussion	{Carpenter/Verbal}
C.	Schedule of Board meetings with locations	{Enclosure}

7. Any other business to come before the Board.

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

December 15, 2000 at 9:30 a.m.

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

Staff: Ms. Carpenter, Ms. Loller, Mr. Schoenbeck, Ms. Kendrick, Ms. Caragher, Ms. Crady, Mr. Erdelyi, Ms. Gent, Mr. Falzone, Ms. Reid, Mr. Adams
Other: Mr. Gurley (PaineWebber)

Chairman White called the meeting to order at 9:42 a.m. The Chairman announced that today was his last VHFA Board meeting, as he has resigned as Chairman effective December 2000. Chairman White expressed how much he has enjoyed his seven years as Chairman. Without further ado, he turned the meeting over to Ms. Randall and wished her luck as the new Chairperson.

MINUTES

First on the agenda was the approval of the minutes from October 26th and November 28th, 2000. Mr. White made a motion to approve both sets of minutes. The motion approved unanimously after being seconded by Mr. Candon.

FINANCE

Mr. Schoenbeck handed out a copy of our internal credit rating letter that he received from Moody's. Staff is very delighted to have this A2 rating and Mr. Schoenbeck indicated that this is the first time VHFA has an Agency credit rating. Mr. Schoenbeck pointed out that, unless a significant change occurs, we would expect to maintain the A2 credit rating.

The discussion then moved to the September 2000 Financial Statements. On the balance sheet, Mr. Schoenbeck pointed out that fund balances have increased by almost $5.5 million over the past year. Earnings for this period are $2.2 million compared to the earnings for last year of $400,000. Mr. Schoenbeck noted that, last year, there was a market value loss on investments of $500,000 compared to a $300,000 gain this year and income in the 0% loan pool increased by $400,000.

Mr. Schoenbeck reviewed the general fund budget results, indicating that the income transfers, and expenses of the projected budget were very close to our expectations for the first quarter. Loan losses through September 30 were $327,000, which is in line with the annual estimate of $1.2 million.

Mr. Schoenbeck reviewed the multifamily bond financing indicating that, last week we closed our note purchase with HUD and advanced $3 million for that transaction. The Board approved financing for the Brookside Mobile Home Park ($845,000) in November, which is expected to close by the end of the year. Staff would like to include the French Hill Mobile Home Park ($110,000) into this bond sale, as well as Westgate ($3.8 million), if it is ready to go by the time of this issue. We are temporarily financing these projects through our line of credit with the Howard Bank, but will need to permanently finance these through the sale of a bond to Fannie Mae.

Mr. Schoenbeck indicated that approving the Series Resolution would enable staff to lock in a decent rate next week for this bond issue. Issuing these bonds under the Multi-family bond resolution will provide the AA rating we need for Fannie Mae to purchase the bonds. Staff is estimating a closing date of January 10th. Mr. Candon made a motion to approve the 2000 Series B, C, and D Series Resolution. The motion carried unanimously after being seconded by Mr. Seelig.

Next, Mr. Schoenbeck discussed the private activity bond volume unused. Mr. Schoenbeck noted that the other Vermont issuers returned$7 million of their volume cap to VHFA. In order to carry forward the remaining 2000 volume cap, already allotted for multifamily projects, the Board must approve the attached Resolution approving the carry forward. With no further discussion, Mr. Candon made a motion to approve the "Resolution Relating to Vermont Housing Finance Agency Election to Carry Forward 2000 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Ms. Canney.

DEVELOPMENT

Ms. Carpenter indicated, that attached to the Multifamily/Development memo, was a list of multifamily loans that we expect to close within the next 6 months. Ms. Carpenter indicated that staff was disappointed that the HAP Contract Administration associated with Highgate, Mountainview, and Westgate was awarded to the Vermont State Housing Authority (VSHA), instead of VHFA. Staff is working with HUD and VSHA to take primary responsibility for the properties in which we have a loan.

Also included in the board packet are the proposed rate and fee changes for multifamily loan and housing credit programs. Ms. Carpenter noted that these changes would enable us to formalize our current practice. The housing credit fees haven't been changed since 1993 and the proposed increases are designed to keep up with the costs of administering the program. The housing credit fees were discussed with the Joint Committee on Tax Credits at a meeting held earlier this week. The committee agreed with the proposed rate change.

Mr. Erdelyi reviewed the King Street Neighborhood Revitalization Corporation (KSNRC) acquisition of 43 King Street (The "Chickenbone" bar site). VHFA has been approached to provide $100,000 interim financing to facilitate the acquisition of this property by KSNRC and also to provide permanent financing. Board approval is not required for the interim-financing request. Mr. Dettman, of Burlington Housing Authority, hired a historic consultant to provide an opinion as to whether the Chickenbone bar site could be torn down. The opinion he received from the consultant was favorable, but there is some opposition to demolishing the building, as KSNRC intends to do, to redevelop the site as housing. Mr. Erdelyi indicated that there are several issues evolving daily and, at this time, there is no Board action required. If KSNRC receives all the permits necessary to tear it down, staff expects to approve the interim request and will come back to the Board for approval for permanent financing for the project.

MULTIFAMILY

Mr. Falzone updated the Board about Templeton Court, a 36-unit family housing project located in White River Junction. Over the past ten years, the project has struggled with many physical and social issues. Vermont State Housing Authority (VSHA) approached staff 6 months ago with a plan for the complete renovation of the project, which was very costly. Mr. Falzone indicated that staff met with VSHA yesterday to discuss additional options. No decisions have been made regarding the rehab or renovations of this project thus far. Staff will continue to work with VSHA on possible options to stabilize this property and will keep the Board updated as this process continues.

Mr. Falzone informed the Board about a recent preservation transaction. Burlington Housing Authority and KSNRC recently purchased a 7-unit family housing property located in two buildings in Burlington. We restructured VHFA's existing 14% debt and provided a new amortizing loan for $79,000, which will be serviced with savings from the restructured loan. We also advanced $137,711 in 0% loan proceeds. These units have now been placed into the permanently affordable inventory using a new Preservation Agreement.

HOMEOWNERSHIP

Ms. Crady stated that delinquencies have slightly decreased. Approximately half of our REOs are currently under contract. Due to a decrease in activity, staff has been able to spend time on improving loan origination and loan sale procedures. Staff is also working to get our guides on CD in a PDF format for lenders.

Mr. Adams indicated that VHFA has finalized negotiations to purchase the VHFA servicing portfolio from the Merchants Bank. Staff is hoping to have this transfer completed by mid-February. Mr. Adams provided the Board with a summary of the acquisition cost and income benefits to VHFA (included in his memo).

ADMINISTRATION

Ms. Carpenter reported that VHFA received approximately 200 donated mittens this year from various businesses and people, for our annual mitten stuffing. The mittens were all stuffed with candy and donated to the King Street Youth Center.

Ms. Carpenter noted that Ms. Mullikin-Drake has been a great asset in assisting staff with putting some of our internal processes in order. Relative to any statute changes VHFA may need that were discussed last year, Ms. Mullikin-Drake believes that our current statutes are adequate and that we don't need to make any immediate changes.

The Affordable Housing Odyssey Conference was a great success! Ms. Carpenter thanked Ms. Gent and Ms. Caragher for their help in pulling everything together. Mr. White commented that it was great to see a wide variety of people there. Ms. Carpenter and Ms. Gent will be sending out a packet to each participant within the next few weeks, which will include Bruce Katz's speech, session notes, etc.

Ms. Carpenter indicated that the Joint Committee on Tax Credits met yesterday to discuss how to divide the 2001 tax credits. There were no significant changes made to the plan, only minor changes based on new things that need to be done for tax compliance.

The 2001 Board meeting schedule was reviewed next. The meetings on the proposed schedule will be kept in place, and staff will revisit the August 16th meeting at a later date to determine if we will need to meet.

Ms. Loller stated that the handbook changes have been reviewed by legal counsel and have been approved by the Board Human Resources Committee. With no further discussion, Mr. Seelig made a motion to approve the handbook changes. The motion carried unanimously after being seconded by Mr. Candon. Ms. Carpenter indicated that we are looking into whether we can be approved for a nonprofit designation in addition to our governmental entity status, which would enable us to have our pension status changed. If we get this ruling from the IRS, we could access 401k and 403b plans.

At this time, VHFA staff joined the Board meeting and Mr. Seelig read a Resolution, on behalf of the Board, dedicated to Richard White. Once it was read, Mr. White thanked everyone for the Resolution. He indicated how much he appreciates all of the work that staff has done in the past 7 years and what a great organization VHFA is. He thanked staff and the Board again and noted it's been a pleasure to work with everyone. Mr. Candon made a motion to approve the "Resolution Honoring Richard C. White on His Resignation as the Chairman of the Board of Commissioners of Vermont Housing Finance Agency." The motion carried unanimously after being seconded by Mr. Seelig.

Next, Ms. Carpenter presented Mr. White with a gift from herself and staff. She thanked Mr. White for all his help through various staff transitions. As well, Mr. White received a chair with his nameplate on it in appreciation for his service to the VHFA Board.

With no further business, the meeting adjourned at 11:45 a.m. with a motion made by Mr. Candon and seconded by Mr. Seelig.

Sincerely,

Sarah Carpenter

Sarah E. Carpenter
Executive Director and Secretary

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: January 18, 2001

RE: Construction and Permanent Loans for Clark / Canal Streets, Brattleboro

Name:	Clark & Canal Streets	**Location:**	Brattleboro
Housing Type:	General Occupancy	**Unit Type:**	Garden Style (Flats)
Total Units:	12	**Unit Sizes:**	Two 0 br (373 sf) Three 1 br (579-611 sf) Two 2 br (666-890 sf) Five 3 br (831-1,218 sf)
Total Cost:	$1,333,172	**Per S.F. Cost:** **(land, hard construction)**	$120.49
Loans Requested:	$115,000 - thirty year $750,000 construction	**Housing Credits:**	$37,975 (all 4% from outside the State's credit ceiling)
Other Funding:	VHCB, HOME, Lead Paint Funds, tax credit equity		
Sponsors:	Brattleboro Area Community Land Trust (BACLT)		

The proposed development consists of three buildings on adjacent lots in downtown Brattleboro. BACLT has owned the properties for 11 years and did some rehabilitation when they were acquired, but the buildings have a number of systems that do not meet today's standards. The proposed rehab would bring the units into compliance with all codes and life safety standards, and would include fire separation, second egresses, foundation, wiring, heating, and energy efficiency improvements. This project applied for 9% credits last year and did not receive an allocation, so this proposal would utilize tax-exempt financing and the 4% credits. All other funding sources have been committed from VHCB, and the scope of work should be finalized in February. BACLT will manage the development. The appraisal has not yet been completed and the VHFA loan commitment would be contingent upon an appraisal that supports the loan requested. The sponsor will have to pledge some additional security should the appraisal not cover the requested loan amount. A Level I Environmental Site Assessments has been commissioned, and any findings will need to be addressed in the scope of rehabilitation.

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 and the Chief of Program Operations to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (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 $750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to $750,000 for 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 long-term loan in an amount of up to $115,000 for long-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;

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 Joe Erdelyi, dated January 18, 2001, 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 a to-be-formed limited partnership, for the acquisition, rehabilitation and long-term financing of the Clark/Canal housing development in Brattleboro. 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 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;

    b. Sponsor must provide an as built appraisal satisfactory to the Agency; and

    c. Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing

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 an acquisition and construction loan in a maximum amount of $750,000, and a loan for the long-term financing of the Development, in an amount not to exceed $115,000.

3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 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, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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.

4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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 issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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.

6. The preliminary approval of paragraph 5 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.

7. The Executive Director, 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.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: January 18, 2001

RE: Multifamily Construction Loan Application for Columbian Avenue, Rutland

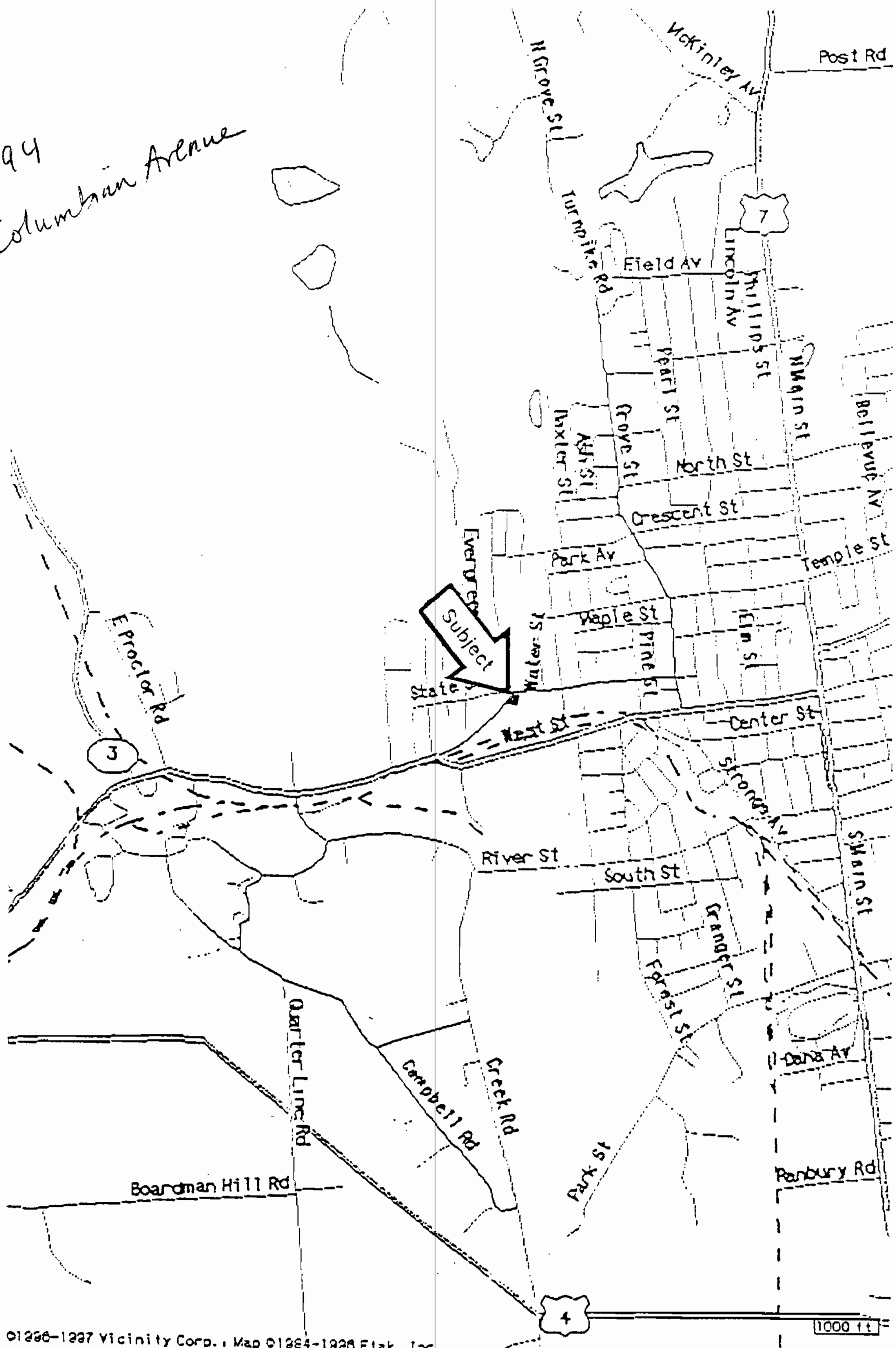
Name:	Columbian Avenue	**Location:**	Rutland
Housing Type:	General Occupancy	**Unit Type:**	Townhouses/ Flats
Total Units:	9	**Unit Sizes:**	1 0-Br, 535 sf; 1 1-Br, 545 sf; 3 2-Br, 827 sf; 2 3-Br, 930 sf 2 4-Br, 1400sf
Total Cost:	$1,217,670	**Per S.F. Devel Cost:**	$148.14
Loan Requested:	$700,000 construction	**Housing Credits:**	$43,000
Other Funding:	VHCB, HOME, VCDP, VHCB Lead, Historic Tax Credits, Housing Credits		
Sponsor:	Rutland County Community Land Trust		

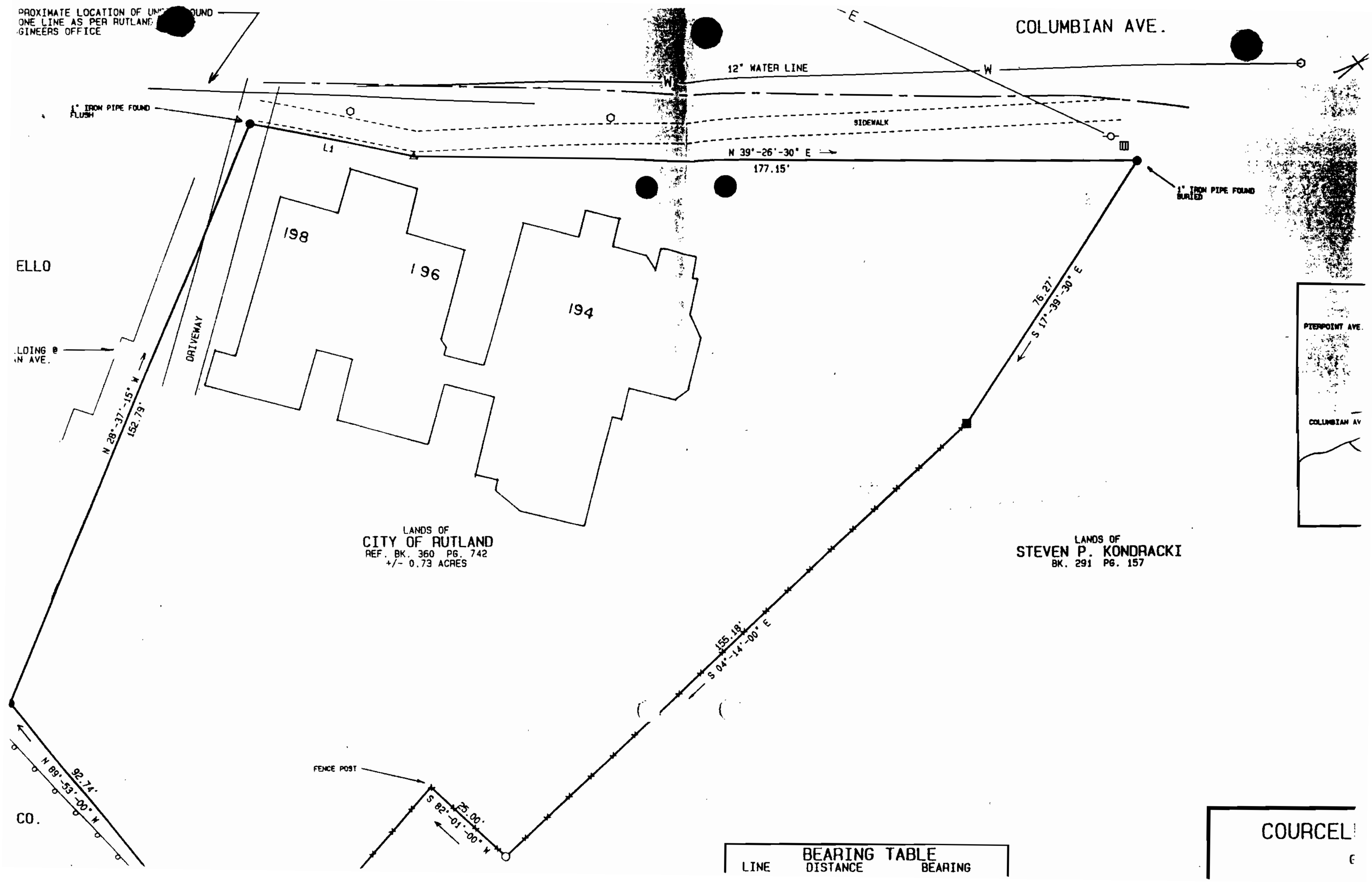
Rutland County Community Land Trust (RCCLT) is seeking $700,000 in tax exempt construction financing in order to obtain 4% Housing Credits to acquire and rehabilitate a vacant historic property in Rutland. The property has been vacant and boarded up for several years. RCCLT proposes to rehabilitate it into nine units; three units will be affordable to households at 50% of median income, and six units will be affordable to households at 60% of median income (all will be tax credit units). One unit will be made handicapped accessible. RCCLT will manage the property once it's completed. RCCLT applied for 9% tax credits and then state tax credits in 2000, but did not receive allocations for either. Now, all other funding is committed and the project is fully permitted. RCCLT anticipates starting construction in April and completing it in October of this year.

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 and the Chief of Program Operations to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

LOCATION MAP

194 Columbian Avenue





PROXIMATE LOCATION OF UN
ONE LINE AS PER RUTLAND
GINEERS OFFICE
COLUMBIAN AVE.
12" WATER LINE
1" IRON PIPE FOUND FLUSH
SIDEWALK
L1
N 39°-26'-30" E
177.15'
1" IRON PIPE FOUND BURIED
ELLO
198
196
194
DRIVEWAY
LDING @
N AVE.
N 28°-37'-15" W
152.79'
76.27'
S 17°-39'-30" E
PIERPOINT AVE.
COLUMBIAN AV
LANDS OF
CITY OF RUTLAND
REF. BK. 360 PG. 742
+/- 0.73 ACRES
LANDS OF
STEVEN P. KONDRACKI
BK. 291 PG. 157
155.18'
S 04°-14'-00" E
92.74'
N 89°-53'-00" W
CO.
FENCE POST
25.00'
S 82°-01'-00" W
BEARING TABLE
LINE
DISTANCE
BEARING
COURCEL

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT RE: CONSTRUCTION FINANCING FOR COLUMBIAN AVENUE, RUTLAND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Rutland County Community Land Trust, involving the acquisition and rehabilitation of nine units of rental housing in the City of of Rutland (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 $700,000 aggregate principal amount (the "Bonds") to finance a loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust (the "Borrower") to acquire and rehabilitate nine units of rental housing (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan in the amount of up to $700,000 for 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;

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 January 18, 2001, 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 and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust for construction financing in an amount not to exceed \$700,000; the term of the construction loan will be not more than 18 months, 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;

   b) Sponsor must provide an as built appraisal satisfactory to the Agency;

   c) Sponsor must provide evidence of necessary permits;

   d) Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks 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 construct 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 or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for an interim loan for the acquisition and construction of the Development, in an amount not to exceed $700,000.

6. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 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 Rutland County Community Land Trust as a representative of the Columbian Avenue 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, 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.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT OF $750,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO THE COLUMBIAN AVENUE LIMITED PARTNERSHIP TO BE CREATED BY RUTLAND COUNTY COMMUNITY LAND TRUST TO FINANCE THE ACQUISITION AND REHABILITATION OF A 9-UNIT DEVELOPMENT IN RUTLAND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 $750,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust, (the "Borrower") to acquire and rehabilitate a 9-unit development (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $750,000 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 Program 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 eighteen months 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25th day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By ______________________________
Executive Director

Attest:

By ______________________________
Authorized Officer

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: January 18, 2001

RE: Permanent Loan for 43 King Street, Burlington

Name:	43 King Street	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Garden Style (Flats)
Total Units:	5	**Unit Sizes:**	Two 2 br Three 3 br
Total Cost:	$506,400	**Per S.F. Cost:** (land, hard construction)	$89.10
Loans Requested:	$100,000 interim $340,000 - 30 year $36,400 - 0% funds	**Housing Credits:**	n/a
Other Funding:	VHCB, developer's equity, Burlington Trust Funds		
Sponsors:	King Street Neighborhood Revitalization Center (KSNRC)		

The sponsor and its consultant, Paul Dettman of the Burlington Housing Authority (BHA), have requested the above funding to acquire and demolish the existing structure and to construct a new building with five units. The per unit land cost of the proposal is high for rental housing in Burlington ($33,000 per unit), but the redevelopment of the neighborhood is important, and the overall project cost is reasonable. A local developer, Bobby Miller, has verbally committed to construct the units at a cost of $50 per square foot. The combination of this low construction cost and the high land cost combine for an overall cost similar to projects we typically see. Because the seller is unwilling to extend the purchase and sales option, the closing on the property acquisition will have already occurred by the Board's meeting date, and (as we advised the Board in December) VHFA will have advanced the $100,000 interim funds towards this acquisition. Should the development fail to proceed as proposed, there is an appraisal that places the property value (as a bar) at $230,000. Staff have not seen an appraisal for the rental housing as proposed, or an Environmental Site Assessment, and our loan would be conditioned upon the receipt and review of both. The property will be managed by BHA. BHA has also committed to provide 5 units of project-based rental assistance to the property. Plans and specs are also not yet finalized, nor is the agreement with Mr. Miller to construct the building. There is reportedly some opposition to the demolition of the existing building for historic preservation reasons. Staff understand that a 30 day appeal period on the City's decision to allow demolition ran from December 19, 2000 to January 18, 2001. As of the writing of this memo no objections have been filed, and it is unclear to staff what avenues if any exist to prohibit the demolition of the existing structure.

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 and the Chief of Program Operations 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 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 5-UNIT PROJECT IN BURLINGTON AND FOR A LETTER OF INTEREST AND COMMITMENT RE: FINANCING FOR 43 KING STREET DEVELOPMENT IN 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 King Street Neighborhood Revitalization Corp., a Vermont non-profit corporation (the "Sponsor"), involving the acquisition of real estate and the rehabilitation of that real estate into five 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 501(C)(3) bonds of not more than $400,000 aggregate principal amount (the "Bonds") to finance a loan to King Street Neighborhood Revitalization Corp. to acquire and rehabilitate a 5-unit project (the "Project") at 43 King Street in Burlington, Vermont;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to $100,000 during construction 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, $350,000 for long-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 a zero percent loan of not more than $40,000;

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 Joe Erdelyi, dated January 18, 2001, 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 King Street Neighborhood Revitalization Corp. for a long-term loan in an amount not to exceed $350,000 and a loan from refunding proceeds of not more than $40,000 at 0%. An interim loan of $100,000 for acquisition of the property will be for a term of not more than 18 months with an interest rate not more than 150 basis points above the Agency's cost of funds. The interim loan of $100,000 is hereby ratified. The term of the long-term loan will be not more than 30 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Phase I Assessment in the scope of work to the satisfaction of the Agency;

   b) Sponsor must provide an as-built appraisal satisfactory to VHFA;

   c) Sponsor must provide evidence of necessary permits; and

   d) Sponsor must provide final plans and specifications for VHFA review and approval.

3. The issuance of 501(c)(3) bonds for the purpose of financing a loan to the Borrower 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 long-term loan for the Development, in an amount not to exceed $350,000.

6. The long-term loan shall be due and payable not more than 30 years from the date the loan is made, shall be amortized over a period of up to 30 years, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt 501(c)(3) bond proceeds. The Sponsor shall be responsible for loan fees, costs of issuance and transaction costs. The Commitment Letter may be issued to King Street Neighborhood Revitalization Corp. 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.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: January 18, 2001

RE: Multifamily Permanent and 0% Loans for Ben-South, Bennington

At the September 2000 meeting, the Board of Commissioners approved a construction loan of up to $850,000 and a permanent loan of up to $350,000 to finance the acquisition and rehabilitation of 21 units in Bennington, "Ben South", being developed by the Regional Affordable Housing Corporation (RAHC). The project was proposed by RAHC as a "design build" project, with RAHC as construction manager. In order to satisfy VHFA requirements including architectural oversight and bonding through the construction and warranty periods, staff added conditions to the loan. These conditions resulted in costs not originally budgeted. In addition, bids came in high on a portion of the project. VHCB has approved an additional $50,000 HOME award to cover increased construction costs.

RAHC had originally requested a higher amount of permanent debt. The amount of the permanent loan was reduced by staff, as more conservative operating expenses were used in underwriting, resulting in less debt capacity. Staff then approved a $100,000 zero percent loan (the maximum amount which can be approved at a staff level) to make up the difference.

We are now seeking board approval to increase the zero percent loan to up to $133,000, to cover the costs associated with architectural oversight and bonding. The total development cost of the project is now $1,693,757, or $80,655 per unit, or $99.31 per square foot. The permanent loan closing is projected to be at the end of January 2002. Should interest rates be lower at that time, (the permanent loan is underwritten at 7.5% for 30 years), and increasing the permanent loan amount will not adversely affect financial feasibility of the project, then staff would like the discretion to increase the permanent amount loan slightly and increase the 0% loan to an amount not greater than $133,000.

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 and the Chief of Program Operations to issue a revised Commitment Letter to finance this development.

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER RE: PERMANENT FINANCING FOR BEN SOUTH DEVELOPMENT, BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Regional Affordable Housing Corporation (the "Sponsor"), involving the acquisition and rehabilitation of four buildings containing 21 units of rental housing in the Town of Bennington (the "Development"); and

WHEREAS, the Development has previously been the subject of a Resolution of the Agency dated September 14, 2000; 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 $370,000 aggregate principal amount (the "Bonds") to finance a loan to the Ben-South Housing Limited Partnership (the "Borrower") to acquire and rehabilitate 21 units of rental housing located at 501-507 South Street and 118-126 Benmont Avenue (the "Development") in Bennington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal now contemplates a first mortgage loan in the amount of up to $370,000, increased from $350,000, as long-term financing for the 21-unit Ben South project with the interest rate to be determined by the Agency depending on the source of funds, which may be from proceeds of tax-exempt bonds, or taxable sources of funds, and shall have an interest rate of not more than 150 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 January 18, 2001, 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 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 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 and the Chief of Program Operations are authorized to issue a Letter of Commitment to the Ben-South Housing Limited Partnership for the long term financing of the Development in an amount not to exceed $370,000. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development. The permanent loans shall be due and payable not more than 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 150 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 Regional Affordable Housing Corporation as a representative of Ben-South Housing 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.

2. The Letter of Commitment shall include the following condition. Any documents submitted in satisfaction of this condition must be satisfactory to the Agency in form and content:

   a) As a condition of permanent financing, sponsor must provide a capital needs assessment satisfactory to VHFA;

3. The issuance of tax-exempt Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Development 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. The Executive Director is authorized to make an additional loan to the Borrower for the development of not more than $133,000 at an interest rate of 0%.

6. The Executive Director, 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 the financing.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT $370,000 FOR A LONG TERM LOAN AND USING THE PROCEEDS TO MAKE LOANS IN SUCH AMOUNT TO BEN-SOUTH HOUSING LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 21-UNIT DEVELOPMENT IN BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 may desire to issue and sell tax-exempt bonds of not more than $370,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a long-term loan to the Ben-South Housing Limited Partnership (the "Borrower") for a 21-unit development located at 501-507 South Street and 118-126 Benmont Avenue (the "Project") in Bennington, Vermont that will qualify for federal low-income housing tax credits; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $370,000 principal amount of tax-exempt bonds to the Purchaser (the "Long-term Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and/or, in the discretion of the Executive Director, a pledge of the revenues derived from the Project, and the Executive Director, Chief of Program 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 thirty years and the interest rate thereon shall not exceed 8%. The obligation of the Agency to repay the Long-term 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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 that 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25th day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By ______________________________
Executive Director

Attest:

By ______________________________
Authorized Officer

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer JE

DATE: January 18, 2001

RE: VHFA Board Approval of 2001 Housing Credit Allocation Plan

On December 14, 2000 and January 17, 2001 the staff and the Joint Committee on Tax Credits held public hearings to discuss proposed changes to the Housing Credit Allocation Plan. The attached memos, dated November 27, 2000, December 11, 2000 and January 3, 2001, summarize the proposed changes. The attached draft Allocation Plan shows the proposed language for the final changes which were the result of the second public hearing. (The changes from the first hearing have already been incorporated into this draft, and any Board member who wishes can receive a redline version of the Plan with these changes highlighted.) The reason for two meetings relates to the timing of the credit ceiling increase: although we now have $2 million in credits, a number of last minute changes were also included in the final bill.

The proposals were discussed and adopted without significant change, with the exception of the "new housing production" priority listed in the December 11th memo (the Committee chose to leave the criteria as-is). In addition, the Committee recommended making all Housing Subsidy Covenants be perpetual for developments that use the "9%" ceiling credits. Also, staff will endeavor to hold two allocation rounds in 2001, and work towards three rounds in future years. The Plan already describes two rounds per year, but the limited credit ceiling has led to only one round per year in past years. The only concern raised was that if projects were fairly ready to proceed, holding back credits arbitrarily to a later round would serve no good purpose. The Committee recognized that the amounts targeted for each round were not absolute.

Finally, the Committee stated their preference to have the first round be very early in 2002 (i.e., January), and to facilitate this the Plan would not be changed at the end of 2001. Staff affirmed the Committee's belief that the Plan is in effect until it is changed, and there is no requirement that there be annual changes to the Plan.

Recommendation: That the VHFA Board of Commissioners approve the proposed changes to the 2001 Allocation Plan.

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MEMORANDUM

TO: VHFA Staff, The Joint Committee on Tax Credits, Other Interest Parties

FROM: Joe Erdelyi, Senior Development Officer
Cindy Reid, Multifamily Development Underwriter
Kim Roy, Management Officer

DATE: November 27, 2000

RE: Year 2001 Allocation Plan Changes

As of the writing of this memo, we still do not know the fate of the proposed 2001 credit ceiling increase. Our most current information indicates that there will not be a credit increase in the near future, which means that our total credit ceiling for 2001 would be $744,000, and the available, uncommitted credits will be approximately $384,000. Despite this lack of information on the potential credit increase, we are asking for input into the Qualified Allocation Plan (QAP). We will hold a public hearing on the proposed changes in this memo and any other proposed changes, on Thursday, December 14th at 1:00 p.m. at VHFA's offices, 164 St. Paul Street, Burlington.

The changes to the Plan that are proposed by staff fall into three broad categories: 1) the National Council of State Housing Agencies (NCSHA) Recommended Practices; 2) miscellaneous IRS changes (Audit Techniques Manual, information sharing memorandum, Technical Advice Memoranda [TAMs]); and, 3) the so-called Johnson Bill. A redline and strikethrough version of the 2001 Plan with the staff-proposed changes is attached for your reference.

<u>NCSHA Recommended Practices</u>

Attached is a memo from NCSHA. For a while they have been developing some guidelines for good allocation and compliance practices. In the final report (attached), fifteen recommendations were made to the area of compliance monitoring and four to the area of underwriting and allocations. Many of these areas are currently being addressed either through staff practice or in the QAP itself. Staff is proposing changes in the following areas based in part on these recommendations:

- Housing Credit training;
- an increase in compliance monitoring fees;
- treatment of student households;
- inclusion of unborn children in determining household size and applicable income limit;

- requirement of owners to report any building code violations (see attached Owner's Certification);
- requirement of owners to certify to state agency any finding of discrimination under the Fair Housing Act (see attached Owner's Certification);
- reviewing and monitoring any additional requirements in Subsidy Covenant;
- adopting five of the six new standardized forms (attached); and

On the allocation side, the areas recommended in the NCSHA standards for change include:

- standardized ten percent cost certification letter;
- standardized final cost certification letter
- Requiring a Capital Needs Assessment (CNA) for all rehabilitation projects; and
- Requiring that VHFA use a database to compare operating costs of all applications to a standard

Staff have no objection to the proposed language in the cost certification letters, and would like input from program users. Unless specific objections are raised, we will move to the new format. Currently VHFA requires CNAs and evaluates operating budgets in detail only when we underwrite for debt financing, not when we administer the credits. We do look at operating expenses for tax credit projects, as well as the adequacy of the rehabilitation - enough to give the required confidence that the project will be financially feasible. Staff are not proposing to change these practices, and are therefore not endorsing these last two recommendations.

<u>IRS Audit Techniques Manual, TAMs, and Memorandum of Understanding</u>

The IRS has drafted a Memorandum of Understanding ("MOU" - attached) for the IRS and Allocating Agencies to enter into. It is completely voluntary. It would allow for information sharing between the IRS and the Allocating Agency. As things stand, the IRS cannot disclose to the Allocating Agency any taxpayer information. However, if the Allocating Agency requires all applicants to fill out an IRS Form 8821 (Tax Information Authorization), information from the IRS on "...any related tax information pertaining to low income housing credits, including audit findings and assessments..." can be disclosed. This information can only be used for the purpose of tax credit awards, and the Allocating Agency must safeguard the information to prevent improper disclosure. The advantage is that in the event the IRS ever disallows credits on a project, they are lost to the program forever (they are not returned to the Allocating Agency for re-allocation). This MOU will allow the Allocating Agency to make a more informed decision regarding the allocation of credits.

Based on the Audit Techniques Manual and Technical Advice Memoranda, it is becoming increasingly obvious that the IRS takes a sharp-eved view on the inclusion of some items in eligible basis. In particular, the IRS has disallowed from basis: land improvements (e.g. sitework and landscaping costs) not "...inextricably associated with the buildings"; impact fees; land and environmental surveys; portions of engineering and architectural services; bond issuance costs; partnership fees and syndication costs; construction loan interest and construction loan costs (in some instances); and any portion of the developer's fee associated with any of these "non-basis" activities. A summary memo from Nixon Peabody LLP is attached.

In many cases these positions are not final and were only issued in regards to a single project, but they do reflect the thinking of the IRS agents who audit projects and are likely to be applied across all regions of the country.

Staff have in the past taken the position that inclusion of items in tax credit basis is proposed by the applicants, in consultation with their accountant and tax attorney. Questionable items have been pointed out as a courtesy, but very few and very small adjustments have ever been made, since most of our applicants know this field well. In light of this new guidance, staff intend to call into question the issue when, for example, the entire developer's fee is in tax credit basis (none is allocated to syndication activities or land acquisition activities). Alternatively, the applicants could propose a reasonable and defensible method in their application that would justify the inclusion of the entire fee in basis (e.g., because a separate entity is performing those land acquisition and syndication functions in exchange for some consideration other than the developer's fee).

The effect of these positions taken by the IRS is that the program might become slightly less efficient. That is, for the same cost project, the credits and equity raised will be smaller, and the gap this creates will need to be filled by other sources, all other things being equal. Over time, the slightly reduced allocations per project may enable a greater number of projects to get funded for the same amount of credits.

Johnson Bill Programmatic Changes (proposed)

There have been some legislative proposed changes to the program by Rep. Nancy Johnson of Connecticut regarding market studies, monitoring requirements, and other areas. We have been informed that these provisions will probably not be part of any bill until next year, and therefore not effective until 2002. Staff have given feedback on a number of these provisions (such as the requirement that every application have an independent, third party market study). Interested parties ought to keep aware of these proposals and to provide feedback to our congressional delegation to avoid onerous program changes and to insert useful ones, if possible.

Attachments:
2001 Allocation Plan, Redline/Strikethrough version
NCSHA Memo
Five Standard Compliance Forms
10% Cost Certification Letter
Final Cost Certification Letter
IRS Memorandum of Understanding
IRS Form 8821 – Tax Information Authorization
Nixon Peabody LLP Memo

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Staff, The Joint Committee on Tax Credits, Other Interested Parties

FROM: Joe Erdelyi, Senior Development Officer
Cindy Reid, Multifamily Development Underwriter CR

DATE: December 11, 2000

RE: Year 2001 Allocation Plan & Fee Changes

In addition to the proposed changes to the 2001 Allocation Plan sent to you earlier, we are recommending the following change to the Plan, as well as an increase in program fees.

Allocation Plan

The Evaluation Criteria #1, "State Consolidated Plan Priorities/Other Priorities", currently has two tiers of priorities. There are six top tier priorities and four second tier priorities. Top tier priorities are given more "weight" than second tier priorities. These are found on page 8-10 of the draft Allocation Plan mailed to you. Based on the 2000 Consolidated Plan, we are proposing adding a new top tier criteria, "new in-fill family rental units in communities where there are tight housing markets, very low (<=2%) vacancy rates, and a high incidence of distressed housing". Criteria 1(a) would then be changed to read, "rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades". This criteria puts greater weight on new construction than there had previously been, and supports new production, in light of the housing shortage and concerns expressed by Committee members over the past few years.

Housing Credit Program Fees

Fees for the Housing Credit program have remained unchanged since 1993. The current fees charged are:
Application fee: $200;
Reservation fee: 3% of annual credit amount for non-profits, 4% for for-profits;
Compliance Monitoring fee: $2 per unit per month for 15 years.
We are recommending the following revised fee structure:
Application fee: $250;
Reservation fee: 4% of annual credit amount (for all applicants);
Compliance Monitoring fee: $4 per unit per month for 15 years.

Attached is an agenda for the meeting on December 14th.

Vermont Housing Finance Agency
MEMORANDUM

TO: VHFA Staff, The Joint Committee on Tax Credits, Other Interested Parties

FROM: Joe Erdelyi, Senior Development Officer
Cindy Reid, Multifamily Development Underwriter

DATE: January 3, 2001

RE: Even More Year 2001 Allocation Plan Changes

Attached is a memo we recently received from NCSHA outlining the good and bad news from our Nation's capitol. As most of you know, we now have a $2 million housing credit ceiling for 2001 and 2002, and increasing every year thereafter (until someone changes it). Great news, and sure to create a lot of good housing. On the down side, the Johnson Bill provisions that you were alerted to also made it in. Because we have no choice but to incorporate them in some form for 2001, we have prepared an annotated Plan as before. The Plan changes discussed at the last public hearing are now incorporated, so the highlighted changes herein pertain to the Johnson Bill provisions, plus one other change regarding cost certification requirements.

VHFA will hold a public hearing on January 17, 2001, at 10 a.m. at the offices of the Vermont Housing and Conservation Board, 149 State Street, Montpelier, VT.

<u>Stacking Rule</u>
This change does not affect applications or the Plan. When allocating the credits, we now have an easier time allocating credits carried forward from the previous year. However, we haven't had any carry-forward credits since 1994.

<u>Selection Criteria</u>
These are mixed throughout the evaluation criteria in our Plan. We deleted the criteria of non-profit participation years ago in favor of having all applicants provide either a perpetual affordability or a right of first refusal to a non-profit. (As was pointed out recently, Vermont has very high utilization of the program by non-profits, and the IRS is therefore unlikely to be critical of our performance). Of the two criteria just added, one is related to tenant populations of individuals with children. The family housing evaluation criterion we have should already cover this. The other one just added, "projects intended for eventual tenant ownership," while not at all excluded from the program is not specifically addressed in the evaluation criteria. Staff propose adding a fifth "second tier" priority under the first criterion to meet this requirement.

<u>Community Revitalization</u>
It could easily be argued that the Vermont Allocation Plan already contains sufficient priorities which, taken in the whole, clearly create a targeted use of the credits for community revitalization. The new language specifically says that the preference must be for projects located in "… a qualified census tract (QCT), the development of which contributes to a concerted community revitalization plan." In Vermont, there are currently four census tracts in Burlington and one in St. Albans that are

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QCTs under this program. Among the changes the Johnson Bill made was to soften the definition of QCTs (see below). We do not know what this means for Vermont at this time, but if anything it will mean that there are more QCTs. The Plan will be modified to include this language under the second evaluation criterion. It will be incumbent upon the applicants to demonstrate in their application that the proposal is part of a concerted community revitalization plan if they wish to get acknowledged for this category. Clearly it is not sufficient to say that the proposal as submitted is the community revitalization plan in its entirety, or to say that the whole community revitalization plan will follow if only credits are awarded to the application.

Market Studies

To date VHFA has not been made aware of any market study standards. So, if an applicant wants to meet this requirement by providing a one paragraph summary to the effect that the project has a long history of occupancy and is currently occupied (in the case of rehabilitation proposals), staff can safely infer that: 1) improving the physical condition, and 2) maintaining or reducing the rents, are unlikely to have an adverse effect. Similarly, a brief paragraph that references a regional study such as the "Housing in Northwestern Vermont" study (prepared in August, 2000) could provide enough guidance to staff that the new units proposed are likely to be absorbed into that market with ease. The Plan already has a threshold criterion that the need and demand for the units be demonstrated. Staff have inserted language in this section that should meet the new requirement. Apparently the only requirement is that this study be prepared by a disinterested party approved by the allocating agency.

Compliance Monitoring Site Visits

Staff are already meeting this standard. The compliance monitoring procedures in the Plan were just amended to clarify that the physical inspection occurs at least once every three years, and owners must certify annually that the habitability standards are being met. VHFA does not employ property code compliance inspectors, and it is our belief that the procedures we are following are sufficient.

Documentation of Discretion

The intent here is to show, for example, in a state that uses a point-scoring system to allocate credits, that if a project with a lower score receives credits ahead of one with a higher score, the reasons would be documented and made public. The Plan does list evaluation criteria, but does not give them any relative weight. The Committee has long expressed its preference for the exercise of discretion in the process of recommending to the VHFA Board those projects that ought to be allocated credits. Staff take minutes of the meetings and those are made available to anyone who requests them.

Absent a point-scoring system or a system that identifies the relative weight of the evaluation criteria, it is difficult to demonstrate the extent to which discretion was used, and therefore difficult to call when the documentation is needed. So, if one applicant who meets certain criteria is denied credits, but another applicant who proposes a different type of project that meets different criteria receives credits, the only source those applicants have to evaluate their outcomes against is the Plan. As of calendar year 2000, staff no longer make specific project recommendations to the Committee or the Board. Proposed language on the documentation of discretion has been added to the Plan to comply with the requirement, but the actual implementation could possibly require action on the part of the Committee or the VHFA Board, if documentation beyond the minutes of the meeting is requested by an applicant.

Extension of Time to Meet the Ten Percent Test

The effect of this change is that the applicants will have at least six months between when they get a reservation of credits and when they need to document that the ten percent test has been met. Based on conversations with NCSHA, it appears that the carryover allocation is not to be issued until the ten percent test has been documented, whenever that occurs. Since VHFA has had to file its documentation with the IRS by February of the following year in which allocation were made, some IRS procedures will need to be changed to accommodate this new provision. In any event, VHFA has historically tried to have all of the credits reserved in the first six months of the calendar year in order to give applicants sufficient time to meet the ten percent test. Many developers are also motivated to get the carryover allocation as soon as possible, in order to solidify the financing and to satisfy the equity investors.

Amendment to Eligible Basis Rules

There is no guidance in the Plan on items included in eligible basis. These costs are examined when applicants submit cost certifications requesting carryover allocation or 8609s. Common space is already included in eligible basis as it is considered "functionally related and subordinate" to the housing. The community service facility described here is different: it is intended to serve individuals in the community, not just the housing development. Also, this requirement is only for projects in QCTs.

Qualified Census Tracts (QCTs)

HUD periodically publishes these areas that qualify for the 130% boost in eligible basis. They have been requested to publish new lists to meet this requirement, and the timing of that publication is not known. Staff will keep interested parties informed as things develop, but until this list is available, no basis adjustment should be assumed. Currently, all non-metropolitan areas of Vermont qualify for the 130% adjustment because of their classification as Difficult Development Areas (DDAs), so the only areas that might benefit in terms of a basis adjustment are those census tracts in the Burlington Metropolitan Statistical Area that do not already qualify as QCTs. The Plan does not refer to the QCT or DDA designations but our application materials do, and they will be modified accordingly.

NAHASDA Financing and Nine Percent Credits

Language has been added to the Plan to accommodate this change. This program for Native American Housing Assistance is now treated like CDBG funds (i.e., it is no longer "bad" money that restricts the project to using the 4% credit).

Cost Certifications

The IRS regulations (1.42-17) were amended a while ago with a change that becomes effective January 2001, in a move that got very little attention. All projects of over 10 units need to have an audit prepared by a Certified Public Accountant for the final (i.e. "placed-in-service") cost certification. This report must be conducted in accordance with Generally Accepted Accounting Principals, and must be unqualified.

Attachments:

NCSHA Memo

2001 Allocation Plan, Redline/Strikethrough version (JCTC only)

2001 Housing Credit Checklist (JCTC only)

Minutes of the December 14, 2000 meeting and public hearing (JCTC only)

2001-2002 ALLOCATION PLAN
FEDERAL HOUSING CREDIT PROGRAM
STATE OF VERMONT

Joint Committee on Tax Credits

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FEDERAL HOUSING CREDIT PROGRAM

INTRODUCTION

The purpose of this Allocation Plan is to set forth the process and criteria under which specific housing developments will be selected to receive federal tax credits that have been returned from allocations made in 1999 or 2000 or that otherwise may become available in 2001 and 2002. In accordance with the requirements of the Omnibus Budget Reconciliation Act of 1989, this Allocation Plan describes the application and allocation decision-making process. Priorities are set by the requirements of the law and by the rental housing needs of Vermont, as determined by the Agency of Commerce and Community Development (ACCD) and the Joint Committee on Tax Credits (Joint Committee).

ACCD was designated as the State Housing Credit Agency by then Governor Kunin in March 1987. ACCD has sole responsibility and authority for the Housing Credit Program's policies including the development of the State's Allocation Plan, which is approved and signed by the Governor. In furtherance of this responsibility, ACCD has promulgated rules entitled "Federal Tax Credits for Low Income Housing; State Allocation System, Joint Committee on Tax Credits."[1]

ACCD works in partnership with Vermont Housing Finance Agency (VHFA or the Agency) and the Joint Committee to administer this program. VHFA is under contract with ACCD to allocate credits to specific projects in accordance with this Allocation Plan.[2] Under the rules cited above, the advisory Joint Committee on Tax Credits was established to review and adopt allocation policies and review VHFA's performance.

The Joint Committee is comprised of the Commissioner of Housing and Community Affairs or his or her designee, the Executive Director of VHFA or his or her designee, the Executive Director of the State Housing Authority or his or her designee, the Director of Planning, Office of Policy Research and Coordination, and one additional member representing housing interests appointed by the Secretary of ACCD.

[1] The original rules were adopted in May 1987 and substantially amended in June 1990.

[2] A Memorandum of Understanding between ACCD and VHFA was signed on April 17, 1987.

BACKGROUND

The Housing Credit program was established by Congress as part of the Tax Reform Act of 1986. It offers a ten-year federal income tax credit to owners of rental housing who make certain percentages of their rental housing available for occupancy by low-income residents for at least 15 years. This incentive for the development, acquisition and rehabilitation of low-income housing allows owners, developers, and/or investors to reduce their federal tax liability in exchange for the provision of eligible low-income rental housing.

SUMMARY OF ALLOCATION PLAN REQUIREMENTS

The 1989 and 1990 laws made numerous changes to the HC program, including the requirement to create a "qualified allocation plan." The State's Allocation Plan must set forth selection criteria that include:

1. Project location
2. Housing needs characteristics
3. Project characteristics, including whether the project includes the use of housing as part of a community revitalization plan in a Qualified Census Tract
4. Sponsor characteristics

~~5. Participation of local tax-exempt organizations~~

~~6.~~5. Tenant populations with special housing needs, and

~~7.~~6. Public housing waiting lists~~.~~

7. Tenant populations of individuals with children
8. Projects intended for eventual tenant ownership.

In addition, the states must give preference among selected projects to those serving the lowest income tenants and to those serving qualified tenants (those persons at or below the maximum income limits set by law) for the longest period, as well as projects in Qualified Census Tracts that contribute to a concerted community revitalization plan.~~.~~

States may include such other criteria as they deem appropriate and there are no requirements as to the relative weight of the various factors. As part of the review for each selected project, the chief executive officer of the particular local jurisdiction within which the project is located is to be provided "a reasonable opportunity" to comment on the proposed allocation.

Additional HC responsibilities mandated by Congress include:

1. Assurance that the amount of tax credits allocated does not exceed the amount "necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period."

2. Evaluation of all projects for consistency with the Allocation Plan and for credit need, including situations when the project is financed using tax exempt bonds.

~~4.~~3. Agreement to "an extended low-income housing commitment" for every project. This agreement must be recorded as a restrictive covenant binding all successor owners and must allow low-income individuals the right to enforce the commitment in state court (see Section Eight, "Compliance"). The commitment must require continued low-income occupancy for all tax credit units ~~for at least an additional 15 years beyond the initial 15 year compliance period~~in perpetuity. However, the law provides owners can be released from ~~this latter 15 year~~the "extended use" period if they first offer the property for sale after the 14th year, to or through the Housing Credit Agency (i.e., ACCD or its assignee) at a price using a formula set forth in the law. In addition, nonprofit organizations, government agencies, and tenant groups can arrange in advance, through a right of first refusal, to purchase the project at the end of the initial 15 year compliance period, also at a pre-determined price.

4. Monitoring of compliance with the provisions of Section 42 and notifying the Internal Revenue Service of any non-compliance of which the Agency becomes aware.

APPLICATION PROCESS

Parties interested in applying for Housing Credits must first submit a Letter of Intent to apply to VHFA. The form of this letter and the timing for its submission will be published by VHFA to initiate the reservation round. This will be a brief, one-page letter identifying the project by name, location, proposed occupancy, and the proposed sources of funding. Applicants will attach to it evidence of site control. The purpose of this "pre-application" phase will be for VHFA to identify the amount of credits being sought and to identify any apparent issues early on in the process. Applications will be taken only from parties who have submitted this Letter of Intent. Depending on the number of Letters of Intent submitted, VHFA will conclude its review as quickly as possible and notify the applicants of the timing of the full application round.

There is an overall per project limit of 30% of the annual "per capita" tax credits. The Joint Committee on Tax Credits can waive this limit for projects of "statewide significance". A project of statewide significance is defined as: one which, if it does not go forward: 1) will result in a loss of considerable federal funding for Vermonters; or 2) will result in the displacement of a large number of low income households; or 3) will result in the continued presence of significant health hazards (e.g. extraordinary environmental cleanup is a component of the project and the cost of that cleanup is high).

The allocations may be made in two rounds, with two-thirds of the state's ceiling available for the first round. However, if there are compelling proposals that meet the application requirements and the evaluation criteria, staff may reserve more than two-thirds of the credits in the first round. By law, a minimum of 10% of Vermont's annual credit ceiling must be reserved for developments sponsored by nonprofit organizations that own an interest in the project (directly or through a partnership) and materially participate in the development and operation of the project throughout the compliance period.

The State's Consolidated Plan demonstrates a much greater unmet demand for affordable housing for families than for seniors in Vermont. For calendar year2001, Housing Credit applications for developments that are intended for exclusive occupancy by seniors (except for those with special needs – see Section 2(I)(f)) will not be considered unless no other eligible applications for family housing are made.

2001-2002 ALLOCATION PLAN

1. APPLICATION REQUIREMENTS

VHFA is required by the law to assure that each project that receives a tax credit allocation substantiates its viability and need for tax credits. An applicant must meet the following basic qualifications:

I. Submission of a complete VHFA Housing Credit Application form, including all required attachments and payment of required fees.

The developer of a scattered site development (in which not all of the units are tax credit restricted) can submit either a separate application for each building or group of buildings on contiguous sites or one application for the entire scattered site project. If just one application is submitted, in the event any one building in the project drops out, the entire reservation/allocation will be returned. For scattered site proposals under common ownership, management, and financing, there will be only one application fee charged for the entire development regardless of whether one application or multiple applications are used.

Any significant change in a proposal, once it has been ranked and awarded credits, will jeopardize the reservation/allocation and staff, in consultation with the Committee, can, at that point, require the credits to be returned. A significant change will mean any reduction in the number of bedrooms per unit or square footage of units, decrease in number of total units, increase in rents (other than because of the annual increase in the published tax credit rents), increase in overall density, or any change that, had it been in the original proposal, might have resulted in the project receiving a different ranking.

II. Proposal must meet the basic occupancy and rent restrictions.

The Application form has tables with the minimum rent and tenant income restrictions. According to the tax code, at least 20% of the units must be restricted to tenants at or below 50% of Area Median Gross Income (AMGI) or 40% of the units must be restricted to tenants at 60% of AMGI. The restrictions are enforced with the Housing Subsidy Covenant (see Section 8. "Compliance").

III. Applicant has established the need and demand (i.e. market feasibility) for the type and cost of housing that is being proposed.

~~The proposed development must address a housing need as identified in an independent market study when 20 or more new units are being created unless: 1) the developer can demonstrate that at least 50% of the units have prospective tenants who have expressed an interest in the units and are preliminarily income eligible; or 2) the Allocating Agency does not have concerns regarding the negative impact of the proposed development on the existing housing stock in the community. In cases where an independent market study is not required, the applicant may be required to submit market data to document the need for the proposed housing.~~ A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project must be conducted at the developer's expense by a disinterested party who is approved by the Allocating Agency. The Allocating Agency will also consider the State of Vermont Housing Needs Assessment and the quantity of publicly supported housing already present in the area when evaluating the need for the proposed development. The allocating agency will also consider the negative impact that the proposed development will have on the existing stock of rental housing in the area, whether subsidized or unsubsidized, and may, at its sole discretion, reject an application that might have a negative impact on the existing housing stock. For example, if a development for newly constructed housing is proposed in a community with relatively high vacancy rates in rental units, has an older housing stock of rental units (in need of rehabilitation), or both, the allocating agency may, at its sole discretion, determine that constructing new housing may have a negative impact on the existing housing stock (i.e. vacancy rates may rise, physical conditions may deteriorate further) and, therefore, may not reserve credits for the proposed development on this basis.

IV. Reservations will be based upon the experience and capacity of the project team.

The developer must demonstrate the capacity to undertake the development as proposed, either through its own experience and capacity or through the use of experienced consultants. In the event the developer is proposing multiple projects in any given year, the organization must have the capacity to oversee all of the developments proposed.

V. Developer's Fee / Consultant Fee in the budget does not exceed the program limits.

Developer's Fee: The amount of the fee shall be agreed upon by the developer and the allocating agency prior to the issuance of the initial tax credit Reservation

Certificate. Once this fee has been agreed upon, the allocating agency will not recognize any increases in the fee, whether total development costs increase or decrease, in any Carryover Allocation or final allocation of credits, except as described below. In the event of a substantial change in the project, such as an increase or decrease in the total number of units in the project, the allocating agency may permit an increase or require a decrease in the fee.

The total developer's fee shall not exceed 15% of the total development cost (excluding the fee itself and cash accounts) when the total development cost is less than or equal to $1.5 million. For projects in which the total development cost exceeds $1.5 million, the total developer's fee shall not exceed 12% of the total development cost (excluding the fee itself and cash accounts), payable by full occupancy. If at least one-third of the fee (but not less than $100,000) is deferred, then the developer can take up to a 15% fee. The deferred portion of the fee must be paid over a period of not less than five years. The term of repayment of the deferred fee will be based upon the financial strength of the development. Interest on the deferred development fee will not exceed the long term Applicable Federal Rate (AFR) as published monthly by the IRS, in the month the deferred fee note is executed.

When any developer-related party is doing any work at all on the development (except for the construction, which has separate limits), then that work will be considered part of the overall 12% or 15% limit.

For developments in which the acquisition comprises a substantial portion of the total development cost, a much lower fee would be expected to be taken than the limits allow, as acquiring a property should involve less risk and take less time of a developer than either new construction or substantial rehabilitation. Proposals of this nature are infrequent and, at this time, the fees will continue to be negotiated.

VHFA may consider exceptions to the 15% developer's fee limit on a case-by-case basis for extraordinary circumstances.

Consultant Fees: The Developer's Fee limit also includes any consultant fees ("Consultant Fee(s)") associated with the project. "Consultant Fee(s)" are defined as any fee(s) paid by the developer to a third party for services that a developer generally would be expected to perform, such as preparing applications for financing, obtaining local permits and approvals, and overseeing project functions.

Consultant Fees do not include the fees paid to independent third party professionals for specific development-related services, such as architectural, engineering, appraisal, construction supervision, and environmental testing or assessment.

VHFA shall make the final determination of which fees in a specific project shall be considered Consultant Fees.

VI. Builder's Profit / Overhead / General Requirements in the budget comply with Allocation Plan limits.

The following limits shall apply when there is an identity of interest between the developer and the contractor: builder's profit - 6%; builder's overhead - 2%; general requirements - 6%. These limits will also apply for projects where the builder is selected by the developer without competitive bidding. These limits will not apply to projects that are competitively bid, whether through open public bidding or selective bidding; the bid process will determine the amount of builder's profit, builder's overhead, and general requirements. The developer must make best efforts to obtain at least three competitive bids; documentation of the bid process must be provided. For Rural Development (RD) 515 projects, the limits will be the amounts approved for each project under the RD cost containment guidelines.

VII. Applicant must agree to provide either a Right of First Refusal to purchase the property to a nonprofit at the end of the 15 year compliance period: ~~or~~all projects receiving allocated ceiling credits must agree to ~~an extended~~perpetual Housing Subsidy Covenant.

The Right of First Refusal price must be the higher of: 1) the same terms and considerations contained in an offer of a third party; 2) the minimum purchase price as described in Section 42(i)(7)(B) of the Internal Revenue Code; or 3) the target return provided in the Borrower's Operating Agreement or other document provided to the allocating agency in a satisfactory form. The Right of First Refusal must allow the holder of the Right to make the offer on the property that triggers the Right of First Refusal.

~~In mixed-income projects (defined as developments in which more than the minimum 20% or 40% of the units are tax credit restricted), where a Right of First Refusal cannot be reasonably provided at the determination of the Allocation Agency, a perpetual Housing Subsidy Covenant will be required. In projects meeting only the minimum set-aside~~In projects receiving credits "automatically" from the use of tax-exempt bond financing, a 30 year Housing Subsidy Covenant will be required. Both types of Covenants will require that the income and rent restrictions imposed by the Housing Credit Program will remain in effect for the entire term of the Covenant.

VIII. Evidence of at least one public hearing or meeting if required for local approval of the proposed development.

The development must meet this "readiness to proceed" threshold in order to ensure that the proposal is likely to move forward through the approval process and receive a Carryover Allocation by year end (see also Section 4. "Carryover and VHFA Revision or Revocation of Reservation Certificates").

Detailed project financial documentation must be submitted at various stages of the Housing Credit approval process, in support of VHFA's responsibilities under the law. Certifications regarding projected or actual costs and sources of funds are required at the time the Carryover Allocation is approved and at the time the final Housing Credit allocation (IRS Form 8609) is requested.

The method the allocating agency will use to demonstrate the internal rate of return that the tax credit as an investment will generate involves discounting all equity "pay-ins" to the same date - the construction closing. The discount rate will be the "long term" Applicable Federal Rate (AFR) as published monthly by the IRS (annual compounding rate). The tax benefits will be "future valued" to the end of the 15 year compliance period using the same long term AFR. The internal rate of return will then be calculated by discounting the "future valued" benefits back to the date of the discounted equity contributions. This method is described in A Developer's Guide to the Low Income Housing Tax Credits, 3rd Edition, by Herb Stevens and Tom Tracy, Chapter 5, Section 5.03(B)(3), p. 124. To equalize comparison of developments with and without Historic Rehabilitation Tax Credits, the benefits stream will be reduced by the amount of the historic credit in the first year and the first equity contribution(s) will be reduced by .85 times the historic credit amount (an approximation of the equity raised from syndication of the historic credit).

Under certain situations, if the purchase price exceeds the outstanding balance of debt on the property plus capital improvements and appropriate closing costs, the project will be ineligible for Housing Credits. (Debt may include amortizing debt, deferred debt, seller financing, and seller contributions. All debt, capital improvements, and closing costs must be normal, well-documented, and in a format acceptable to VHFA.) Those situations are: 1) when an owner forms a partnership or corporation to purchase a property it currently owns; or 2) when a nonprofit, governmental entity, or quasi-governmental entity sells a property it owns to another party that is applying for credits; or 3) when any owner who used state or federal subsidies or subsidized financing to acquire, build, or rehabilitate the property originally is the seller of a property that is applying for credits. An exception to this third instance is specifically made for applications that would preserve existing "deep subsidy" affordable housing, such as Section 8 New Construction / Substantial Rehabilitation projects. In some instances, these projects are located in competitive markets or provide current owners with other incentives to opt out of the assisted/affordable housing stock at the end of the rent assistance contract. Acquisition cost in these cases would be determined by appraised value.

2. EVALUATION CRITERIA (in order of priority from I through IV)

I. State Consolidated Plan Priorities / Other Priorities (**Note: Within tiers, the factors are <u>not</u> in order of priority. However, the top tier factors have twice the weight of lower tier factors**):

Top Tier Priorities:

a. Project provides rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill new construction in housing markets with a vacancy rate of 2% or less; or in housing markets where there is insufficient rehabilitatable housing stock or a lack of affordable housing stock.

b. Project provides family housing, unless local or regional need for another type of housing is proven to be greater. Family housing is defined as: the majority of the units in the development are two-bedroom or larger.

c. Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside. Characteristics of compact urban, town, and village centers include: higher density than surrounding areas; mixed uses; developments with pedestrian, bike, transit, and auto access; public facilities, services, and spaces; diversity in the types and scale of housing, businesses, and industries; center for community activity; open space, including productive farm and forestland, surrounding the town center; and exemplifying a unique cultural heritage.

d. Project is a structure in a downtown, as defined in the Consolidated Plan and Downtown Bill, H.278:

> "Downtown" means the traditional central business district of the community that has served as the center for socioeconomic interaction in the community characterized by a cohesive core of commercial and mixed use buildings, often interspersed with civic, religious, and residential buildings and public spaces, arranged along a main street and intersecting side streets and served by public infrastructure. Projects that support downtowns by virtue of their location (i.e. that are within a reasonable walking distance from the downtown core) will also qualify for this criterion. **A map outlining the downtown and the location of the project must be included with the application.**

e. Project proposes the removal of blight. "Blight" means a condition that exists when a significant portion of a building is uninhabitable or unusable due to neglect, condemnation, or damage from fire or other natural disaster.

f. Any project that incorporates a majority of special needs populations (as defined in the State's Consolidated Plan~~ and Allocation Plan~~) and provides service-enriched housing. ~~Special needs populations include: persons needing single room occupancy housing (SROs), mentally disadvantaged, and physically challenged individuals. The project also provides for resident involvement in project or sponsor management. (Elderly housing with optional services does not in and of itself constitute special needs housing.) For purposes of this section, special needs housing for seniors is defined as projects that will serve persons who are low- income and frail and either: 1) seek residential care home licensure or sponsor a Group Directed Attendant Care community (serving persons eligible for the Attendant Services Program who need four or more hours of help with activities of daily living~~

~~per day) or seek assisted living licensure when this license class becomes available; or 2) provide directly at least a daily meal, service coordination and a 24-hour emergency call system and offer, through a partnership with a home health agency, affordable personal care packages. All care packages must include registered nurse overview of all services (including nurse delegation), an initial resident assessment, and a reassessment at least annually and with a significant change in condition. The partnership must have the capacity to provide staff assistance, if needed, with activities of daily living at least as frequently as a daily visit. While care and meal packages shall be available, purchase of packages shall not be required for entry into the housing projects and tenants shall have the option of purchasing any needed services from another provider.~~

Second Tier Priorities:

a. Mixed income developments;
b. Project that is located in a growth ~~centers~~ centers (as defined in that State's Consolidated Plan) designated in regional plans or in local plans that have been approved by a regional planning commission or that uses housing as part of a community revitalization plan in a Qualified Census Tract (QCT);
c. Housing affordable to households earning less than or equal to 30% the area median gross income (AMGI);
d. Project that serves families currently on public housing (State or local) waiting lists.
e. Projects intended for eventual tenant ownership.

II. Preference must be given among selected projects to proposals serving:

a. The lowest income tenants, and
b. Qualified tenants for the longest period.

III. Preference must be given for the acquisition and rehabilitation of existing federally subsidized projects, where the preservation of a project's existing affordability is at risk. The definition of a "Federally Subsidized and At Risk" proposal 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. Examples include but are not limited to RD 515, Section 8, Section 23, Section 236, and Section 221(d)3.

IV. 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. Projects will be evaluated on both permitting readiness and funding readiness.

V. Geographic targeting: Project is in a market area that has been underserved historically in having its affordable housing needs met. "Market area" is defined as a city or town and all of the surrounding towns. The stock of affordable, assisted housing in the market area will be considered to see if housing of the type proposed is already present in the market area.

In addition to these five evaluation criteria, the application requirements will also be factors in project evaluation. For example, projects that seem to meet the evaluation criteria equally might have the relative need and demand for the proposed housing evaluated to determine which project serves a greater need.

3. COST GUIDELINES

VHFA encourages development at the lowest reasonable cost and will review development costs for reasonableness. Generally, per unit costs in excess of the following guidelines will be considered excessive:

Unit Cost Limits	
0 Bedroom	$84,390
1 Bedroom	$90,140
2 Bedroom	$95,890
3 Bedroom	$101,637
4 or more Bedroom	$107,390

Certain costs will be excluded in applying these cost limits. Such exclusions will include: 1) costs of tenant relocation; and 2) capitalization of cash accounts that will remain an asset of the project, such as deficit escrow and operating subsidy accounts.

Project-specific exceptions may be made on a case-by-case basis for projects that do not meet these per unit cost guidelines as a result of extraordinary situations, e.g. community spaces and extraordinary environmental site-cleanup costs. When projects exceeding these per unit limits do receive credits, the allocation will be based upon the limits rather than the actual project cost.

4. CARRYOVER AND VHFA REVISION OR REVOCATION OF RESERVATION CERTIFICATES

VHFA is authorized to issue Carryover Allocations to certain projects that will not be placed in service by the later of: 1) the end of year in which a reservation is issued, or 2) six months from the date in which the Reservation Certificate was issued, so long as a minimum of 10% of the reasonably expected basis (depreciable basis plus land) has been expended by that time~~the end of that year~~. The owner must certify, in a form acceptable to VHFA, that 10% of costs were incurred prior to the issuance of Carryover Allocation. This certification must include back-up documentation of costs.

If a development that has received a reservation appears to be going forward but is encountering severe environmental obstacles or local opposition, at its sole discretion, VHFA could issue a binding commitment of credits from the following year's credit ceiling instead of a Carryover Allocation. A binding commitment of the following year's credits will be issued only for this type of development if: 1) substantial environmental problems exist that will take a long time to resolve; or 2) the development has otherwise received approvals but its approval has been locally appealed. An overall limit of 20% of the following year's credit ceiling could be reserved using an advance binding commitment (unless a higher amount is approved by the Joint Committee). In the event that multiple developments are seeking an advance binding commitment of credits, priority will go to developments facing environmental site clean-up delays.

VHFA reserves the right, as permitted by Section 42 of the Internal Revenue Code, to issue less than the maximum credit allocation otherwise supportable by the project's eligible basis. An allocation of credits to a project in an amount less than requested may be permitted, with conditions that the gap created by financing be filled by another source by a specified date. This reduction will be used only on a very limited basis, with the agreement of the applicant and not be applied across the board to every applicant on a pro rata basis. **In all cases,** any funding gap must be filled in time to meet the absolute ~~year-end~~ Carryover Allocation deadline or such earlier Carryover Allocation deadline as staff imposes in the Reservation Certificate.

With regard to Reservation Certificates, VHFA shall retain authority to revise or retract the Certificate at any time if it is judged infeasible for the developer to meet any of the conditions set forth in the Certificate or if financial information provided by the applicant indicates, in the opinion of VHFA, that a lesser or greater amount of tax credit allocation is needed for project feasibility.

5. FINAL TAX CREDIT ALLOCATION COST CERTIFICATION

VHFA requires final cost certifications for all projects prior to issuance of IRS form 8609 based on the following guidelines:

I. For projects of ~~fewer than 25~~ 10 or fewer units, final cost certifications prepared by the owner (which include back-up documentation of costs) will be accepted.

II. For projects of ~~25~~ more than 10 units ~~or more~~, the final cost certification must be prepared by an independent CPA. If the CPA certification is not possible prior to the end of the calendar year in which the last building is placed in service, VHFA will issue the IRS form 8609 on the basis of an owner's final cost certification and supporting documentation, but requires the CPA cost certification to be submitted as soon thereafter as possible.

CPA prepared cost certifications are recommended for all projects.

6. RETURN OF PREVIOUSLY ALLOCATED TAX CREDITS

VHFA may re-issue Housing Credits allocated to projects that have not utilized the Housing Credit. Returned Housing Credits will be re-used in accordance with this Allocation Plan.

In the event that the following four conditions are met, the Issuing Authority may accept a return of Housing Credits from a Project and re-allocate an amount of Credits less than or equal to the amount of returned Credits to the same Project without the necessity of holding a competitive round for the Credits:

I. The Project's viability is threatened by extraordinary circumstances (which generally will not include delays in securing state or local approvals) that become apparent so late in a year that it is not feasible to hold a competitive round;
II. With the return and re-allocation, the Project can be placed in service within the maximum time limits allowed by the Internal Revenue Code under the original allocation;
III. The amount of Housing Credits available to the State is not reduced; and
IV. The VHFA Board of Commissioners approves the return and re-allocation.

7. CONTINUANCE OF OWNERSHIP ENTITY

The applicant for Housing Credits must be the entity that will own the development. Historically, in most cases, this has been a limited partnership. The limited partnership need not be legally created when the application is filed, but the identity of all general partners must be disclosed in the application and the application must be submitted by at least one legally existing general partner on behalf of the partnership. VHFA reserves the right throughout the allocation process, up to the issuance of the IRS Form(s) 8609, to approve any changes in the identity of the general partners of the Partnership or such changes to the partnership agreement as VHFA, at its sole discretion, considers material.

8. COMPLIANCE

The Budget Reconciliation Act of 1990 adopted by Congress amended Section 42 of the IRS Code to require that state tax credit agencies provide a procedure for monitoring developments for compliance with the requirements of the law and for notifying the IRS of any non-compliance discovered.

In order to implement this responsibility, all HC recipients will be required to execute and record a HC Housing Subsidy Covenant (the Covenant). The Covenant must be approved by VHFA. The Covenant must be signed by the Owner and returned to VHFA for recording prior to VHFA issuing a Carryover Allocation or IRS Form 8609. The Covenant will, at a minimum, require conditions wherein the developer and the development must continuously comply with Section 42 and other applicable sections of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder and will bind any successors' interest for the specified time period. In the event that a project's funding source requires its own Housing Subsidy Covenant, the provisions of the HC Housing Subsidy Covenant may be incorporated into such Covenant and the requirement of a separate HC Housing Subsidy Covenant may be waived by VHFA. In addition, owners are required to provide VHFA with a copy of the IRS Form 8609, with Part II completed by the Owner, for the first year of the credit period.

I. VHFA is required to monitor compliance with the provisions of Section 42 and to notify the Internal Revenue Service of non-compliance and will charge fees to cover costs related to this monitoring. The fee structure for 2001 is four dollars per housing credit unit per month.

   Housing Credit developments are very management intensive and require a thorough understanding of the Section 42 regulations. The owner and/or management agent is required to attend compliance training or document that they have received training prior to lease up.

II. Record Keeping and Record Retention

   The owner of a Housing Credit eligible development must keep records for each qualified tax credit eligible building in the project showing:

   a. The total number of residential rental units in the building, including square footage;

   b. The percentage of residential rental units in the building that are Housing Credit eligible units (square footage fraction or unit fraction);

   c. The rent charged on each residential rental unit in the building, including utility allowance;

d. The Housing Credit eligible unit vacancies in the building and the occupancy of the next available units;

e. The income certification of each Housing Credit eligible tenant;

f. Documentation to support each Housing Credit eligible tenant's income certification (for example, a copy of the tenant's federal income tax return, W-2 Forms, or verifications of income from third parties such as employers or state agencies paying unemployment compensation; owners should retain the right in their leases to obtain this documentation at any time, even after tenants have moved into the unit); and

g. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (*e.g.* tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities or facilities reasonably required by the project).

The owner of a Housing Credit eligible development must retain the records specified in this Section II. for each building in the project for a period of at least 6 years beyond the end of the compliance period for each building.

Annually, the owner must provide a project status report that summarizes the activity of the development. The format of this report is included in the VHFA compliance manual.

III. Certification and Review Procedures

The Agency will utilize a certification procedure as set forth by the IRS under their final monitoring regulations.

a. Certification Procedure

Under the certification procedures, the owner of a Housing Credit eligible development is required to certify to the Agency, under penalty of perjury, at least annually, that:

i. The project meets the requirements of the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), according to the election made by the sponsor at the time of the allocation;

ii. There has been no change in the applicable fraction of any building in the project or, when there has been a change, a description of the change; and

iii. The owner has received an annual income certification from each Housing Credit eligible tenant and documentation to support that certification or, in the case of a tenant receiving Section 8 housing assistance payments, a statement from the appropriate public housing authority declaring that the tenant's income does not exceed the applicable income limit under section 42(g);

iv. Each Housing Credit eligible unit in the project is rent-restricted under Section 42(g)(2);

v. All units in the project are for use by the general public and are used on a non-transient basis;

vi. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CRF 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgement from a federal court;

vii. Each building in the project is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;

viii. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project or, when there has been a change, a description regarding the nature of the change;

ix. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project (such as swimming pools, other recreational facilities, and parking areas) are provided on a comparable basis without charge to all tenants in the building;

x. If a Housing Credit eligible unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or another available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income.

xi. If the income of tenants of a Housing Credit eligible unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income.

xxi An extended Low Income Housing Tax Credit commitment (Subsidy Covenant) was in effect , including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).

xxii The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

xxiii There has been no change in the ownership of management of the project.

b. Review Procedure

Under the review procedure, the Agency will review at least twenty percent (20%) of tax credit files at least once every three years, starting the first year the credits are claimed.

c. Exception for Certain Buildings

The review procedure outlined above may not apply to the following types of Housing Credit eligible buildings, which are subject to other monitoring programs:

i. Buildings financed by the Rural Development (RD) under its section 515 program; and

ii. Buildings in which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under section 103 of the Internal Revenue Code.

d. The certifications required under paragraph a. of this Section III. (Certifications and Review Procedures) must be made at least annually through the end of the 15-year compliance period under Section 42(i)(1) and be under penalty of perjury.

IV. Auditing Procedure

The Agency has the right to perform an audit of any eligible Housing Credit development at least through the end of the compliance period of the buildings in the project. An audit includes a physical inspection of any building or buildings in the project, as well as a review of the records described in Section II. -The audit may be performed in addition to any inspection of income certifications and documentation under the review procedure. The regulations requires the Agency to conduct an initial physical inspection by the end of the second calendar year following the year the last building in the project is placed in service. The physical inspection is performed every three years.

V. Notification of Non-compliance

a. If the Agency does not receive the certification described in paragraph a. of Section III. or discovers upon audit, inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42, the Agency will provide prompt written notice to the owner of the project.

b. The Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Non-compliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described in paragraph c. of this section, whether or not the non-compliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify.

c. The correction period shall be a period of 90 days from the date of the notice to the owner under paragraph a. of this section and, during that period, the owner must supply any missing certifications and bring the project into compliance with the requirements of Section 42. For good cause shown, the Agency may extend the correction period for up to six months.

VI. Delegation of Authority

The Agency may retain an agent or other private contractor to perform compliance monitoring. VHFA will retain the responsibility to notify the Internal Revenue Service under paragraph b. of Section V. (above).

VII. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allocated. The Agency's obligation to monitor for compliance does not make the Agency liable for an owner's non-compliance.

9. DISCLAIMERS

VHFA is charged with issuing no more Housing Credits to any given development than are required to make that development economically feasible. This decision shall be made solely at the discretion of VHFA, but VHFA in no way represents or warrants to any sponsor, investor, lender or others that the project is in fact feasible or viable, either before or after the final allocation decision.

VHFA's review of documents submitted in connection with this allocation is for its own purposes. ACCD and VHFA make no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing the HC program.

No member, officer, agent or employee of ACCD, VHFA, or the Joint Committee on Tax Credits shall be personally liable concerning any matters arising out of, or in relation to, the allocation, issuance, or compliance monitoring of the HC.

VHFA may enter into binding commitments to allocate credits from a future year's Housing Credit ceiling. In addition, VHFA is under no obligation to necessarily reserve or allocate any part of Vermont's Housing Credit ceiling.

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 reasons for such findings will be forwarded to the VHFA Board of Commissioners. A written explanation will be made available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.

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.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: January 18, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Attached are production reports by product and lender for FY 2000 and year to date FY 2001. Calendar year 2000 was another great year with $70 million in loan purchases. We also expect to meet our goal for FY 2001 of $60 million in loan purchases.

Activity has slowed due in part to the season and also lower conventional rates. As of January 17, 2001 the conventional, 30 year fixed rate with zero points was 7.50%. VHFA's current zero point rate is 7.10%. We are working with Evensen Dodge to determine if we can lower the interest rate on our remaining funds. We are also working on a new single family bond issue for April 2001.

During this slow period we continue to work on a conversion to MITAS Windows and improving loan origination and loan sale procedures.

COLLECTIONS

Attached are delinquency reports and a REO report as November 30, 2000. December 31, 2000 reports were not available at the time of this mailing but will be available at the Board meeting. As of December 7, 2000, 13 out of 22 properties owned by VHFA are under contract.

Please do not hesitate to call me if you have any questions about any of the reports.

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,082,656	5,896,809	6,163,020	5,000,898	5,687,117	6,471,304							35,301,804
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,040,625							3,882,396
HOUSE	142,750	100,000	221,600	89,165	124,500	185,000							863,015
YESS	157,150	55,000	0	170,450	217,455	246,629							846,684
RURAL DEV.	139,900	43,180	57,360	10,000	39,000	26,260							315,700
Total	7,388,519	6,443,539	7,058,534	5,794,562	6,554,627	7,969,818	0	0	0	0	0	0	41,209,599

VHFA Production Report By Product FY2000

July 1, 1999 - June 30, 2000

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,124,272	5,050,851	2,983,050	10,360,896	9,377,888	5,824,798	4,920,567	3,318,996	3,256,736	3,056,844	3,290,355	6,229,550	61,794,803
MOBILE HOME	212,635	371,335	278,360	655,376	702,706	410,040	604,508	87,700	257,189	107,075	470,137	755,456	4,912,517
HOUSE	88,500	136,800	248,250	421,000	308,115	218,814	348,950	265,400	231,700	150,500	59,600	352,350	2,829,979
YESS	43,600	70,470	0	159,900	222,230	0	88,920	135,550	246,512	163,707	142,345	158,559	1,431,793
RURAL DEV.	98,180	49,505	80,350	33,200	0	66,250	33,950	26,730	74,360	45,100	15,910	160,270	683,805
Total	4,567,187	5,678,961	3,590,010	11,630,372	10,610,939	6,519,902	5,996,895	3,834,376	4,066,497	3,523,226	3,978,347	7,656,185	71,652,897

BOND SERIES STATUS REPORT update as of (12-31-00)

Series #	Date of Issue	Use by End Date	0 Point Move Rate	Original Issue Amt.	Amount Allocated	Available Funds
7	4/18/96	8/30/99		$42,500,000	$39,701,400	$2,798,600
8	10/9/96	4/1/00		$30,035,000	$30,026,783	*
9	6/13/97	12/26/00	7.10%	$61,788,875	$57,559,574	$4,229,301
10	4/22/99	N/A	6.35%	$33,016,574	$32,952,362	*
11	8/24/99	6/1/02	7.10%	$24,426,258	$24,412,182	*
12	2/10/00	8/1/03	7.55%	$28,344,948	$28,341,330	*
13	8/28/00	2/28/04	7.10%	$33,737,121	$19,069,121	$14,668,000

* Reflects available funds under $250,000

VHFA Production Report- Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
CHITTENDEN	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254							$9,375,339
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070							$2,738,478
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974							$2,361,382
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$470,625							$2,151,695
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200							$1,975,668
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780							$1,649,028
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930							$1,611,820
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805							$1,583,807
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450							$1,459,550
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861							$1,454,367
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900							$1,416,300
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940							$1,246,653
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0							$1,210,061
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500							$1,012,108
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700							$888,725
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632							$755,582
MTG FINANCIAL	$78,375	$281,000	$46,500	$72,000	$0	$237,905							$715,780
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000							$709,280
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607							$688,847
NCFCU	$159,610	$176,000	$0	$0	$178,900	$168,625							$683,135
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0							$683,020
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825							$654,900
LYNDONVILLE	$268,000	$0	$112,635	$74,690	$101,755	$53,675							$610,755
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000							$490,869
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800							$464,400
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000							$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0							$423,205
VHFA (RD)	$213,775	$43,180	$57,360	$26,640	$39,000	$26,260							$406,215
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0							$402,520
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$0							$270,450
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500							$243,700
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000							$229,000
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000							$211,250
FIRST BRANDON	$0	$0	$0	$0	$0	$0							$0
TOTAL	$7,388,519	$6,443,539	$7,058,534	$5,794,562	$6,554,627	$7,969,818	$0	$0	$0	$0	$0	$0	$41,209,599

VHFA Production Report (Number of loans) FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
CHITTENDEN	27	13	27	11	20	21							119
NEFCU	6	1	9	8	2	9							35
BANKNORTH	3	4	7	4	5	8							31
VDCU	3	0	5	4	8	10							30
SUMMIT	5	7	4	2	4	4							26
CHARTER ONE	2	8	0	6	3	4							23
UNIVERSAL	1	12	4	2	1	2							22
NORTHFIELD	3	1	4	6	5	3							22
VT STATE ECU	2	8	0	4	2	4							20
UNION	2	5	1	5	2	5							20
VHFA (RD)	7	3	4	2	1	2							19
GMAC	6	4	3	1	2	2							18
COMMUNITY	3	0	7	1	3	4							18
CTX	2	2	4	4	2	0							14
CITIMORTGAGE, INC	6	0	2	2	1	2							13
BRATTLEBORO	1	2	1	0	3	4							11
BNK OF BENN	4	0	0	5	1	1							11
LYNDONVILLE	4	0	2	1	2	1							10
HERITAGE FCU	1	3	0	1	3	2							10
FACTORY	3	3	1	1	0	2							10
NCFCU	2	2	0	0	3	2							9
MTG FINANCIAL SRV	1	3	1	1	0	3							9
KITTREDGE	3	3	1	1	1	0							9
PEOPLES TRUST	1	0	0	3	1	3							8
CITIZENS	1	1	3	0	3	0							8
MASCOMA	0	2	3	0	1	1							7
WELLS RIVER	1	2	0	1	1	1							6
PASSUMPSIC	1	0	1	1	3	0							6
CT RIVER	0	0	1	1	2	2							6
NAT'L CITY MTG	0	0	2	1	1	0							4
N.E. HOME LOAN	0	0	0	0	0	4							4
WELLS FARGO	0	0	0	0	2	1							3
NAT'L BNK MIDDLE	0	0	0	1	1	1							3
FIRST BRANDON	0	0	0	0	0	0							0
TOTAL	101	89	97	80	89	108	0	0	0	0	0	0	564

HOMEOWNERSHIP DELINQUENCY REPORT
AS OF: November 30, 2000

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	**6338**	**6382**	**6429**	**6464**	**6483**	**6522**								**6436**
Total Portfolio $	**$364.1**	**$367.9**	**$371.2**	**$375.2**	**$377.3**	**$380.7**								**$372.7**

NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	259	254	263	280	264	274								266
60 Days	64	56	72	65	61	60								63
90 Days	52	53	47	49	44	43								48
Foreclosure	54	55	56	58	61	57								57
Total Delq 00-01	**429**	**418**	**438**	**452**	**430**	**434**								434
Total Delq 99-00	489	500	485	481	509	512	512	535	518	403	485	455	429	486

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.09%	3.98%	4.09%	4.32%	4.07%	4.20%								4.12%
60 Days	1.01%	0.88%	1.12%	1.01%	0.94%	0.92%								0.98%
90 Days	0.82%	0.83%	0.73%	0.76%	0.68%	0.66%								0.75%
Foreclosure	0.85%	0.86%	0.87%	0.90%	0.94%	0.87%								0.88%
Total Delq 00-01	**6.77%**	**6.55%**	**6.81%**	**6.99%**	**6.63%**	**6.65%**								**6.73%**
Total Delq 99-00	8.26%	8.45%	8.18%	8.11%	8.42%	8.33%	8.27%	8.57%	8.23%	6.43%	7.72%	7.23%	6.77%	7.92%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$14.5	$14.2	$14.8	$15.4	$14.8	$14.9								$14.8
60 Days	$3.5	$2.8	$3.9	$3.7	$3.5	$3.5								$3.5
90+ Days	$6.1	$6.3	$6.0	$6.2	$5.9	$5.6								$6.0
Total Delq 00-01	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0								$24.3
Total Delq 99-00	**$26.9**	**$27.6**	**$27.1**	**$27.0**	**$28.3**	**$28.9**	**$28.7**	**$30.5**	**$28.8**	**$22.5**	**$26.6**	**$25.3**	**$24.1**	**$28.2**

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
November 30, 2000

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Mortgage Service Ctr. of NE	72	3	4.17%	3	4.17%	5	6.94%	0	0.00%	11	15.28%	1	1.39%
Randolph National Bank	25	3	12.00%	0	0.00%	0	0.00%	0	0.00%	3	12.00%	0	0.00%
Factory Point Nat. Bank	43	4	9.30%	1	2.33%	0	0.00%	0	0.00%	5	11.63%	0	0.00%
Community National Bank	335	23	6.87%	5	1.49%	6	1.79%	1	0.30%	35	10.45%	0	0.00%
Charter One	371	23	6.20%	1	0.27%	4	1.08%	9	2.43%	37	9.97%	1	0.27%
Connecticut River Bank	11	1	9.09%	0	0.00%	0	0.00%	0	0.00%	1	9.09%	0	0.00%
Graystone Mortgage Company	1320	54	4.09%	17	1.29%	9	0.68%	14	1.06%	94	7.12%	4	0.30%
Union Bank	214	10	4.67%	2	0.93%	2	0.93%	1	0.47%	15	7.01%	0	0.00%
Merchants Bank	178	9	5.06%	2	1.12%	0	0.00%	1	0.56%	12	6.74%	0	0.00%
Chittenden Bank	2778	116	4.18%	23	0.83%	10	0.36%	28	1.01%	177	6.37%	15	0.54%
Peoples Trust Co.	81	3	3.70%	1	1.23%	1	1.23%	0	0.00%	5	6.17%	0	0.00%
Passumpsic Savings Bank	156	6	3.85%	1	0.64%	0	0.00%	1	0.64%	8	5.13%	0	0.00%
Bank of Bennington	79	1	1.27%	1	1.27%	2	2.53%	0	0.00%	4	5.06%	0	0.00%
GMAC Mortgage	42	1	2.38%	1	2.38%	0	0.00%	0	0.00%	2	4.76%	0	0.00%
Vermont Development CU	150	5	3.33%	0	0.00%	2	1.33%	0	0.00%	7	4.67%	1	0.67%
Northfield Savings Bank	176	4	2.27%	1	0.57%	2	1.14%	1	0.57%	8	4.55%	0	0.00%
Citizens Savings Bank	126	4	3.17%	1	0.79%	0	0.00%	0	0.00%	5	3.97%	0	0.00%
Brattleboro Savings & Loan	53	2	3.77%	0	0.00%	0	0.00%	0	0.00%	2	3.77%	0	0.00%
Wells River Savings Bank	36	1	2.78%	0	0.00%	0	0.00%	0	0.00%	1	2.78%	0	0.00%
Lyndonville Savings Bank	85	1	1.18%	0	0.00%	0	0.00%	0	0.00%	1	1.18%	0	0.00%
New England Federal CU	127	0	0.00%	0	0.00%	0	0.00%	1	0.79%	1	0.79%	0	0.00%
First Brandon Nat. Bank	13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	34	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mascoma Savings Bank	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**6522**	**274**	**4.20%**	**60**	**0.92%**	**43**	**0.66%**	**57**	**0.87%**	**434**	**6.65%**	**22**	**0.34%**
Totals Previous Month	6483	264	4.07%	61	0.94%	44	0.68%	61	0.94%	430	6.63%	22	0.34%
Totals Same Mo. Last Yr.	6147	295	4.80%	79	1.29%	84	1.37%	54	0.88%	512	8.33%	33	0.54%

Note: Of the loans in foreclosure, a total of 15 are performing under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM DELINQUENCY STATISTICAL REPORT BY LENDER

Lenders	Nov 1999	Dec 1999	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	June 2000	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000
Bank of Bennington	2.94%	2.86%	2.86%	8.57%	7.04%	4.29%	4.29%	5.71%	4.05%	4.05%	4.05%	5.06%	5.06%
Brattleboro Savings & Loan	5.26%	4.88%	4.65%	4.65%	4.65%	4.65%	4.44%	2.13%	4.17%	6.00%	3.92%	5.88%	3.77%
Charter One	10.16%	9.21%	10.30%	9.78%	7.90%	10.68%	11.02%	9.86%	10.38%	11.99%	11.02%	9.21%	9.97%
Chittenden Bank	7.88%	6.69%	7.20%	7.75%	6.88%	7.55%	6.96%	6.31%	6.32%	6.62%	6.96%	6.08%	6.97%
Citizens Savings Bank	5.04%	4.96%	7.44%	7.38%	5.74%	3.28%	4.07%	2.46%	3.28%	4.07%	3.25%	2.44%	3.97%
Community National Bank	6.19%	6.44%	8.18%	7.32%	5.78%	6.63%	6.31%	6.33%	6.33%	7.55%	8.06%	7.49%	10.45%
Connecticut River Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.11%	9.09%
Factory Point Nat. Bank	12.50%	12.12%	8.57%	2.94%	11.76%	11.43%	0.00%	5.71%	7.89%	12.20%	7.14%	11.63%	11.63%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GMAC Mortgage	8.33%	8.33%	8.33%	0.00%	5.88%	9.52%	9.29%	0.00%	3.03%	2.70%	0.00%	0.00%	4.76%
Graystone Mortgage Company	11.86%	12.73%	10.42%	10.80%	6.35%	9.60%	9.09%	8.21%	8.01%	7.49%	8.67%	8.39%	7.12%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lyndonville Savings Bank	4.11%	6.76%	6.58%	3.95%	3.90%	6.49%	5.33%	3.95%	3.75%	2.50%	2.44%	1.20%	1.18%
Mascoma Savings Bank	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Merchants Bank	6.37%	4.48%	4.98%	4.48%	3.55%	6.19%	6.19%	7.85%	5.88%	8.11%	3.85%	7.26%	6.74%
Mortgage Service Ctr. of NE	14.10%	14.10%	19.23%	17.95%	14.29%	18.18%	22.08%	22.37%	18.42%	18.67%	17.81%	13.89%	15.28%
New England Federal CU	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.88%	0.92%	0.91%	0.85%	0.80%	7.90%
Northfield Savings Bank	4.76%	6.67%	5.84%	5.19%	3.87%	4.55%	3.23%	6.21%	7.32%	4.85%	5.95%	8.14%	4.55%
Passumpsic Savings Bank	6.88%	9.26%	6.83%	8.64%	5.56%	7.50%	7.55%	4.46%	4.46%	5.13%	4.52%	4.49%	5.13%
Peoples Trust Co.	6.49%	6.58%	6.58%	7.89%	7.89%	9.21%	6.58%	5.13%	5.06%	3.80%	6.33%	7.50%	6.17%
Randolph National Bank	7.41%	7.41%	7.41%	3.70%	3.70%	7.69%	7.69%	11.54%	4.00%	4.00%	0.00%	0.00%	12.00%
Union Bank	6.28%	7.25%	5.70%	4.57%	5.08%	5.08%	4.55%	5.45%	4.43%	5.29%	5.26%	6.13%	7.01%
Vermont Development CU	8.11%	6.96%	8.06%	7.81%	6.30%	6.98%	6.25%	7.46%	4.38%	5.15%	5.71%	6.25%	4.67%
Wells River Savings Bank	3.13%	0.00%	0.00%	0.00%	0.00%	3.03%	3.03%	3.13%	0.00%	0.00%	2.94%	0.00%	2.78%

REO INVENTORY REPORT
As of November 30, 2000

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 9/30/00	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Prop Type	Comments
Bushey	1/19/98	Fairfield	$ 57,867	$ 5,686	$ 33,026	$ 17,360	$ 79,218	$ 23,089	$ 55,000	$ 60,000	10/4/00	$ 62,000	9/20/95	MH	Under Contract $55,000; Water Issues
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 17,047	$ 15,898	$ 82,830	$ 21,116	$ 60,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Under Contract $60,000; Leach Field Issues
Acheson	5/2/00	Brattleboro	$ 81,075	$ 9,087	$ 16,986	$ 18,500	$ 88,648	$ 9,803	$ 69,900	$ 86,000	2/4/00	$ 93,000	6/6/91	2FD	Was under contract -- buyer unable to finance
St. Peter	6/9/00	Starksboro	$ 20,527	$ 1,083	$ 6,510	$ 2,463	$ 25,657	$ 14,435	$ 7,500	$ 10,000	8/29/00	$ 26,000	10/24/98	MH	MH in park; May seek buyer who will remove home
Pignone	7/12/00	Barre Town	$ 35,053	$ 3,323	$ 24,257	$ 9,570	$ 53,063	$ 11,108	$ 46,000	$ 46,000	6/20/00	$ 43,000	5/11/90	SF	Will Market with 0% Second Mortgage
Coletti	7/14/00	Barre City	$ 50,132	$ 9,639	$ 10,750	$ 12,414	$ 58,107	$ 20,280	$ 41,000	$ 65,000	8/24/00	$ 58,000	9/15/94	SF	Under Contract $41,000
Pariseau	7/17/00	Brandon	$ 51,764	$ 6,262	$ 9,667	$ 11,382	$ 56,311	$ 36,184	$ 28,500	$ 20,000	10/20/99	$ 61,000	6/16/94	SF	Under Contract $28,500
Fogarty	8/15/00	Rutland City	$ 50,138	$ 4,895	$ 9,783	$ 15,041	$ 49,775	$ -	$ 39,500	$ 30,000	10/9/00	$ 59,000	10/30/95	2FD	Permit Issues with Duplex; Seeking Variance
Linton	8/16/00	Brattleboro	$ 69,817	$ 12,414	$ 28,050	$ 15,912	$ 94,369	$ 40,573	$ 64,000	$ 66,000	2/17/00	$ 82,000	8/4/90	SF	Under Contract $64,000
Roberts	8/24/00	Newbury	$ 54,865	$ 2,991	$ 8,183	$ 14,038	$ 52,001	$ 26,217	$ 47,000	$ 57,000	3/15/00	$ 57,000	4/5/99	SF	Slow Market; Broker does not recommend lowering price
McGraw	9/2/00	Fairhaven	$ 43,099	$ 4,390	$ 5,647	$ 17	$ 53,119	$ 15,881	$ 27,000	$ 27,500	9/12/00	$ 44,000	3/21/97	SF	Under Contract $27,000; RD Guaranteed
Clark	9/18/00	Clarendon	$ 34,050	$ 5,205	$ 4,800	$ 8,757	$ 35,298	$ -	$ 10,000	$ 20,000	10/12/00	$ 40,000	5/26/89	MH	Under Contract $10,000
Spafford	9/25/00	Springfield	$ 79,651	$ 6,481	$ 9,230	$ 23,747	$ 71,615	$ 2,386	$ 79,900	$ 80,000	6/23/00	$ 91,000	8/2/95	SF	Price Recently Reduced
Park	10/13/00	Stannard	$ 42,805	$ 6,222	$ 9,233	$ 9,361	$ 48,899	$ -	$ 69,900	$ 72,000	10/18/00	$ 47,000	5/25/94	SF	Offer Pending
Cote	10/17/00	Berlin	$ 85,529	$ 4,552	$ 7,305	$ 1,626	$ 95,760	$ -	$ 92,000	$ 85,000	10/19/00	$ 86,000	4/19/99	SF	Under Contract $92,000; RD Guaranteed
Gagnon	11/3/00	Burlington	$ 80,929	$ 13,411	$ 15,876	$ 17,875	$ 92,341	$ -	$ 110,000	$ 110,000	12/27/00	$ 90,500	4/15/94	SF	Under Contract $110,000
Genson	11/6/00	Swanton	$ 67,723	$ 10,332	$ 4,535	$ 14,908	$ 67,682	$ -	$ -	$ -		$ 73,750	7/21/95	SF	Waiting for Values; Occupied until 1/6/2001
Benham	11/7/00	Alburg	$ 78,465	$ 6,870	$ 9,491	$ 14,465	$ 80,361	$ -	$ 55,000	$ 70,000	11/13/00	$ 80,500	12/20/93	SF	Under Contract $55,000
Woodman	11/8/00	S Burlington	$ 77,964	$ 8,952	$ 9,250	$ 567	$ 95,599	$ -	$ 104,000	$ 128,000	12/1/00	$ 120,000	12/26/94	MH	BCLT has option for $104,000 and is working with a buyer
Tatro	11/20/00	Bradford	$ 66,151	$ 1,018	$ 2,758	$ 16,683	$ 53,244	$ -	$ 49,000	$ 60,000	7/28/00	$ 69,000	10/19/99	SF	Under Contract $49,000
Ward	11/28/00	Fair Haven	$ 39,871	$ 4,380	$ 2,868	$ 9,964	$ 37,155	$ -	$ 29,500	$ 29,000	12/11/00	$ 49,000	2/11/98	MH	Just Listed
Shaw	11/29/00	Rutland City	$ 81,644	$ 10,666	$ 6,653	$ 17,800	$ 81,163	$ -	$ 75,000	$ 62,500	10/27/00	$ 90,000	5/18/95	SF	Under Contract $75,000
22			$ 1,320,531	$ 148,128	$ 251,905	$ 268,348	$ 1,452,215	$ 221,072	$ 1,159,700	$ 1,244,000		$ 1,501,750			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

1/17/01

REO INVENTORY AS OF 11-30-2000

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director of Multifamily Programs

DATE: January 17, 2001

RE: **Lake Champlain Apartments Acquisition**

A Limited Liability Company (LLC) comprised of the Burlington Housing Authority (BHA) and King Street Neighborhood Revitalization Corporation (KSNRC) has requested financing for this 27 unit family property located on two sites in Burlington. In order to accomplish the transfer of ownership, we have proposed to restructure VHFA's existing debt and provide a new amortizing loan in the amount of $640,497 which will be serviced in part with savings from the restructured loan. We expect to provide interim financing in this amount until we can issue new multifamily bonds this spring. A 0% loan in the amount of $130,000 will also be needed and includes a contingency amount in case rates move upward by the time we do the bond issue. With the completion of this transaction, these family units will be converted to nonprofit ownership and be part of the permanently affordable inventory using a new Preservation Agreement that will be recorded with the deed to the land. TDC for these units will not exceed $60,667 per unit. Please see Sources and Uses statement on the reverse side of this memo.

Although the HAP Contract and our original loans expire in 12 years, our new $640,497 loan will have 18 years remaining on its 30 year term and is underwritten at a rate of 7.25%. Beginning in year 13, debt service payments will be 66% less than they are now as a result of final payments on VHFA's original loans. We are confident that the rent structure required to keep these units affordable will be achievable and expect that some form of continued rental assistance will be available at the expiration of the HAP in 2012. The Loan To Value in this transaction will be 100% and we have recognized the cash accounts that will be transferred with the property as a net increase in the appraised value.

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 and Chief of Program Operations to issue a Letter of Commitment to finance the acquisition of this development.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Sources

Assumed VHFA Loan # 1		$	754,263
Assumed VHFA Loan # 2		$	83,240
New VHFA Loan		$	640,497
0% Deferred Loan		$	130,000
Borrower's Equity		$	30,000
	TOTAL	**$**	**1,638,000**

Uses

Acquisition		$	1,475,000
Rehabilitation		$	71,500
VHFA Loan Fees		$	15,790
Legal, Recording , Other Soft Costs		$	16,150
Consultant Fees		$	30,513
Contingency		$	29,047
	TOTAL	**$**	**1,638,000**

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: LAKE CHAMPLAIN APARTMENTS

WHEREAS, a proposal has been presented to the Agency by King Street Neighborhood Properties, LLC, a Vermont limited liability company comprised of Burlington Housing Authority and King Street Neighborhood Revitalization Corporation, (the "Sponsor") involving the acquisition, rehabilitation and long-term financing of a 27 unit family rental property located on three sites on Church Street and Pine Street in the City of Burlington (the "Development"); and

WHEREAS, in 1983 the Agency made two loans to a prior owner of the development in the combined original principal amount of $1,038,285 and those two loans have previously been combined; and

WHEREAS, in 1993 the Agency made an additional loan to the prior owner of the development in the original principal amount of $88,918.79; and

WHEREAS, the proposal contemplates an assumption of the two existing VHFA loans, one with an approximate current balance of $754,000 and the other with an approximate current balance of $83,000, a new, interim, VHFA loan until newly issued tax-exempt bond proceeds are available, in an amount not to exceed $650,000, the use of 0% funds in the amount of $130,000; however, a somewhat different mix of sources and amounts may be necessary; and

WHEREAS, the Sponsor qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act") and is willing to give the Agency a preservation agreement pertaining to 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 $650,000 aggregate principal amount (the "Bonds") to finance a loan to the King Street Neighborhood Properties, LLC, (the "Borrower") to acquire and rehabilitate a 27-unit development (the "Project") in Burlington, Vermont;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Samuel Falzone dated January 17, 2001 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 allowing King Street Neighborhood Properties, LLC to assume two existing first mortgage loans made to A & A Realty Properties, for the acquisition, rehabilitation and long-term financing of the Lake Champlain Apartments development in Burlington and in making a new loan to King Street Neighborhood Properties, LLC in a maximum amount of $650,000 and a loan from zero percent proceeds in a maximum amount of $130,000. 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 amortizing loan for the acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed $1,478,000.

3. One of the new loans shall be amortized over a period of 30 years from the date of the loan. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The source of funds shall ultimately be newly-issued tax-exempt bond proceeds. A zero percent loan in an amount not to exceed $130,000 shall be made from the Agency's multi-family refunding proceeds. The Commitment Letter may be issued to the Sponsor. 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 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.

5. The preliminary approval of paragraph 4 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.

6. The Executive Director, after consultation with the Chairman of the Agency is given the discretion to vary the amounts and sources of funds

7. The Executive Director, 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.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JANUARY 19, 2001

RE: SINGLE FAMILY BOND FINANCING

We have had an initial conference call with our bond financing team to formulate strategies regarding a new bond financing. The current (Series 13) mortgage money is lagging after a strong start. Time of year, short supply of product and dropping conventional rates are all reasons contributing to a balance of approximately \$18 million. Current no point conventional mortgage rates are in the 7.375% range and our rate is at 7.1%. We had originally expected to be bonding early in the calendar year but based on the existing balance are recommending deferring bonding until the spring.

We had timed a note financing issued in conjunction with Series 12 to mature in early March with the expectation that the note maturity could be rolled into a new bond issue therefore saving bond volume cap in addition to the rate savings the notes provided to Series 12. Since it doesn't make sense to issue before March 9th due to the reasons listed earlier and because of the volatility of the financial markets (with clear signals that further drop in rates are expected), we need to extend the note scheduled to mature. The holder of the note, Northern Trust a Chicago based bank, has agreed to extend the maturity so this transaction does not constitute a reissuance. Kutak Rock has prepared a Resolution (attached) that authorizes an extension of the issued note until April 27th, coinciding with a second note maturity.

Based on this transaction we are working on a schedule to sell bonds at the April 19th Board meeting, closing on April 26th. In the meantime, we have asked Evensen Dodge to calculate for us the cost of reducing the rate of our current mortgage program. We expect to have that information available at the Board meeting next Thursday. My estimate is that it will cost \$720,000 to buy the 7.1% rate down to 6.5%. We do have an excess yield pool available that could be dedicated to the write down of the rate. We have also asked Evensen Dodge to update the amount of funding available in that pool.

Recommended Action

- Adopt the Resolution attached.
- Reduce the rate on the remaining funds by dedicating the excess yield pool.
- Proceed with the financing plan as outlined in this memorandum.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

FIRST SUPPLEMENTAL TO THE SIXTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously issued its Single Family Housing Notes, Series 12C in an aggregate principal amount of $17,500,000 (the "Series 12C Notes");

WHEREAS, the Series 12C Notes were issued pursuant to the Agency's Single Family Housing Bond Resolution, adopted on September 20, 1990 (as heretofore amended and supplemented, the "General Resolution"), its Sixteenth Supplemental Single Family Housing Bond Resolution, adopted on February 10, 2000 (the "Sixteenth Supplemental Resolution") and the Series Certificate of the Chairman and Executive Director of the Agency dated as of February 24, 2000 (the "Series Certificate");

WHEREAS, Section 2.01(e) of the Sixteenth Supplemental Resolution provided that the Series 12C Notes shall mature no later than March 9, 2001 and Section 1(c) of the Series Certificate provided that the Series 12C Notes shall mature on March 9, 2001;

WHEREAS, the Agency wishes to extend the maturity date of the Series 12C Notes to April 27, 2001;

WHEREAS, Section 802 of the General Resolution provides that the terms of redemption or maturity of any Outstanding Bonds may be modified with the consent of the Owners of such Bonds; and

WHEREAS, the Agency anticipates that 100% of the owners of the Series 12C Notes will consent to the extension of the maturity thereof to April 27, 2001.

NOW, THEREFORE, be it resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

Section 1. Certain Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution and the Sixteenth Supplemental Resolution.

Section 2. Extension of Maturity. Section 2.01(e) of the Sixteenth Supplemental Resolution and Section 1(c) of the Series Certificate are hereby amended by deleting the references to the maturity of the Series 12C Notes on March 9, 2001 and inserting in lieu thereof April 27, 2001.

Section 3. General Amendments. All references in the Sixteenth Supplemental Resolution or the Series Certificate which are inconsistent with this Supplement are hereby determined to be null and void and of no force or effect as of the effective date of this Supplement.

Section 4. Effectiveness. This Supplement shall be effective immediately and without any further action by the Agency upon receipt by the Agency of (i) a counsel's opinion rendered in accordance with Section 705 of the General Resolution and (ii) the written consent of the owners of 100% of the Series 12C Notes in substantially the form attached hereto as Exhibit A.

Section 5. Sixteenth Supplemental Resolution and Series Certificate Confirmed. The Sixteenth Supplemental Resolution and Series Certificate, as amended hereby and to the extent not inconsistent herewith, are reaffirmed and restated herein.

Section 6. Miscellaneous.

(a) ***Invalidity***. In the event that any one or more of the provisions contained in this Supplement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Supplement.

(b) ***Reference***. From and after the effective date hereof, all references to the Sixteenth Supplemental Resolution or the Series Certificate shall be deemed to be references to the Sixteenth Supplemental Resolution or the Series Certificate, as applicable, as amended by this Supplement.

(c) ***Governing Law***. This Supplement shall be governed by and construed in accordance with the laws of the United States of America and the laws of the State of Vermont.

(d) ***Headings***. Section headings in this Supplement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Supplement.

Adopted: January 25, 2001

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EXHIBIT A

CONSENT OF OWNER
$17,500,000
VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE NOTES
SERIES 12C

The undersigned, as authorized officer of [ ] (the "Owner"), hereby certifies as follows:

(i) as of the date hereof, the Owner owns $17,500,000 aggregate principal amount of the above-captioned notes (the "Notes") issued by Vermont Housing Finance Agency (the "Agency");

(ii) the Owner has been provided a copy of the First Supplement to the Sixteenth Supplemental Single Family Housing Bond Resolution of the Agency (the "Supplement"), adopted on January 25, 2001; and

(iii) the Owner hereby consents to the extension of the maturity of the Series 12C Notes to April 27, 2001 as provided in the Supplement.

[OWNER]

By ______________________________
Name ____________________________
Title _____________________________

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: January 19, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

PUBLIC AFFAIRS

I want to thank all of you for the work you have done to help the Agency achieve its goal of winning volume cap increases for private activity bonds and housing tax credits. VHFA Commissioners were called upon many times during the three-year battle to collaborate with both in-state and national partners, and we definitely sent a powerful message to our congressional delegation about the importance of these cap increases for Vermont. We are now already benefiting from the victory at the end of the 106th congress, as resources for private activity bonds and housing tax credits are in high demand again this year.

Activity at the Vermont statehouse is well underway and I expect to be there more often this year, both testifying and helping support legislation of importance to VHFA and our partners. Funding for VHCB and other housing programs, reforms to the land use permitting process, and possibly a new assisted living programs appear to be at the top of our agenda. Rules and amendments relating to financial privacy legislation also could affect us, so we will be watching that closely.

On Tuesday the 23rd I will be testifying before the House General Affairs Committee to provide them information on VHFA activity. I expect to provide some updated information in response to a recent housing study by Art Wolf done for the Vermont Business Roundtable. Some of his assumptions about average homebuyers and data on home prices and affordability differ from VHFA information. Some of Art's conclusions about the seriousness of the current environment differ from what was documented in the Northwest Housing Study and what VHFA has found. With so many new legislators it will be very important that they fully understand all the complexities of the housing issues. We expect the 2000 report from the Joint Housing Committee to be out shortly and hope that will spur some legislative initiatives.

On January 9th I met with Governor Dean to update him on VHFA activities. He remains very supportive, but at this time does not seem to be promoting any specific housing legislation other than an additional $4.5 million supplemental appropriation for VHCB. This of course is a critical source of gap financing. The Governor has not indicated support for an increased state tax credit. We are anxious that there be enough sources to maximize the increase in Federal Tax Credits. In addition to refining the state tax credit, Andy Broderick and I have discussed trying to amend an existing statute that gives a credit for below market debt investment. The current index for the credit really doesn't work.

On the federal front, with the cap increases already in place, we plan to focus on technical changes to existing programs. Changes to the Ten Year Rule would certainly help preserve private activity bond authority. We also hope to see a change in the way purchase price limits for the single-family program are determined. Currently the documentation and research requirements are onerous, and could be eliminated by having the home price limit be a multiple of eligibility income. In addition, technical changes to the MRB and the LIHTC programs will be pursued. We have not heard much about how the changes in administration will affect us. The new Secretary of HUD, Mel Martinez, has limited housing background but may be more amenable to moving programs to the states. We have not heard about any assistant secretary and regional appointments.

Last week, I had the opportunity to get together with Claira Monier, the New Hampshire HFA Director, and Mike Finnegan, the Maine HFA Director. We compared notes on a variety of programs. One area of interest to all of us was increasing awareness on affordable housing. We discussed the possibility of sharing some resources to promote this. We also discussed how the three states might work with the northern New England Fannie Mae Partnership Office. Claira is the new president of the NCSHA Board (and is close to the Bush administration). We hope to make rural issues more of a priority with NCSHA.

ADMINISTRATION

Pat Loller will be attending the Kennedy School of Government, Harvard University for 3 weeks in February through a generous scholarship from the Fannie Mae Foundation. The program provides training, for state and local government senior executives, in the areas of leadership, policy issues, and interpersonal relationships. The program also offers a great opportunity to exchange ideas with experienced faculty and participants from diverse backgrounds.

Our health insurance renewal with BCBS is March 1st and with that a 15.7% increase. Effective March 1st, staff will start contributing a portion of the health insurance premium, currently being paid by the Agency. Payment will be 20% of the premium cost or 2% of salary which ever is less. We also are exploring various options for administration of our pension plan. We are working with Steve McGowan of Gravel and Shea on this. Elizabeth is assisting. Some of the options entail getting a determination from the IRS on the classification of our tax-exempt status. We will bring this to the HR Committee and Board as soon as we complete the research.

The conversion of our Single Family loan system is scheduled to start January 29th. Mitas staff will be on site for two weeks to complete the conversion and all associated staff training. For the past 6 months, staff has been diligently testing all aspects of the new system in order to ensure a smooth transition. They have really been working hard at this, and we expect the conversion to affect almost all of the staff during the two-week conversion period. (Wish us luck!!) The Multi-Family system conversion is tentatively slated for some time in April.

DEVELOPMENT

The Westgate acquisition closed as previously reported, but we were waiting to hear from the IRS on a Private Letter Ruling before we bonded the project. We have heard that the ruling will not be favorable, requiring a restructuring of the project. Although this ruling should not financially jeopardize the project, it makes projects that combine 4% out of cap credits and 9% allocated credits more difficult to do.

Rutland Rehab and Jeffersonville should both close within the next month. St. Johnsbury House is going well and construction will be completed sometime in May. Hillcrest, in St. Albans, completed their construction and paid off their construction loan (with a RD takeout) on 12/18/00. Bus Barns (BCLT/HVT) closed on their construction loan, 12/28/00, and is now under construction. Benn-South (RAHC) is closing 1/23/01 on a construction loan and construction is partially underway.

On December 19th, I attended the open house of Manchester Knoll in Manchester. The Governor and a wide variety of local officials attended. Following that I attended a meeting in Grafton, of five communities in southern Vermont, who would like to develop some form of elderly housing. McAuley Square's groundbreaking is scheduled to happen on January 22nd at 1:30 PM and Bus Barns groundbreaking is occurring on February 12th.

MULTIFAMILY MANAGEMENT

Staff has been busy with the review and approval of 2001 operating budgets and completing the tax credit compliance work required for the year ending December 31, 2000. In addition to helping Development in the underwriting process for new loans, Management staff has spent considerable time in efforts to restructure existing loans and facilitate the nonprofit acquisition and preservation of VHFA's multifamily portfolio. Properties in Colchester and Burlington are now awaiting a closing date pending Board action and refinement of the legal documents.

Our Contract Administration responsibilities have increased with the implementation of our role as subcontractor to VSHA in response to the transfer of these tasks from HUD to the VSHA, who was successful in their proposal to become Vermont's Section 8 Contract Administrator. Our involvement in this initiative has sought to give VHFA primary responsibility for those properties where we already have loans and tax credit monitoring responsibility.

In our role as Participating Administrative Entity (PAE) under HUD's Mark-to-Market program, VHFA has been assigned and accepted the task to process The Courtyard in Winooski. This is a 100 unit elderly property with above market rents and an expiring Section 8 contract that was financed under HUD's 221 d (3) program in 1980.

Working closely with IS and Finance, Ann Marie, Kim and Nina have made significant progress in the work needed to prepare for the MF Mitas Windows conversion and have helped us better understand the relationship and potential of this database as it relates the entire Mitas system.

As I mentioned last month we are recruiting for another Multi-family Operations Specialist to work with both Development and Management. They hope to start interviewing soon.

HOMEOWNERSHIP

Kelly Deforge, Outreach Coordinator for the Homeownership Department, gave birth to a healthy baby boy on December 26th! She will be returning to work the second week in February. Kristina McCormack has joined the Homeownership team as their new Administrative Assistant. Kristina came to us from the Vermont Development Credit Union. She will be assisting Carolynn Mossey and Polly Thibault with the servicing side of our business.

On Friday, the 19th, staff will be meeting with MGIC to discuss the renewal of our contract for underwriting. We will update you about this at the Board meeting. Business has slowed now this last month, in part because of the season and lack of product, but we are also concerned that our interest rate is not as competitive.

FINANCE

Work has recently begun on a new single family financing currently scheduled for April. We are investigating ways to subsidize the rate on the remaining current program funds to make them more competitive with the conventional market.

The 2000 Series B-D multi-family bond issue closed in early January with Fannie Mae and reimbursed us for the funds that we had devoted to the purchase of notes from HUD and also funded the financing of Brookside and French Hill Mobile Home parks. Recently we have had several inquiries both directly and through Kutak Rock about our interest in financing housing targeted toward students. UVM currently has an RFP to do something on land they control. We will keep you up to date as we find out more.

Annual disclosure reports went out at the end of the year, consisting of over 200 pages of data, which updates the investment community and other interested parties on the activity of each series of bonds. Also year-end reports for interest earnings and payments are being processed for filing with the IRS.

The Finance staff has been working with the Public Affairs department and now VHFA's annual audit is on our web site. Also, the Finance staff completed its post-retreat task of process mapping its department activities.

Vermont Housing Finance Agency

2001 VHFA Board Meeting Schedule

<u>All Meetings begin at 12:00 p.m.</u>

Thursday, January 25th	Montpelier	State Treasurer's Office Building, Room #2 133 State Street
Thursday, February 22nd	Montpelier	State Treasurer's Office Building, Room #2 133 State Street
Thursday, March 22nd	Montpelier	Associated General Contractors Building 148 State Street
Thursday, April 19th	Montpelier	Associated General Contractors Building 148 State Street
Thursday, May 17th	Burlington	VHFA
Thursday, June 21st	Burlington	VHFA
NO JULY MEETING		
Thursday, August 16th *(May not meet, will discuss at later date)*	Burlington	VHFA
Thursday, September 20th	To Be Determined	
Thursday, October 18th	Burlington	VHFA
BOARD RETREAT NOVEMBER		
Friday, December 14th	Burlington	VHFA

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EQUAL HOUSING OPPORTUNITY

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Vermont Housing Finance Agency

February 12, 2001

Ms. Mary Moore
Vermont Department of Libraries
109 State Street
Montpelier, VT 05609

Dear Ms. Moore:

The Vermont Housing Finance Agency Board of Commissioners will have its regular meeting on Thursday, February 22nd at 12:00 p.m. at the State Treasurer's Office Building, Room #2, 133 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3413.

Sincerely,

Kari Caragher

Kari A. Caragher
Executive/HR Assistant

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: February 16, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on February 22nd, 2001, at 12:00 p.m. at the State Treasurer's Office Building, 133 State Street, Montpelier, Vermont. *Lunch will be provided.*

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on February 22nd!

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Vermont Housing Finance Agency

BOARD AGENDA
State Treasurer's Office Building
Room #2
Montpelier, Vermont

Thursday, February 22 at 12:00 p.m.
Working Lunch

1. Review and approval of the minutes from January 25, 2001.

2. DEVELOPMENT
   - A. Clark & Canal Resolution {Erdelyi/Enclosure}
   - B. 2001 Multifamily Development Activity {Enclosure}
   - C. 2001 Round One Letter of Intent {Enclosure}

3. HOMEOWNERSHIP
   - A. Summary of Homeownership Activities {Crady/Enclosure}
   - B. Proposal to Utilize Single Family Excess Yield Funds And IORTA Funds {Crady/Enclosure}

4. FINANCE
   - A. December 31st Financials {Handout}

5. ADMINISTRATION
   - A. Executive Director's Report {Carpenter/Enclosure}
   - B. Improvements to Multifamily Loan and Financing Approval Process {Carpenter/Enclosure}

6. Any other old or new business to come before the Board.

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Vermont Housing Finance Agency

BOARD MINUTES

State Treasurer's Office Building
Room #1
133 State Street
Montpelier, Vermont

Thursday, January 25, 2001

Present: Chairperson Randall; Commissioners Seelig, Canney, Beyer (designee of Lambert); Young (designee of Douglas)
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Crady, Ms. Gent, Ms. Reid, Mr. Erdelyi, Mr. Falzone, Mr. Schoenbeck, Mr. Adams
Other: Mr. Brush (Green Mountain Development Group)

Chairperson Randall called the meeting to order at 12:15 p.m.

MINUTES

Mr. Seelig made a motion to approve the minutes of December 15, 2000. The motion carried unanimously after being seconded by Ms. Canney.

DEVELOPMENT

Mr. Erdelyi reviewed a request for construction and permanent loans for the Clark/Canal Streets project in Brattleboro. This project consists of three buildings on non-adjacent lots. The buildings have a number of systems that do not meet current standards. The proposed rehabilitation would ensure that all units are in compliance with all codes and life safety standards.

The project originally applied for 9% credits and did not receive them. This revised proposal would allow the project to utilize tax-exempt financing and the 4% credits. The sponsors do have all other funding sources committed and construction is expected to begin shortly. With no further discussion, Mr. Seelig made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a Proposed 12-Unit Project in Brattleboro and for a Letter of Interest and Commitment Re: Acquisition, Construction and Long-Term Financing for Clark and Canal Streets Development in Brattleboro." The motion carried unanimously after being seconded by Ms. Canney.

Next, Ms. Reid discussed the multifamily construction loan application for Columbian Avenue in Rutland. Rutland County Community Land Trust (RCCLT) is requesting $700,000 in tax-exempt construction financing, which would allow them to obtain the 4% credit. The financing would enable RCCLT to acquire and rehabilitate a vacant property in Rutland, developing nine units of affordable housing.

All of the funding is in place and RCCLT hopes to close fairly soon. With no further discussion, Ms. Canney made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Re: Construction Financing for Columbian Avenue, Rutland" and the "Resolution Authorizing the Issuance and Sale of a General Obligation Bond to Stratevest and Co. or Some other Purchaser in a Maximum Amount of $750,000 and Using the Proceeds to Make a Loan in Such Amount to be the Columbian Avenue Limited Partnership to be Created by Rutland County Community Land Trust to Finance the Acquisition and Rehab of a 9-Unit Development in Rutland." The motion carried unanimously after being seconded by Ms. Beyer.

Mr. Erdelyi briefly discussed the permanent loan request for 43 King Street in Burlington. No appeals have been filed for the City of Burlington's decision to demolish the building; the period for appeals has passed. Staff has received the Environmental Site Assessment and the appraisal. Because the seller was unwilling to extend the purchase and sales agreement, VHFA has advanced $100,000 in interim funds towards this acquisition.

Mr. Erdelyi noted that, if for some reason the project doesn't move forward, King Street Neighborhood Revitalization Corporation has agreed to pay VHFA the $100,000 that was advanced to them. With no further discussion, Ms. Canney made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a Proposed 5-Unit Project in Burlington and for a letter of Interest and Commitment Re: Financing for 43 King Street Development in Burlington." The motion carried unanimously after being seconded by Ms. Young. *Mr. Seelig abstained from this motion.*

The multifamily permanent and 0% loan requests for BenSouth in Bennington was reviewed next. Ms. Reid noted that, at the September 2000 Board meeting, the Board approved a permanent loan of up to $350,000 to finance the acquisition and rehab of the BenSouth project. Since then, due to additional conditions that staff imposed on the developer in order to meet VHFA requirements, staff is requesting that VHFA increases the 0% loan from $100,000 to $133,000 to cover the developer's costs. Staff is also requesting that we increase the permanent loan from $350,000 up to $370,000.

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Permanent Financing for Ben South Development, Bennington" and the "Resolution Authorizing the Issuance and Sale of General Obligation Bonds to Stratevest & Co. or Some Other Purchaser in a Maximum Amount $370,000 for a long Term Loan and Using the Proceeds to Make Loans in Such Amount to Ben-South Housing Limited partnership to Finance the Acquisition and Rehab of a 21-Unit Development in Bennington." The motion carried unanimously after being seconded by Ms. Canney.

Ms. Carpenter noted that Ms. Mullikin-Drake would be researching whether we need 2 separate resolutions approved for each project (1 for the bond sale and 1 for the loan). The Board suggested that staff research this process and bring suggestions to the Board for review.

The 2001 Tax Credit Allocation was discussed next. Mr. Erdelyi indicated that two public hearings have been held to discuss proposed changes to the Housing Credit Allocation Plan. In December, the Joint Committee on Tax Credits (JCTC) held the first public hearing on proposed changes being made to the plan. The second public hearing was held earlier this month, due to the new regulatory changes that are required to be incorporated into the plan that went into effect at the same time as the cap increase. Mr. Erdelyi indicated that there would be two tax credit allocation rounds in 2001 and the JCTC will work towards having three rounds in future years.

Mr. Brush voiced his concern regarding the language on page 4 of the Allocation Plan, "For calendar year 2001, Housing Credit applications for developments that are intended for exclusive occupancy by seniors (except those with special needs - see Section 2(I)(f)) will not be considered unless no other eligible applications for family housing are made." A significant amount of discussion resulted from Mr. Brush's concern. Staff and the Board addressed the pros and cons of this issue. Mr. Brush also noted that he believes that, because we are now using the State Consolidated Plan's definition for "special needs" in our allocation plan, the definition is too stringent.

Mr. Seelig made a motion to approve the 2001 - 2002 Allocation Plan as presented and to revisit the plan in the fall of 2001. The motion carried unanimously after being seconded by Ms. Beyer.

Ms. Carpenter indicated that the JCTC would like to have an allocation round as soon as possible. Last year, the Board and the JCTC held a joint meeting to review all of the credit applications and attended the public hearing. The Board indicated that they would like to hold another joint meeting sometime in April. During the first part of the day, a public hearing would take place, with the second half devoted to discussions and decisions as to who will be awarded allocations. Chairperson Randall indicated that the April Board meeting will be rescheduled to a Monday in April (this will be the full day meeting for tax credit allocation purposes, with a short Board meeting if necessary to act on any issues that may arise). Ms. Caragher will contact the Board to find the best Monday in April to meet.

HOMEOWNERSHIP

Ms. Crady stated that calendar year 2000 was a great year with $70 million in loan purchases. Although activity has decreased, due in part to the time of year, staff expects to meet their goal for FY01 of $60 million in loan purchases.

Ms. Crady expressed concern about changes in conventional rates. As the conventional rates continue to come down, our programs look less attractive to consumers. Mr. Schoenbeck will discuss this issue in more detail later in the meeting.

On the collection side, there has been a large increase in delinquencies. Staff is keeping a close watch on the delinquencies and is working closely with servicers to ensure they are working with borrowers. Ms. Crady noted that the majority of properties VHFA acquired in November and December are currently under contract.

FINANCE

Mr. Schoenbeck discussed single family bond financing next. About $18 million in Series 13 money remains, due to dropping conventional rates and the time of the year. As conventional interest rates decrease (currently 7.375%), they are getting close to our interest rate, which is currently at 7.1%. In order for our interest rate to stay competitive, staff believes that we should reduce our rate immediately by 60 basis points. Evensen Dodge has indicated that for example, it would cost approximately $1.4 million to reduce our interest rate to 6.5%. Mr. Schoenbeck noted that our excess yield pool is available and could be used to reduce our rate. Staff had originally planned to bond early in the calendar year, but, based on the existing high balance, staff is recommending the bond be deferred until spring. The Board voiced concern regarding the excess yield pool, indicating that they would rather not use all of that money for reducing the rate, but use it to extend 0% money to targeted programs. It was suggested that, rather than dedicating the 25 basis points that use for a loan loss reserve, we drop our rate by 25 basis points instead.

A note financing issued in conjunction with Series 12 is due to mature in early March with the assumption that the note maturity would be rolled into a new bond issue, which would save bond volume cap. Due to the volatile financial market and other issues mentioned above, staff would like to extend the note scheduled to mature in March. Kutak Rock has prepared a resolution to extend the issued note until April 27th, coinciding with a second note maturity. Staff recommends the adoption of the resolution.

Based on the above transaction, we are hoping to finalize the bond sale at our April Board meeting, with an estimated closing date of April 26th. It was suggested that we drop our rate by 25 basis points effective as soon as possible, which would give us a rate of 6.85%. Staff will bring additional proposals for use of the excess yield to the February Board meeting.

With no further discussion, Ms. Beyer made a motion to approve the "First Supplemental to the Sixteenth Supplemental Single Family Housing Bond Resolution" and to reduce our current interest rate by 25 basis points and proceed with the financing plan discussed above. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck handed out a Postsale Analysis from Evensen Dodge, which reviews the multifamily bond financing completed on January 9, 2001. This analysis reviewed the transaction and reported that it was a good bond issuance.

Mr. Schoenbeck indicated that staff need the Board to approve the "Resolution Authorizing the Issuance and Sale of a General Obligation Bond to Stratevest & Co. or Some other Subsidiary of Banknorth Group, Inc. in a Maximum Amount of $1,200,000 and Using the Proceeds to Make a Loan in Not More Than Such Amount to Housing Vermont to Finance the Construction of a 22-Unit Development in Jeffersonville" in order to sell this short term bond to the Stratevest Group. With no further discussion, Mr. Seelig made a motion to approve the Resolution. The motion carried unanimously after being seconded by Ms. Beyer.

Break 2:15 p.m. – 2:25 p.m.

MULTIFAMILY

Mr. Falzone stated that a Limited Liability Company (LLC) and King Street Neighborhood Revitalization Group (KSNRG) are requesting financing to acquire Lake Champlain Apartments. This 27-unit family rental property is located on three sites in Burlington. VHFA has proposed to restructure the existing debt and to provide a new amortizing loan in the amount of $640,497. A 0% loan of $130,000 has also been requested. Once this transaction is completed, these units will be put into the affordable inventory using a new Preservation Agreement.

The HAP contract expires in 12 years. With the additional loan of $640,497 at 7.25%, staff feels confident that the rent structure will keep this property affordable and that there will be support for continued rental assistance. Mr. Falzone noted that Paul Dettman, of BHA, will manage the property and that it is a solid project with guaranteed affordability.

Mr. Seelig made a motion to approve the "Resolution Pertaining To Combined Letter of Interest and Commitment Letter Re: Lake Champlain Apartment." The motion carried unanimously after being seconded by Ms. Canney.

ADMINISTRATION

Ms. Carpenter reviewed her report next. She reported that there is a lot of activity at the statehouse surrounding housing. She noted that she has testified twice before the General and Senate, Housing, and Military Affairs Committee to provide information on VHFA activity.

A Vermont Business Roundtable Report came out a couple of months ago and the assumptions made in the report surrounding housing affordability differs from VHFA information and that of the Northwest Housing Study. Ms. Gent and Ms. Black-Plumeau analyzed additional data surrounding the affordability issue and continue to see a significant affordability issue in Vermont, which is not what the Vermont Business Roundtable reported. Ms. Carpenter noted that she is sending a letter to the Vermont Business Roundtable about VHFA's findings.

Ms. Carpenter indicated that she had a meeting with Claira Monier, the New Hampshire HFA Director, and Mike Finnegan, the Maine HFA Director, in early January. They compared notes on several programs and agreed that they need to try and make rural issues more of a priority with NCSHA. Ms. Monier has been elected the President of the NCSHA Board.

Ms. Carpenter brought up several other topics. Ms. Loller will be attending the Kennedy School of Government at Harvard University for 3 weeks through a scholarship from the Fannie Mae Foundation. Health insurance premiums have increased and, beginning in March, staff will be contributing a portion of their insurance premium. Staff continues to work with Steve McGowan on our pension plan. Ms. Carpenter indicated she would keep the Board informed as this process continues. The single family MITAS conversion begins next week and Ms. Carpenter noted that staff is doing a great job working through this.

Ms. Carpenter also mentioned that she had recently attended 2 groundbreakings, McAuley Square in Burlington and Manchester Knoll in Manchester.

STRATEGIC PLANNING

Ms. Carpenter noted that the last strategic planning meeting held was at the Board Retreat in November. Chairperson Randall suggested that it would be helpful for the Board to get a summary of the ideas that were generated during that day. Once the Board reviews the summary, there can be discussion as to where to go from here. Ms. Loller indicated that she would have a summary for the Board sometime in May.

OTHER

Ms. Carpenter indicated that an Annual Meeting hasn't taken place in quite some time. She suggested that we have our Annual Meeting in March so that we can reappoint our Vice-Chairman. Chairperson Randall suggested that we have it in March each year. The Board agreed that it would be held in March each year.

With no further business, a motion to adjourn was made by Mr. Seelig and seconded by Ms. Young. The meeting adjourned at 3:20 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

file

RECEIVED

RECEIVED JAN - 2001

Otto

Emergency Board Meeting Minutes
January 12, 2001, 2:00 p.m.

Pursuant to notice, the Emergency Board met in the Governor's Ceremonial Office of the State House, 115 State Street, Montpelier, Vermont, on Friday, January 12, 2001, at 2:00 p.m.

Members present: Governor Howard Dean, M.D., Chair; Senator Cheryl Rivers; Representative Richard Westman; Representative Richard Marron

The items on the agenda were as follows:

ITEM 1. Allocation of the calendar year 2001 Private Activity Bond ceiling (32 V.S.A. Sec. 992 (b)).

Elizabeth McLain of Vermont Student Assistance Corporation (VSAC) provided some background on VSAC's activities.

Senator Rivers made the following motion, seconded by Representative Marron:

Motion is made to allocate Vermont's private activity bond allocation of $187,500,000 for calendar year 2001 as follows:

Vermont Housing Finance Agency	$ 77,750,000
Vermont Student Assistance Corporation	$ 84,750,000
Vermont Economic Development Authority	$ 20,000,000
Vermont Municipal Bond Bank	$ 5,000,000
Total	$187,500,000

It is further moved that the Emergency Board hereby delegate to the Governor the power and authority to assign or reallocate unused portions of the private activity bond ceiling as provided in 32 V.S.A. 992 (b) and that the effective dates for this delegation shall be from December 21, 2001 through December 31, 2001.

The motion was passed unanimously.

ITEM 2. **Presentation of the Administration's and Joint Fiscal Office's Revenue Estimate (32 V.S.A. Sec. 305a).**

Thomas Kavet and Jeff Carr presented their economic forecasts for Fiscal Years 2001-2003. After discussion, Representative Marron made the following motion, seconded by Senator Rivers:

Motion is made that the state revenue estimates pursuant to 32 V.S.A. Sec. 305a for Fiscal Year 2001, Fiscal Year 2002 and Fiscal Year 2003 are as follows:

	Fiscal 2001 Estimate (millions)	Fiscal 2002 Estimate (millions)	Fiscal 2003 Estimate (millions)
General Fund	883.7	916.2	950.7
Transportation Fund	188.0	195.0	201.1
Education Fund	90.5	91.8	96.0
Federal Fund	892.6	934.6	No Recommendation
Estate Tax	9.4	9.2	8.7

The motion was passed unanimously.

The meeting was adjourned at 2:50 p.m.

A true record,

ATTEST:

Kate O'Connor

Kate O'Connor
Secretary of Civil and Military Affairs

/hj
1/17/01

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER AFFILIATE OF BANKNORTH GROUP, INC. IN A MAXIMUM AMOUNT OF $750,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO CLARK AND CANAL STREETS LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 12-UNIT DEVELOPMENT IN BRATTLEBORO

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 $750,000 aggregate principal amount to Stratevest & Co., or some other affiliate of Banknorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Clark and Canal Streets Limited Partnership (the "Borrower") to acquire and rehabilitate an 12-unit development (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $750,000 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 Program 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 eighteen months 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this _____ day of February, 2001.

VERMONT HOUSING FINANCE AGENCY

By ________________________________
Executive Director

Attest:

By ________________________________
Authorized Officer

2001 Multifamily Development Activity
January 1, 2001 to Date

1. Ventures Pre-Development Loans	**Type Project**	**Type Housing**	**# Units**	**Sponsor**	**Location**	**Loan/ Credit Amount**	**Status**
Red Lion Inn	Acq/Rehab	Elderly	20	Randolph Neighborhood Housing Services	Randolph	$45,000	Committed 5/27/98.
502 North Branch	Lease to Own	SFH	1	Regional Affordable Housing Corp	Bennington	$83,546	*Bridge loan* made 3/12/97; loan matures 6/30/01
Willows MHP	MHP	Eld/Fam	4	Regional Affordable Housing Corp	Bennington	$15,143	*Bridge loan* made 12/28/94; loan matures 12/31/01
Waterbury Seminary	Acq/Rehab	Family	16	Central Vermont Community Land Trust/Housing Vermont	Waterbury	$14,787	Committed 8/16/99
Townhouse Terrace	Acq/Rehab	Family	36	Housing Vermont	St. Johnsbury	$31,000	Committed 11/4/99
Marketplace	New Const	Family	80	LCHDC	South Burlington	$60,000	Committed 12/30/99; 2000 Tax credits committed ; TE debt
Waterbury Seminary	Acq/Rehab	Family	16	CVCLT	Waterbury	$25,213	Committed 1/19/00.
Columbian/Cottage	Acq/Rehab	Family	13	RCCLT	Rutland	$23,000	Committed 4/14/00.
Assisted Living	New Const	Elderly	25	CSC	Burlington	$50,000	Committed 4/14/00.
The Baldwin Block	Acq/Rehab	Family	7	WRAP/HVT	Wells River	$21,000	Committed 6/15/00.
Stowe Family Housing	New Const	Family	40	LHP/HVT	Stowe	$60,000	Committed 6/21/00.
Smiths Housing	Acq/Rehab	Family	17	ACCAG/HVT	Middlebury	$20,150	Committed 7/25/00.
HVT: Lime Kiln	New Const	Family	45	HVT/LCHDC	So. Burlington	$54,000	Committed 11/6/00
BACLT: Clark & Canal	Acq/Rehab	Family	12	BACLT	Brattleboro	$25,000	Committed 12/19/00
LHP: Evergreen MHP	Acq/Rehab	Family	32	LHP	Hardwick	$37,150	Committed 12/19/00
RAHC: Arlington	Acq/Rehab	General	35	RAHC	Arlington	$25,000	Committed 1/24/01
RCCLT: 64 School St	New Const	Family	12	RCCLT	Rutland	$30,000	Committed 1/29/01
Bridge Street MHP	Acq/Rehab	Family	8	CVCLT	So. Barre	$10,000	Committed 2/6/01

2001 Multifamily Development Activity
January 1, 2001 to Date

2. 2000 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Anderson Parkway I	New Const	Family	12	LCHDC/HVT	So. Burlington	$141,000	Carryover issued 12/29/00
Bus Barns Bond	Acq/Rehab	Family	13	BCLT/HVT	Burlington	$75,914	Out of Cap; closed 12/28/00; under construction
Bus Barns Allocated	New Const	Family	12	BCLT/HVT	Burlington	$28,710	Carryover issued 12/28/00
St. Johnsbury House	Acq/Rehab	Elderly	38	Green Mountain Development Group	St. Johnsbury	$198,425	Forward Commitment of 2000 Credits; Carryover issued ____
Mary Exner Block	Acq/Rehab	Family	10	HVT/RACLT	Bellows Falls	$26,909	1999-2000 Credits; 8609s done 12/00
The Gardens	New Const	Elderly	30	Dick Dybvig	Williamstown	$20,610	Out of cap; permanent closing 2/01.
Franklin Homestead	New Const	Elderly	18	HVT	Franklin	$36,684	Out of Cap; permanent closing 3/01.
Saxtons River	Acq/Rehab	Family	17	HVT	Saxtons River	$69,315	Out of Cap; Tax exempt bond
Anderson Parkway II	New Const	Family	6	HVT/LCHDC	So. Burlington	$33,061	Out of Cap; permanent closing 3/01
McAuley Square – Senior & Scholar	New Const	Family/ Elderly	67	HVT/CSC	Burlington	$249,601	Out of Cap; Tax exempt bond
McAuley Square – Lund	New Const	Family	12	HVT/CSC	Burlington	$88,000	2000 Credits Committed
Westgate	Acq/Rehab	Family	48	HVT/BACLT/WTA	W. Brattleboro	$335,000	2000 Credits Committed
Westgate	Acq/Rehab	Family	50	HVT/BACLT/WTA	W. Brattleboro	$178,094	Out of Cap; TE debt
Jeffersonville	New Const	Family	10	HVT/LHP	Jeffersonville	$99,897	2000/2001 Credits Committed
Jeffersonville	New Const	Elderly	22	HVT/LHP	Jeffersonville	$70,448	Out of Cap; TE debt
Hillcrest Views/Maple St	Acq/Rehab	Family	38	VSHA	St. Albans	$32,500	Out of cap; TE debt
Rutland Rehab	Acq/Rehab	Family	31	RCCLT/HVT	Rutland	$20,246	Out of cap; TE debt

2001 Multifamily Development Activity
January 1, 2001 to Date

3. 2001 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/ Credit Amount	Status
Marketplace (Farrell St.)	New Const	Family	120	HVT/LCHDC	South Burlington	$275,000	Forward Commitment 2001 Credits
Ben South	Acq/Rehab	Family	21	RAHC	Bennington	$47,097	Out of cap
Baldwin Block	Acq/Rehab	General	7	HVT/WRAP	Wells River	$28,546	Out of cap
Columbian	Acq/Rehab	Family	9	RCCLT	Rutland	$43,000	Out of cap
Clark & Canal	Acq/Rehab	Family	12	BACLT	Brattleboro	$37,000	Out of cap

2001 Multifamily Development Activity
January 1, 2001 to Date

4. Multifamily Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Bus Barns	Acq/Rehab/ New Const	Family	25	HVT/BCLT	Burlington	$250,000	$1,100,000	Construction closing 12/28/00; permanent closing 12/01.
Crystal Lake, Barton	Acq/Rehab	Family	16	HVT/GHT	Barton		$900,000	Construction closing12/6/99; permanent takeout 4/01.
Anderson Parkway	New Const	Family	18	HVT/LCHDC	So. Burlington	$254,515	$550,000	Construction closing 8/1/00; permanent closing 3/01
The Gardens at Williamstown Square	Acq/Rehab & New Construction	Elderly/ Assisted Living	30	Dick Dybvig	Williamstown	$1,880,000	$1,950,000	Construction closing 6/8/00; permanent closing 2/01
Ben South	Acq/Rehab	Family	21	RAHC	Bennington	$350,000	$850,000	Construction closing 1/31/01; permanent closing Jan 2002.
43 King Street	Acq/Rehab	Family	5	KSNRC	Burlington	$340,000	$100,000	Interim closed; details of project being worked out
Franklin Assisted Living	New Const	Elderly	18	HVT/FHI	Franklin		$725,000	Construction closing 4/11/00; permanent takeout 3/01.
Baldwin Block	Acq/Rehab	General	7	HVT/WRAP	Wells River		$840,000	Commitment 9/14/00; Closing 4/01
Columbian Avenue	Acq/Rehab	Family	9	RCCLT	Rutland		$700,000	Commitment 1/25/01; closing 4/01
Clark & Canal	Acq/Rehab	Family	12	BACLT	Brattleboro	$115,000	$750,000	Commitment 1/25/01
St. Johnsbury House	Acq/Rehab	Elderly	38	Green Mountain Development Group	St. Johnsbury	$200,000	$460,000	Closed 7/00; May 2001 completion anticipated
McAuley Square	New Const	Family/ Elderly	74	HVT/CSC	Burlington	$2,850,000	$4,100,000	Closed 9/00; tax exempt bond; completion 7/01
Rutland Rehab	Acq/Rehab	Family	31	HVT/RCCLT	Rutland	-	$240,000	To Board 10/00; tax exempt debt & out of cap credit
Westgate	Acq/Rehab	Family	100	HVT/WTI/ BACLT	Brattleboro	$1,534,302	$2,600,000	Have 2000 Credit Commitment; Board approved 8/00; seeking additional credits

2001 Multifamily Development Activity
January 1, 2001 to Date

4. Multifamily Loans (Cont'd)	**Type Project**	**Type Housing**	**# Units**	**Sponsor**	**Location**	**Loan Amount**	**ST or Constr. Financing**	**Status**
Marketplace (Farrell St)	New Const	Family	160	LCHDC/HVT	South Burlington	$4,536,000	$9,512,970	Approved 11/29/00; closing 3/01
Jeffersonville Elderly	New Const	Elderly	22	HVT/LHP	Jeffersonville	$253,500	$1,040,000	Board approved 6/00; tax exempt debt & out of cap credit; Act 250 not yet issued; seeking additional credits
Brookside MHP	Acq/Rehab	Family	48	ACCT	Starksboro	$845,000		Closed 2/5/01; 501(c)3 Bond

2001 Multifamily Development Activity
January 1, 2001 to Date

5. Multifamily pipeline and potential projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Maples II	New Const	Elderly	32	GMDG	Rutland	$1,650,000	$1,650,000	Preliminary application pending 9/26/00. Includes construction/permanent loan request, plus zero percent gap funding.
Stratton Mountain	New Const	Family	36	Capital Ideas Inc.	Stratton or Winhall	$2,600,000	$2,600,000	Loan application not yet submitted; *Seeking tax exempt* financing and out of cap tax credits.
Limerock I	New Const	Family	45	Housing Vermont/LCHDC	So. Burlington	$1,080,000	$2,150,000	Loan application not yet submitted; Seeking *tax exempt* financing and out of cap tax credits.
Richford	Acq/Rehab	Elderly	10	LCHDC/Housing Vermont	Richford	-	$500,000	Loan application not yet submitted; Seeking RD financing. *Tax exempt* bond & 4% credit.
Green Mountain Seminary	Acq/Rehab	Family	16	CVCLT/HVT	Waterbury Center		$1,185,000	TE Debt & out of cap credit (Has State Credit Commitment)
Stowe Family Housing	New Const	Family	40	HVT/LHP	Stowe	$450,000	$2,800,000	Application not yet submitted; TE Debt & out of cap credit.
Vernon Elderly	New Const	Elderly		HVT	Vernon			Application not yet submitted; TE Debt
Falcon Manor	New Const	Elderly		Yandow-Dousevic	Williston			Application not yet submitted; TE debt

Housing Credit Program - State of Vermont

2001 Round One Letters of Intent

2/16/01 10:57 AM

Project Name	Sponsor	Location	Requested Credits	Total Development Cost	Number of Units
Essex New Town Center	HDI	Essex	217,000	3,400,000	28
Arbor Gardens	HDI	Colchester	455,000	6,478,000	56
Victoria's Apartments	Bove Brothers, Inc.	Burlington	315,000	3,441,000	34
Maples Phase II	GMDG	Rutland	185,000	2,840,000	32
Templeton Court Rehab	HFI	Hartford	356,000	4,439,000	26
Three Cathedral Square Assisted Living	CSC	Burlington	50,000	1,650,000	15
St. Paul and N Champlain Scattered Sites	LCHDC	Burlington	32,000	650,000	8
Ruggles House	HVT and CSC	Burlington	58,000	1,631,102	15
Howard Block	HVT and BFDDA	Bellows Falls	105,000	2,508,957	15
Depot Street Housing	HVT and BCLT	Burlington	325,000	5,469,132	40
Limekiln	HVT and LCHDC	South Burlington	150,000	5,886,223	48
Jeffersonville	HVT and LHP	Jeffersonville	89,000	3,492,060	32
Westgate	HVT, WTI, BACLT	Brattleboro	177,000	8,859,443	74
White River Junction Transitional	HVT and TPHT	Hartford	91,343	1,604,593	13
White River Junction	TPHT	Hartford	28,000	1,000,000	12
Old Windsor High School	HVT	Windsor	165,000	3,640,133	22
St Albans Housing	HVT and LCHDC	St. Albans	251,278	7,731,804	60
Smith's Housing	HVT and ACCAG	Middlebury	77,000	2,305,430	17
64 School Street	RCCLT	Rutland	130,000	1,659,700	12
Western Ave Apartments	BACLT	Brattleboro	88,000	1,376,500	11
Timber Ridge	R4R, Inc.	Mendon	180,000	1,758,296	30
Arlington Village Center	RAHC	Arlington	232,000	3,800,000	35
TOTALS			3,756,621	75,621,373	635

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: February 15, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Our standard production reports by product and lender will be available at the Board meeting. We have had some minor problems with getting information off MITAS Windows to prepare the reports.

We have experienced a slight increase in activity since we lowered our rates by 25 basis points to 6.85%. VHFA currently enjoys a spread of approximately 50 to 75 basis points over conventional rates offered by our top producing lenders.

COLLECTIONS

Attached is a REO Inventory Report as of January 31, 2001. Delinquency reports for the month ending January 31, 2001 was not available at the time of this mailing but will be available at the Board meeting.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

REO INVENTORY REPORT
As of January 31, 2000

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 09/30/00	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Prop Type	Comments
Bushey, W	1/19/98	Fairfield	$ 57,867	$ 5,686	$ 37,514	$ 17,360	$ 83,706	$ 46,203	$ 55,000	$ 60,000	10/4/00	$ 62,000	9/20/95	MH	Under Contract $55,000
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 18,804	$ 15,898	$ 84,587	$ 26,430	$ 45,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Under Contract $45,000
Acheson	5/2/00	Brattleboro	$ 81,075	$ 9,087	$ 18,146	$ 18,500	$ 89,808	$ 13,471	$ 69,900	$ 86,000	2/4/00	$ 93,000	6/6/91	2F	Under Contract $69,900
St. Peter	6/9/00	Starksboro	$ 20,527	$ 1,083	$ 6,653	$ 2,463	$ 25,800	$ 16,226	$ 7,500	$ 10,000	8/29/00	$ 26,000	10/24/98	MH	MH in Park; May seek buyer who will remove home
Pignone	7/12/00	Barre Town	$ 35,053	$ 3,323	$ 27,184	$ 9,570	$ 55,990	$ 27,648	$ 46,000	$ 46,000	6/20/00	$ 43,000	5/11/90	SF	Will Market with 0% Second Mortgage
Coletti	7/14/00	Barre City	$ 50,132	$ 9,639	$ 11,075	$ 12,414	$ 58,432	$ 23,297	$ 41,000	$ 65,000	8/24/00	$ 58,000	9/15/94	SF	Under Contract $41,000
Fogarty	8/15/00	Rutland City	$ 50,138	$ 4,895	$ 10,349	$ 15,041	$ 50,341	$ 16,875	$ 39,500	$ 30,000	10/9/00	$ 59,000	10/30/95	2F	Offer Pending
Roberts	8/24/00	Newbury	$ 54,865	$ 2,991	$ 8,558	$ 14,038	$ 52,376	$ 21,728	$ 47,000	$ 57,000	3/15/00	$ 57,000	4/5/99	SF	Under Contract $47,000
McGraw	9/2/00	Fairhaven	$ 43,099	$ 4,390	$ 8,264	$ 28,698	$ 27,055	$ 15,881	$ 27,000	$ 27,500	9/12/00	$ 44,000	3/21/97	SF	Under Contract $27,000; RD Guaranteed
Clark	9/18/00	Clarendon	$ 34,050	$ 5,205	$ 5,048	$ 8,757	$ 35,546	$ 16,499	$ 10,000	$ 20,000	10/12/00	$ 40,000	5/26/89	MH	Under Contract $10,000
Spafford	9/25/00	Springfield	$ 79,651	$ 6,481	$ 9,794	$ 23,747	$ 72,179	$ 2,386	$ 72,500	$ 72,500	6/23/00	$ 91,000	8/2/95	SF	Under Contract $72,500
Park	10/13/00	Stannard	$ 42,805	$ 6,222	$ 9,408	$ 9,361	$ 49,074	$ 151	$ 52,500	$ 72,000	10/18/00	$ 47,000	5/25/94	SF	Under Contract $52,500
Gagnon	11/3/00	Burlington	$ 80,929	$ 13,411	$ 16,252	$ 17,875	$ 92,717	$ -	$ 110,000	$ 110,000	12/27/00	$ 90,500	4/15/94	SF	Under Contract $110,000
Genson	11/6/00	Swanton	$ 67,723	$ 10,332	$ 7,250	$ 14,908	$ 70,397	$ 20,682	$ 55,000	$ 50,000	1/23/01	$ 73,750	7/21/95	SF	New to Market; Did not have possession until early Jan.
Benham	11/7/00	Alburg	$ 78,465	$ 6,870	$ 9,721	$ 14,465	$ 80,591	$ 10,000	$ 55,000	$ 70,000	11/13/00	$ 80,500	12/20/93	SF	Under Contract $55,000
Woodman	11/8/00	S Burlington	$ 77,964	$ 8,952	$ 9,505	$ 2,978	$ 93,443	$ -	$ 104,000	$ 128,000	12/1/00	$ 120,000	12/26/94	MH	Under Contract with BCLT $104,000
Ward	11/28/00	Fair Haven	$ 39,871	$ 4,380	$ 5,286	$ 10,136	$ 39,401	$ 9,724	$ 20,000	$ 29,000	12/11/00	$ 49,000	2/11/98	2F	Under Contract $20,000
Shaw	11/29/00	Rutland City	$ 81,644	$ 10,666	$ 7,887	$ 18,499	$ 81,698	$ 22,413	$ 75,000	$ 62,500	10/27/00	$ 90,000	5/18/95	SF	Under Contract $75,000
Lavallee	12/8/00	Enosburg	$ 48,288	$ 2,941	$ 6,634	$ 21,943	$ 35,920	$ -	$ 35,000	$ 38,000	8/31/00	$ 50,500	12/16/96	SF	Under Contract $35,000; RD Guaranteed
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 1,640	$ 9,800	$ 38,799	$ -	$ -	$ -		$ 51,500	3/7/94	SF	Will be Vacant on 2/16/01
Gresham	12/15/00	Rutland City	$ 53,059	$ 5,692	$ 2,548	$ 12,000	$ 49,299	$ -	$ 20,000	$ 29,000	1/24/01	$ 65,000	1/13/93	MH	Under Contract $20,000
Gomez	12/22/00	Chester	$ 45,159	$ 4,182	$ 5,835	$ 13,538	$ 41,638	$ -	$ -	$ -		$ 49,000	6/2/95	MH	Tenant Occupied; VHFA will have possession on 3/14/01
Baldwin	12/28/00	Fairfax	$ 88,172	$ 12,097	$ 5,289	$ 19,400	$ 86,158	$ -	$ 87,000	$ 88,500	1/26/01	$ 98,000	2/10/95	SF	Under Contract $87,000
Blight	1/8/01	Hardwick	$ 79,849	$ 3,447	$ 6,061	$ 18,000	$ 71,357	$ -	$ 84,000	$ 82,000	2/7/01	$ 91,000	12/29/93	SF	Under Contract $84,000
Chamberlin	1/16/01	Huntington	$ 70,891	$ 4,013	$ 5,032	$ 17,000	$ 62,936	$ -	$ 85,000	$ 80,000	12/4/00	$ 86,000	7/31/89	MH	Offer Pending
Bushey, K	1/29/01	Fairfax	$ 58,620	$ 5,619	$ 2,009	$ -	$ 66,248	$ -	$ -	$ -		$ 85,000	9/23/97	SF	Occupied
26			$ 1,534,822	$ 165,318	$ 261,746	$ 366,389	$ 1,595,496	$ 289,614	$ 1,242,900	$ 1,373,000		$ 1,779,750			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMO

TO; VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: February 15, 2001

RE: Proposal to Utilize Single Family Excess Yield Funds and IORTA Funds

Staff have explored options to utilize resources available through the "Excess Yield" on Single Family Housing Program funds (also referred to as the 0% funds) and the IORTA Funds (Interest Received on Real Estate Trust Accounts) to accomplish the following objectives;

1. To make the current MOVE program interest rate more affordable and competitive with conventional interest rates;
2. To assist borrowers with down payment and/or closing costs;
3. To target a portion of the excess yield funds to provide 0% second mortgage loans for special targeting.

There is approximately $960,000 in excess yield funds available from earlier bond issues. These funds must be used for MRB eligible loans and may be used to make 0% loans or to lower the interest rate on other program funds. Staff recommends that we use approximately $500,000 of the funds to lower the interest rate from 6.85% to 6.50% on approximately $8.0 million of MOVE program funds, and that we use the fund balance to provide 0% second mortgage loans to targeted populations.

Staff also recommends that we use funds available from the Interest on Real Estate Trust Accounts (IORTA) to introduce a new "cash assistance" option to VHFA's MOVE Program. Staff also requests approval to use IORTA funds to provide matching funds for the Burlington Ecumenical Action Ministry (BEAM) Individual Development Account Program (IDA) and to assist borrowers who utilize VHFA's YESS Program with energy rating and project management fees.

The following provides more detail about these recommendations.

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LOWER RATE ON MOVE PROGRAM FUNDS

We propose using up to $500,000 of the $960,000 available in "Excess Yield" funds to lower the interest rate on up to $8.0 million in Series 13 program funds to 6.50% from its current rate of 6.85% (0 points). VHFA would also offer 1 point and 2 point options and a MOVE stepped rate option at correspondingly reduced interest rates. Conventional rates are in the range of 7.375%-7.50% for a zero point option.

EXCESS YIELD FUNDS TARGETED TO SPECIAL POPULATIONS

Staff proposes using up to $460,000 in "Excess Yield" funds to provide assistance to individuals receiving financing from a VHFA program. Assistance would be in the form of a deferred payment, 0% interest second mortgage loan. The loan amount for households at or below 50% of median income will be $20,000; households with incomes at or below 80% of median income but above 50% of median income will be eligible for a loan of $15,000 and households above 80% of median income will be eligible for a loan of $10,000. Funds will be available on a first-come, first-serve basis and must be reserved with VHFA at the time of reservation of funds on the first mortgage. The second mortgage will be due in thirty years or upon sale of the property.

Funds would be targeted to assist buyers who are either:

1. Purchasing a home that will have a mechanism in place so that the home will remain permanently affordable;
2. Purchasing a home with assistance from a HUD Section 8 Homeownership Option Voucher (approximately $230,000 will be targeted for this purpose);
3. Purchasing property in an area being targeted by a municipality for revitalization.

In all cases, homebuyer education through a Homeownership Center will be a requirement to receive a 0% second mortgage.

The Homeownership Centers have applied to NeighborWorks® (NW) for capital and capacity funding to assist buyers using the HUD Section 8 Homeownership Option. If this application is successful, VHFA will target up to $230,000 in 0% funds to this program to leverage NW's funds. In addition, staff will seek other opportunities to use the 0% funds to leverage other state, federal or private funding sources for homeownership.

USE OF IORTA FUNDS

As of February 1, 2001 approximately $376,873 was available in IORTA funds. These funds must be used to assist homebuyers with down payment and/or closing costs. VHFA had reserved $167,500 of these funds to offset the risk of loans previously made under the Down Payment Assistance Program. Due to loan amortization, VHFA's risk has substantially decreased and these funds can be used for other programs. Staff recommends that we use up to $280,000 in funds to provide a "cash assistance" option to VHFA's MOVE Program. Borrowers utilizing the option would receive an interest rate of 6.85% with no points and cash assistance equal to three percent of the loan amount. We estimate that we will be able to provide cash assistance to approximately 125 borrowers. The cash assistance will be a grant for down payment and/or closing costs with no repayment requirement. The borrower will still have to meet VHFA's minimum cash asset requirements that vary, depending on credit score and mortgage insurer. A borrower will not be able to receive cash back at closing.

Our goal will be to keep this option simple for borrowers to understand and easy for lenders to administer. Essentially the homebuyer receives cash assistance in exchange for a higher interest rate on their mortgage. Staff did consider providing assistance for a set dollar amount; however, since the borrower receives a higher interest rate in exchange for the cash assistance, a percentage of the loan amount would be more equitable.

The cash assistance feature is an option that is working very well in Maine and New Hampshire where they fund the cash assistance through premium bonds. New Hampshire does approximately 50% of their loans using this option. They currently offer a rate of 50 basis points above their standard rate and cash assistance equal to 4% of the purchase price. Using the IORTA funds will be a good test to see if there is a market for this product in Vermont. Staff is also looking into the feasibility of offering cash assistance as a permanent option and will provide information at the Board meeting.

In addition, staff would like to make the following recommendations to commit IORTA funds to two organizations to assist homebuyers with down payment and/or closing costs:

1. $30,000 to provide matching funds for the Burlington Ecumenical Action Ministry (BEAM) Individual Development Account Program. Individual Development Accounts provide a way for potential homebuyers to save for downpayment and closing costs. BEAM's program provides matching funds of $4.00 for every $1.00 saved by the potential homebuyer. These funds must be used for home purchase. Participants also receive intensive one-on-one financial counseling through BEAM.
2. $15,000 to Energy Rated Homes of Vermont to assist VHFA YESS Program borrowers with energy rating and project management fees. Both of these fees would be considered closing costs. This fund will assist approximately 25 YESS borrowers.

If the above recommendations are approved, VHFA would have approximately $50,000 remaining in the IORTA account. These funds would be reserved to offset any remaining risk to VHFA from the original Down Payment Assistance Program and to assist buyers of VHFA-owned property with closing costs.

BOARD ACTION REQUESTED

Staff requests approval of the recommendations stated above. The lower MOVE rate and Cash Assistance Option will be implemented as soon as possible. The 0% second mortgage feature will be implemented by the end of April.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: February 16, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

ADMINISTRATION

Tim Kocsis, from The Mitas Group, was on site for 2 weeks beginning January 29th to execute the formal conversion from DOS to the Windows version of the Mitas system. The conversion went smoothly and the data was converted appropriately. All staff has worked very conscientiously on testing the software beforehand wherever possible, and that preparation was apparent during the conversion. IS staff have compiled a list of 14 issues that must be addressed immediately post conversion. The loans for Multi-Family were consolidated into 1 database and were also converted during this conversion period.

The Windows version of the Housing Management System is scheduled for an April timeframe at this time. We anticipate this part of the Windows conversion to be smaller in scope and slightly easier to implement as data mapping issues will not be as complex. The Mitas Group has informed Rick that they are on schedule with writing the programs for both, the conversion, and the enhanced functionality that has been requested for the MF/Development modules.

All the staff involved with the conversion put in a great effort, but in particular Rick Jean and Sherri Mullin of IS, Jacklyn Santerre of Homeownership, and Lisa Clark of Finance all did tremendous work during the two week period, which at times was very stressful.

PUBLIC AFFAIRS

Activities at the statehouse are in full swing, as bills start to be introduced. I have spent a considerable amount of time in the last several weeks testifying and meeting with legislators about a variety of initiatives. Funding for VHCB, permit reform, possible new affordable housing initiatives and service funding for assisted living are the legislative priorities for the housing community.

A number of public affairs activities are in the planning and development stages. In early March, VHFA is convening a planning committee with our affordable housing partners in the state to discuss the potential of launching an affordable housing public awareness campaign in Vermont, as discussed at the November VHFA Board retreat. Because such a program is also being discussed in Maine and New Hampshire, VHFA is talking with our counterparts in those states about their potential interest. The concerted effort of many partners will be needed to develop and implement this campaign.

Cathleen Gent and I will be attending NCSHA's Legislative Conference in Washington DC in mid March. We will be meeting with Vermont's congressional delegation and staff to discuss federal legislative priorities, including the removal of the Ten Year Rule for tax-exempt bonds and greater flexibility in establishing MRB purchase price limits. Demand for the newly expanded cap increases for the Low Income Housing Tax Credit program and private activity bonds is already exceeding availability, so we will also discuss the need for additional affordable housing resources in Vermont and the possibility any new federal production programs.

VHFA is also participating in planning and sponsoring a number of educational training opportunities and conferences in the coming months. Cathleen Gent is co-chairing the Vermont Housing Managers Association Education and Conference Committee, which is assembling a strong series of workshops and conference offerings this year. Cathleen is also taking the lead for VHFA in collaborating and sponsoring training opportunities for resident service coordinators in family and elderly rental properties in Vermont. In addition, VHFA is working with VHCB and other organizations to develop a slate of training workshops and activities for nonprofit housing organizations.

A housing needs study for the Upper Connecticut River Valley (Vermont and New Hampshire) is in the planning stages. This two-state region has an acute housing shortage, which will be quantified in the housing needs study conducted (hopefully) this summer. VHFA is sponsoring this study, in collaboration with partners on both sides of the Connecticut River.

DEVELOPMENT

Development staff is working on the many projects currently open (construction at McAuley Square, St. Johnsbury House, etc.). The Brookside Mobile Home Park has recently closed.

The Gardens at Williamstown Square and Bus Barns in Burlington both recently held events (an open house and a groundbreaking).

Staff is working hard to get caught up in a number of project commitments, including Rutland Rehab, Clark/Canal, Jeffersonville and Westgate. These last two need some restructuring and have expressed an intent to apply for additional tax credits, along with twenty other projects. The total credit available for the year is $1.64 million (we already forward allocated $360,000). As we discussed, the intention is to allocate $1 million in the first round and the remainder later in the year. The letters of intent we received have applications for credits totaling $3.76 million. This year will not be any easier!

Erin Philbrick will be joining the Development/Multifamily department as the Multifamily Operations Specialist on February 22nd. She comes to VHFA from Vermont State Housing Authority, where she worked as a Property Management Technician. She will work alongside Nina McDonnell, who is also a Multifamily Operations Specialist.

MULTIFAMILY

Staff has closed on the acquisition of Point School Apartments in Colchester by Lake Champlain Housing and is scheduled to close another preservation transaction, Lake Champlain Apartments acquisition by Burlington Housing Authority, on the day of our Board meeting. We have also been negotiating with Jim Pizzagalli on the future of his two large properties in Burlington after he notified us of his intent to prepay his loans and not renew the "optional" final ten-year terms on his 30-year Section 8 HAP Contracts.

After a productive meeting, he has indicated a willingness to enter into a VHFA Preservation Agreement in exchange for a debt restructuring that would allow him to recover his current and accrued return on equity over the 10-12 years remaining on his mortgage and HAP Contract terms for both properties.

We are happy to report that Highgate Apartments is now fully occupied after filling the chronic vacancies that were a problem late last year. 2001 budget issues have also been resolved with more than $40,000 in reductions realized in the Highgate Resident's Association line item. This expense was more than $116,000 in last year's budget and could not be sustained without threatening the financial viability of the property. A variety of efforts are in place to try to get more on site services provided by existing agencies.

Work has begun to remediate the extensive mold problems that surfaced at Canterbury Housing in St. Johnsbury. The fear of resident suits related to this problem has diminished somewhat as NCMC and HVT have managed to settle many personal property claims submitted by the residents.

Kim Roy, who continues to spearhead and excel in this MF Management effort, has completed all tax credit compliance monitoring work required for the year 2000. We are planning to distribute this workload amongst all Management Officers beginning this year and Kim will share project specific tax credit responsibility for only a portion of the 100+ properties that make up the tax credit portfolio.

HOMEOWNERSHIP

VHFA's 9th Annual Home Buyer Fair on Saturday, March 23rd will be our biggest and best ever. A total of 42 organizations will be represented including 18 lenders from Chittenden, Franklin and Washington counties, real estate brokers, attorneys, a property inspector, an insurance company, a moving company, title insurance companies and many more. The Homeownership Center and Consumer Credit Counseling will be offering seminars throughout the day, and for the first time ever Habitat for Humanity and Burlington Housing Authority will join us to provide information about their homeownership options. The day will be a lot of fun for both consumers and participants.

FINANCE

The Finance staff was very involved with the 2 week Mitas conversion that just ended, including integrating the work necessary to prepare the December 31st financial reports. Staff has also recently finished preparing the year-end IRS required reports related to interest income and expense.

There have been many bond closings and financings in the past month, including BenSouth, Brookside and French Hill Mobile Home Parks, and the Chicken Bone project.

Staff is reviewing options related to the upcoming single family bond financing, which is scheduled to occur in April.

OTHER

I will be on vacation February 28 through March 6. I also will be in Washington D.C. for an AAHSA meeting March 12 and 13.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah Carpenter, Executive Director SC

RE: Improvements to Multifamily Loan and Financing Approval Process

DATE: February 15, 2001

As part of evaluating the various processes used for the Agency's business, we have taken a closer look at the Board approval process for multifamily projects. Without making any dramatic changes, we have determined some shortcuts to use the Board's time more efficiently, to eliminate duplication and to maximize the staff expertise. Basically, the process has five components:

1. Presentation to the Board;
2. Board Action to approve a project, including the approval of bond issuance for a particular project;
3. General Authorizing Multifamily Bond Resolution;
4. Underwriting Guidelines; and
5. Loan Review Committee's role.

The following discussion will outline how each component is currently used and how it can be modified to achieve improvement with the Board's approval.

Presentation to the Board. The first step is to present a project to the Board for consideration. Currently a memo summarizing the project is prepared by staff for the Board's consideration. For loans greater than $1 million, financial projections are also included. This step will continue to provide the Board's support for making the statutory findings required for each loan to a housing sponsor. One addition is to include a Sources and Uses table to show the participation of VHFA and the other lenders. An example is attached to this memo.

Board Action to Approve a Project. Currently the Board resolutions to approve a project for either a construction and/or permanent loan includes many details about the terms, including amount, term, rate and source of funds, and conditions of the loan which are likely to change before closing. By including the specifics of each loan in a Board resolution, the staff has been forced to return to the Board for additional action because of new or additional information that requires an adjustment in the loan(s) structure. These changes may be in the amount of the loan, the source of funds (tax-exempt, taxable or 0% funds) or even term of years. All of these details are variables in structuring each loan until it closes. Therefore, we are recommending a much more condensed Board resolution for each project that would not specify the details of the loan but rather direct the staff to apply the underwriting guidelines (discussed below) to develop the

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most viable loan structure for both the Agency and the borrower. This resolution would also authorize the issuance of bonds as appropriate to the final loan structure.

General Authorizing Multifamily Bond Resolution. Currently, as staff assembles a group of projects ready for bond financing, a bond resolution specific to those projects is prepared and a Board meeting must be called (which may or may not coincide with a monthly Board meeting). One way to eliminate the need to have Board action for each bond issuance is to adopt a "general authorizing multifamily bond resolution" which would authorize a lump sum amount of bond financing for multifamily projects to be assigned to approved projects in the future. Basically, then, the staff could put together one or more bond series as they arise up to the authorized lump sum amount without additional Board action. A DRAFT resolution is attached for your consideration. Roger will review this with you at the Board meeting.

Underwriting Guidelines. A new piece to the approval process is to formalize the underwriting guidelines for construction and permanent loans for multifamily developments. The attached Underwriting Guidelines are an attempt to explain the evaluation that is made of each application. After the guidelines are approved by the Board, the staff would be expected to apply these guidelines to each project consistently to develop the final loan structure.

Loan Review Committee. This committee is made up of myself, the Director of Finance, the Chief of Program Operations, the Director of Multifamily Programs and the Development Officers and Underwriters (Roger, Dave, Sam, Joe and Cindy). This committee meets weekly to discuss the status of each project, including conditions, terms and source of funds. As part of this streamlining, it is recommended that this committee be used to approve the final loan structure for each project, including the terms of Commitment Letters, after the initial approval by the Board. The final preparation of Commitment Letters will be in conjunction with legal counsel. This committee will then report to the Board quarterly on the loans and their terms as they close.

The proposed adjustments to the current approval process are recommended to make the most efficient use of the Board's time and to avoid duplication when possible. I am interested in your thoughts on this proposal. Please feel free to call me if you have any questions before the Board meeting.

Vermont Housing Finance Agency

UNDERWRITING GUIDELINES

MULTIFAMILY DEVELOPMENT

Approved:___________

Purpose: This policy outlines the underwriting guidelines which are to be followed to evaluate applications for both construction and permanent loans for multifamily housing.

Procedure: At the direction of the Executive Director, Multifamily Development staff in conjunction with Multifamily Management staff where appropriate will apply these guidelines consistently. Authority to issue a Letter of Interest and/or a Letter of Commitment for a particular project requires formal action by the Board of Commissioners. Based on the application of the underwriting guidelines, conditions for loan commitment and/or closing, loan terms and source of funds that maintain the financial viability of the project will be determined by the Multifamily Development staff and the Loan Review Committee with the concurrence of the Executive Director or his or her designee. All loans are subject to the requirements of the source of funds to be used, such as, bond proceeds. The Loan Review Committee will submit a cumulative fiscal year report of the loans made or to be made and their terms to the Board of Commissioners quarterly, indicating the newest additions to the report.

Interpretation: Executive Director

Types of Projects to be Financed	New construction; acquisition and/or rehabilitation; mobile home parks; tenant cooperatives; transitional housing; SROs; congregate care; residential care; group homes
Affordability/Income Targeting	75% of housing must be occupied by households of low or moderate income as established by the Agency from time to time; may be waived to "more than half" by the Board of Commissioners LIHTC allocation and/or use of bond proceeds may dictate additional affordability requirements
Loan to Value	For-Profits: Up to 95% of appraised value or cost, whichever is less Non-profits: Up to 100% of appraised value or cost, whichever is less
Term	Based on source of funds and financial needs of project, but in no event shall the term exceed forty (40) years
Interest Rate	As determined by the VHFA Policy on Rates and Fees as amended from time to time
Debt Coverage Ratio	Generally requires 1.15 to 1; may be lowered if justified by mitigating circumstances Use of bond proceeds may require a higher ratio
Property Analysis	Appraisal required; Level I Environmental Assessment, including lead and asbestos abatement where necessary

Market Study	Sponsor must demonstrate need for housing to support staff recommendation to Board of Commissioners
Development Budget	Staff approval by line item based on Agency experience, comparables and industry benchmarks
Building Plans & Specifications	Staff approval with outside evaluation when needed; For existing projects, including mobile home parks, plans must address the results of a capital needs assessment
Management Capability	Proposed management plan and management agent requires Multifamily Management approval
Operating Budget	First year plus cash flow projections for the term of loan
Income and Expense Projections	Burlington MSA: 1.5% per year for income and 3% per year for expenses Outside Burlington MSA: 1% per year for income and 2.5% per year for expenses
Vacancy Rate Projection	Not less than 5% at stabilized occupancy unless supported by compensating circumstances at Agency's discretion; may require a higher rate based on market study
Replacement Reserve Account	Rental: minimum $350/unit/year Mobile Home Parks: Based on capital needs assessment
Working Capital	Two (2) months' operating expenses, including debt service and replacement reserves; at least 50% in cash
Deficit Escrow	Amount determined at permanent closing to cover expenses during rent-up period; released after six (6) months of sustained breakeven operation on an annualized basis
Minimum Equity	Local or State agency; Non-profit: None Others: 5% in cash or land or combination
Regulatory Agreement	Must include rent limits, operating account requirements, replacement reserve, working capital, tenant income monitoring, VHFA rights in case of default Requires Multifamily Management approval

KUTAK ROCK LLP
DRAFT 2/15/01

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects

Adopted February 22, 2001

01-314988.01

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MISCELLANEOUS

VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

February 22, 2001

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 No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all 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

.1. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

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

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

.2. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

.1. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Director of Finance or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

.2. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

.3. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

.1. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

.2. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

.3. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

.4. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE IV

MISCELLANEOUS

.1. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

.2. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

.3. 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 (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

.4. Effective Date. This resolution shall take effect immediately.

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT RE: CONSTRUCTION FINANCING FOR COLUMBIAN AVENUE, RUTLAND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Rutland County Community Land Trust, involving the acquisition and rehabilitation of nine units of rental housing in the City of of Rutland (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 $700,000 aggregate principal amount (the "Bonds") to finance a loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust (the "Borrower") to acquire and rehabilitate nine units of rental housing (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan in the amount of up to $700,000 for 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;

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 January 18, 2001, 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 and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust for construction financing in an amount not to exceed $700,000; the term of the construction loan will be not more than 18 months, 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;

   b) Sponsor must provide an as built appraisal satisfactory to the Agency;

   c) Sponsor must provide evidence of necessary permits;

   d) Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks 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 construct 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 or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for an interim loan for the acquisition and construction of the Development, in an amount not to exceed $700,000.

6. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 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 Rutland County Community Land Trust as a representative of the Columbian Avenue 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, 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 January 25, 2001.

Sarah E. Carpenter

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

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT OF $750,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO THE COLUMBIAN AVENUE LIMITED PARTNERSHIP TO BE CREATED BY RUTLAND COUNTY COMMUNITY LAND TRUST TO FINANCE THE ACQUISITION AND REHABILITATION OF A 9-UNIT DEVELOPMENT IN RUTLAND

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 $750,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust, (the "Borrower") to acquire and rehabilitate a 9-unit development (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $750,000 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 Program 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 eighteen months 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25th day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By Sarah E. Carpenter
Executive Director

Attest:

By Roger A. Schneeweiss
Authorized Officer

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 January 25, 2001.

Sarah E. Carpenter

SARAH E. CARPENTER
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (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 $750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to $750,000 for 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 long-term loan in an amount of up to $115,000 for long-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;

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 Joe Erdelyi, dated January 18, 2001, 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 a to-be-formed limited partnership, for the acquisition, rehabilitation and long-term financing of the Clark/Canal housing development in Brattleboro. 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 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;

    b. Sponsor must provide an as built appraisal satisfactory to the Agency; and

    c. Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing

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 an acquisition and construction loan in a maximum amount of $750,000, and a loan for the long-term financing of the Development, in an amount not to exceed $115,000.

3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 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, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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.

4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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 issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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.

6. The preliminary approval of paragraph 5 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.

7. The Executive Director, 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 January 25, 2001.

Sarah E. Carpenter

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

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 5-UNIT PROJECT IN BURLINGTON AND FOR A LETTER OF INTEREST AND COMMITMENT RE: FINANCING FOR 43 KING STREET DEVELOPMENT IN 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 King Street Neighborhood Revitalization Corp., a Vermont non-profit corporation (the "Sponsor"), involving the acquisition of real estate and the rehabilitation of that real estate into five 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 501(C)(3) bonds of not more than $400,000 aggregate principal amount (the "Bonds") to finance a loan to King Street Neighborhood Revitalization Corp. to acquire and rehabilitate a 5-unit project (the "Project") at 43 King Street in Burlington, Vermont;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to $100,000 during construction 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, $350,000 for long-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 a zero percent loan of not more than $40,000;

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 Joe Erdelyi, dated January 18, 2001, 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 King Street Neighborhood Revitalization Corp. for a long-term loan in an amount not to exceed $350,000 and a loan from refunding proceeds of not more than $40,000 at 0%. An interim loan of $100,000 for acquisition of the property will be for a term of not more than 18 months with an interest rate not more than 150 basis points above the Agency's cost of funds. The interim loan of $100,000 is hereby ratified. The term of the long-term loan will be not more than 30 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Phase I Assessment in the scope of work to the satisfaction of the Agency;

   b) Sponsor must provide an as-built appraisal satisfactory to VHFA;

   c) Sponsor must provide evidence of necessary permits; and

   d) Sponsor must provide final plans and specifications for VHFA review and approval.

3. The issuance of 501(c)(3) bonds for the purpose of financing a loan to the Borrower 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 long-term loan for the Development, in an amount not to exceed $350,000.

6. The long-term loan shall be due and payable not more than 30 years from the date the loan is made, shall be amortized over a period of up to 30 years, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt 501(c)(3) bond proceeds. The Sponsor shall be responsible for loan fees, costs of issuance and transaction costs. The Commitment Letter may be issued to King Street Neighborhood Revitalization Corp. 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.

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 January 25, 2001.

Sarah E. Carpenter

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

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER RE: PERMANENT FINANCING FOR BEN SOUTH DEVELOPMENT, BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Regional Affordable Housing Corporation (the "Sponsor"), involving the acquisition and rehabilitation of four buildings containing 21 units of rental housing in the Town of Bennington (the "Development"); and

WHEREAS, the Development has previously been the subject of a Resolution of the Agency dated September 14, 2000; 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 $370,000 aggregate principal amount (the "Bonds") to finance a loan to the Ben-South Housing Limited Partnership (the "Borrower") to acquire and rehabilitate 21 units of rental housing located at 501-507 South Street and 118-126 Benmont Avenue (the "Development") in Bennington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal now contemplates a first mortgage loan in the amount of up to $370,000, increased from $350,000, as long-term financing for the 21-unit Ben South project with the interest rate to be determined by the Agency depending on the source of funds, which may be from proceeds of tax-exempt bonds, or taxable sources of funds, and shall have an interest rate of not more than 150 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 January 18, 2001, 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 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 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 and the Chief of Program Operations are authorized to issue a Letter of Commitment to the Ben-South Housing Limited Partnership for the long term financing of the Development in an amount not to exceed $370,000. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development. The permanent loans shall be due and payable not more than 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 150 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 Regional Affordable Housing Corporation as a representative of Ben-South Housing 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.

2. The Letter of Commitment shall include the following condition. Any documents submitted in satisfaction of this condition must be satisfactory to the Agency in form and content:

    a) As a condition of permanent financing, sponsor must provide a capital needs assessment satisfactory to VHFA;

3. The issuance of tax-exempt Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Development 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. The Executive Director is authorized to make an additional loan to the Borrower for the development of not more than $133,000 at an interest rate of 0%.

6. The Executive Director, 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 the financing.

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 January 25, 2001.

Sarah E. Carpenter

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

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT $370,000 FOR A LONG TERM LOAN AND USING THE PROCEEDS TO MAKE LOANS IN SUCH AMOUNT TO BEN-SOUTH HOUSING LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 21-UNIT DEVELOPMENT IN BENNINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 may desire to issue and sell tax-exempt bonds of not more than $370,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a long-term loan to the Ben-South Housing Limited Partnership (the "Borrower") for a 21-unit development located at 501-507 South Street and 118-126 Benmont Avenue (the "Project") in Bennington, Vermont that will qualify for federal low-income housing tax credits; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $370,000 principal amount of tax-exempt bonds to the Purchaser (the "Long-term Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and/or, in the discretion of the Executive Director, a pledge of the revenues derived from the Project, and the Executive Director, Chief of Program 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 thirty years and the interest rate thereon shall not exceed 8%. The obligation of the Agency to repay the Long-term 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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 that 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25th day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By ______________________
Executive Director

Attest:

By ______________________
Authorized Officer

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 January 25, 2001.

____

SARAH E. CARPENTER
Executive Director and Secretary
Vermont Housing Finance Agency

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: LAKE CHAMPLAIN APARTMENTS

WHEREAS, a proposal has been presented to the Agency by King Street Neighborhood Properties, LLC, a Vermont limited liability company comprised of Burlington Housing Authority and King Street Neighborhood Revitalization Corporation, (the "Sponsor") involving the acquisition, rehabilitation and long-term financing of a 27 unit family rental property located on three sites on Church Street and Pine Street in the City of Burlington (the "Development"); and

WHEREAS, in 1983 the Agency made two loans to a prior owner of the development in the combined original principal amount of $1,038,285 and those two loans have previously been combined; and

WHEREAS, in 1993 the Agency made an additional loan to the prior owner of the development in the original principal amount of $88,918.79; and

WHEREAS, the proposal contemplates an assumption of the two existing VHFA loans, one with an approximate current balance of $754,000 and the other with an approximate current balance of $83,000, a new, interim, VHFA loan until newly issued tax-exempt bond proceeds are available, in an amount not to exceed $650,000, the use of 0% funds in the amount of $130,000; however, a somewhat different mix of sources and amounts may be necessary; and

WHEREAS, the Sponsor qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act") and is willing to give the Agency a preservation agreement pertaining to 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 $650,000 aggregate principal amount (the "Bonds") to finance a loan to the King Street Neighborhood Properties, LLC, (the "Borrower") to acquire and rehabilitate a 27-unit development (the "Project") in Burlington, Vermont;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Samuel Falzone dated January 17, 2001 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 allowing King Street Neighborhood Properties, LLC to assume two existing first mortgage loans made to A & A Realty Properties, for the acquisition, rehabilitation and long-term financing of the Lake Champlain Apartments development in Burlington and in making a new loan to King Street Neighborhood Properties, LLC in a maximum amount of $650,000 and a loan from zero percent proceeds in a maximum amount of $130,000. 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 acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed $1,650,000.

3. One of the new loans shall be amortized over a period of 30 years from the date of the loan. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The source of funds shall ultimately be newly-issued tax-exempt bond proceeds. A zero percent loan in an amount not to exceed $130,000 shall be made from the Agency's multi-family refunding proceeds. The Commitment Letter may be issued to the Sponsor. 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 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.

5. The preliminary approval of paragraph 4 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.

6. The Executive Director, after consultation with the Chairman of the Agency is given the discretion to vary the amounts and sources of funds

7. The Executive Director, 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 January 25, 2001.

Sarah E. Carpenter

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

File - Board Book

vhfa

Vermont Housing Finance Agency

March 12, 2001

Ms. Mary Moore
Vermont Department of Libraries
109 State Street
Montpelier, VT 05609

Dear Ms. Moore:

The Vermont Housing Finance Agency Board of Commissioners will have its regular meeting and its annual meeting on Thursday, March 22nd at 12:00 p.m. at the Associated General Contractor's Office Building, 149 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3413.

Sincerely,

Kari Caragher

Kari A. Caragher
Executive/HR Assistant

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: March 16, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on March 22nd, 2001, at 12:00 p.m. at the Associated General Contractor's Building, 148 State Street, Montpelier, Vermont. *Lunch will be provided.*

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on March 22nd!

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

vhfa
Vermont Housing Finance Agency

BOARD AGENDA

Associated General Contractor's Office
149 State Street
Montpelier, Vermont

Thursday, March 22, 2001 at 12:00 p.m.

1. Annual Meeting {Mullikin Drake/Enclosure}

2. Review and approval of the minutes of February 22, 2001. {Enclosed}

3. DEVELOPMENT
   - A. McAuley Square, Burlington {Erdelyi/Enclosure}
   - B. Multifamily/Development - "Significant Changes" {Adams/Enclosure}
   - C. Follow-up: Improvements to Multifamily Loan and Financing Approval Process {Carpenter/Enclosure}

4. HOMEOWNERSHIP
   - A. Summary of Homeownership Activities {Crady/Enclosure}
   - B. Single Family Home Sales in Vermont in 2000 {Black-Plumeau/Enclosure}

5. MULTIFAMILY MANAGEMENT
   - A. Templeton Update {Richard Williams/Verbal}

6. ADMINISTRATION
   - A. Executive Director's Report {Carpenter/Enclosure}
   - B. Strategic Plan Update {Carpenter/Enclosure}

7. Any other business to come before the Board.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: Board of Commissioners

FROM: Elizabeth Mullikin Drake, Legal Advisor EMD

RE: Annual Meeting

DATE: March 15, 2001

Every year an annual meeting should be held to elect officers, confirm actions of the prior year, authorize any changes in the Agency's advisors (auditor, investment advisor, underwriter, etc.) and make any changes to delegated authority, such as, check signing and safekeeping vaults. Under the Agency's bylaws, the annual meeting should take place in July unless changed by the Chairman for cause. Because of the traditional schedule of Board meetings, a proposed bylaw amendment is included in this year's Annual Meeting resolution to change the annual meeting to a month other than July.

Please consider the attached Annual Meeting resolution for action at the Board meeting.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, MARCH 22, 2001

RESOLVED, ________________________ is hereby elected to serve as Vice Chairman of the Agency until his successor is elected and qualified.

RESOLVED, Roger A. Schoenbeck is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

RESOLVED, that any and all prior actions of the officers of the Agency since the last annual meeting are hereby authorized, ratified and confirmed.

RESOLVED, that the Bylaws of the Agency are hereby amended in the first sentence of Article II Section 3.1 to read as follows:

> Section 3.1. Annual Meeting. The Annual Meeting of the Commissioners shall be held during the month of ________ of each year, or on such earlier or later date in each calendar year as the Chairman shall designate.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 15, 1999" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

BOARD MINUTES

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

Thursday, February 22, 2001 at 12:00 p.m.

PRESENT: Commissioners Canney, Seelig, Candon (designee of Costle), Young (designee of Douglas), Beyer (designee of Lambert)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Kendrick, Ms. Crady, Mr. Schoenbeck, Mr. Adams, Ms. Mullikin Drake
Via telephone: Mr. Wagner (Kutak Rock)

Vice Chairman Seelig called the meeting to order at 12:10 p.m.

<u>MINUTES</u>
The first item on the agenda was the approval of the minutes of January 25, 2001. Mr. Adams requested that a change be made to the minutes. The Limited Liability Company (LLC) and the King Street Neighborhood Revitalization Group (KSNRG) were stated as the applicants for financing to acquire the Lake Champlain Apartments. It should read that Burlington Housing Authority is the applicant. With no further changes, Ms. Beyer made a motion to approve the minutes to include the above change. The motion carried unanimously after being seconded by Ms. Young.

<u>MULTIFAMILY</u>
Ms. Carpenter reviewed her memo "Improvements to Multifamily Loan and Financing Approval Process," which was included in the Board packet. She noted that staff has been seeking ways to improve and speed up the process of approval for multifamily projects. After evaluating different solutions, staff came up with some shortcuts that will eliminate duplication, maximize staff expertise, and utilize the Board's time more efficiently. Although these changes are not immense, staff would like to formalize them.

Ms. Mullikin Drake briefly walked the Board through the 5 different steps to this process, listed below.

- <u>Step 1</u> – This step currently involves presenting an informative memo, which summarizes the project, to the Board for consideration. *Staff is suggesting that we include a Sources and Uses table for* *each loan request, regardless of the loan amount (currently only loan amounts over $1 million include this information).*

- Step 2 – This step currently involves the Board approving a resolution for the project, which outlines several details about the terms, amount, rate, source of funds, etc., of the project. By approving such a detailed resolution, as changes occur with the projects (such as the amount of the loan or source of funds), a new resolution is required to be brought back to the Board for approval. *Staff is suggesting that when a project is approved, that the resolution be much more general, excluding all of the detail and have it direct staff to apply the underwriting guidelines to develop the final loan structure and terms appropriate for that project.*

- Step 3 – This step currently includes a resolution presented to the Board for each project once the project is ready for a bond financing. *Staff is suggesting that the Board approve a "general authorizing multifamily bond resolution," which would authorize the issuance of Multifamily bonds up to a certain limit, under which the staff may pool loans and issue bonds as needed to finance individual or multiple projects.*

- Step 4 – *This step is a new process that staff has identified, which would formalize the underwriting guidelines for the approval process for both construction and permanent loans for multifamily developments. The staff proposed multifamily/development underwriting standards at the Board Meeting. The staff was directed to come back to the Board with a formal resolution authorizing the adoption of those guidelines for the March meeting along with recommended parameters under which loans would need to be revisited by the Board, due to changes in the project.*

- Step 5 – This step involves the Loan Review Committee's role. Currently, this committee meets weekly to review the status of projects, including terms and conditions. *Staff is suggesting that this committee be used to approve the final loan structure for each project, including terms of the Commitment Letter, once the initial approval has been made by the Board. The committee would report to the Board quarterly on these projects, once they have closed.*

A concern among the Board members were the parameters surrounding changes made to a loan after the Board initially approves it. How many or what type of changes would have to occur before the project was brought back to the Board for approval? Ms. Carpenter indicated that she would like the Board to suggest the parameters that they feel comfortable with.

At this time, Mr. Wagner (Kutak Rock) joined the meeting, via telephone, to answer any questions regarding the staff's recommendation for a "general authorizing multifamily bond resolution." Staff is recommending that the general authorizing bond resolution be in the amount of $15 million. Mr. Wagner indicated that if the approved projects exceeded the amount available, the Board would need to approve another resolution for that amount over the $15 million already authorized. Mr. Schoenbeck noted that several states are already doing this type of a broad resolution. Ms. Young inquired as to whether this was within the statutory rules. Mr. Wagner responded that it was. At this time, Mr. Wagner left the meeting.

It was suggested that any significant changes (such as loan amounts, project type changes, owner changes, income targeting, appraisal, environmental issues, property location, major changes in loan to value,) be brought to the Chairperson's attention. The Chairperson would be responsible for deciding whether or not the Board should review the project again.

It was also suggested that if there was a change in a 0% loan, that it be brought to the Chairperson's attention. The Board agreed that if they approve a 0% loan for over $100,000 and the loan amount increases, that it be brought back to the Board regardless.

Mr. Adams asked the Board if they would like to start receiving "sources and uses" schedules for requested loan amounts under $1million (currently only loans over $1 million receive these schedules). The Board agreed that they would like to receive the sources and uses schedules regardless of the requested loan amount.

With no further discussion, the Board agreed that they would like to receive a staff recommendation on what "significant" changes would require a previously-approved project to be reconsidered by the Board before adopting the new approval process.

DEVELOPMENT

Mr. Adams requested approval of the "Resolution Authorizing The Issuance And Sale Of A General Obligation Bond To Stratevest & Co., Or Some Other Affiliate Of Banknorth Group, Inc. In A Maximum Amount of $750,000 And Using The Proceeds To Make A Loan In Such Amount To Clark And Canal Streets Limited Partnerhsip To Finance The Acquisition And Rehabilitation Of A 12-Unit Development In Brattleboro" in order to issue a bond up to $750,000 for Clark and Canal Streets. The closing is set to occur in May.

Mr. Candon questioned why the Resolution listed Stratevest or some other affiliate of Banknorth. Mr. Schoenbeck stated that Barnett & Company is the street name used by Stratevest and the reference to "some other affiliate of Banknorth" accommodates any other affiliate they want to use to purchase the bond. Ms. Young inquired as to how Stratevest is selected. Mr. Schoenbeck stated we have a working relationship with Banknorth. We have a line of credit with them for $6 million dollars and when we had these short term bonds to sell, they indicated a desire for short -term tax exempt bonds. We pursued other investors but they did not have the same interest in those bonds. To date, we have received excellent rates on the bonds sold under the agreement with Stratevest.

With no further discussion, Mr. Candon made a motion to approve the Resolution. The motion carried unanimously after being seconded by Ms. Young.

Ms. Carpenter discussed the list of letters of intent received by the Agency for the 2001 tax credit allocation. There is approximately $1.7 million available in tax credits, but only $1 million will be allocated during the first round, to be held in April. Ms. Carpenter confirmed that the Joint Committee on Tax Credits and the Board will meet on April 30th in Montpelier at the Associated General Contractor's Building. An agenda will be sent out at a later date, but Ms. Carpenter noted it would be a full day meeting.

Mr. Schoenbeck indicated that there would need to be a conference call in April, regarding the single family bond financing. It was suggested that April 19th be kept open (the originally scheduled Board meeting date) for a brief conference call to act on any items for the month.

HOMEOWNERSHIP

Ms. Crady handed out the Delinquency Report which was not available at the time of the mailing.

Ms. Crady was happy to report that the majority of the REO's are currently under deposit. A couple of properties have been in the portfolio for quite awhile, but staff is working diligently on creative ways to sell them.

On the production side, Ms. Crady noted that the Agency is experiencing a slight increase in activity since the rates were lowered to 6.85%. Currently, $15 million is available in reservation funds.

It was noted that there seems to be fewer products available in the market, and perhaps that is why the Agency's activity is slower this time of year. Ms. Crady stated that there are a lot of factors that contribute to the slow activity, but also the time of year plays a big part.

Ms. Canney mentioned the situation related to of lack of inventory, but when she is looking at MLS listings, that really isn't the case. Ms. Canney felt that if Chittenden County was excluded from that comment, across the state, it really isn't the case. Ms. Canney noted that Rutland County inventory is up 12%.

Ms. Carpenter asked if the inventory she is speaking of was in the $100,000 range. Ms. Canney indicated that she didn't specifically look in that range. She stated that she believes inventory would be higher if the interest rates were at the level they were at last year. Ms. Canney stated that we should be careful when making a blanket statement concerning lack of inventory.

On the servicing side, Ms. Crady noted that she had just pulled the reports yesterday because of the Mitas conversion. There was a drop in delinquency. Some consumers delayed making December payments but are back on track for January, which has decreased the delinquencies. Ms. Carpenter stated that Pat Crady and her staff are doing a great job. Ms. Crady noted that when borrowers are 90 days delinquent and not responding to lender's letters, the Agency refers their account to an attorney and that seems to get the attention of the borrower, which results in reinstatements the majority of the time. Elizabeth Mullikin Drake is going to look at the legal expenses for foreclosure/REO attorneys.

Ms. Canney inquired if VHFA did a newsletter for borrowers. Ms. Crady responded that we do not have a newsletter, but could look into it for the servicing that we control.

Ms. Crady reviewed staffs' recommendations to utilize excess yield funds and IORTA funds. Staff has been exploring a variety of options that would enable VHFA to utilize funds available through the excess yield pool (0% funds) and the IORTA funds (Interest Received on Real Estate Trust Accounts). Utilizing these funds would allow VHFA to (1) adjust the MOVE program interest rate, making it more competitive with conventional rates, (2) assist borrowers with down payments or closing costs, and (3) allow VHFA to target a piece of the excess yield funds, enabling VHFA to provide 0% second mortgages for special targeting.

The IORTA funds would be utilized in a few different ways. Staff is proposing that up to $280,000 in funds be used to provide a down payment cash assistance option to VHFA's MOVE program. Borrowers utilizing this option would receive a 7% interest rate with no points and cash assistance equal to 3% of their loan amount. This cash assistance option would serve as a grant for down payment and/or closing costs and would not be repaid to VHFA. This program is working very well for both Maine and New Hampshire, where they fund cash assistance through premium bonds. Staff believes that using our IORTA funds would be a good test to see if there is a strong market for this product in Vermont. Mr. Candon wanted to be sure that sufficient funds were available to meet the anticipated demand.

Staff would also like to commit $30,000 in IORTA Funds to provide matching funds for Vermont Development Credit Union (VDCU) through the BEAM (Burlington Ecumenical Action Ministry) Individual Development Account Program. This program provides a way for potential homebuyers to save for downpayment and closing costs. VDCU's program provides matching funds of $4.00 for every $1.00 saved by the potential homebuyer, used only for home purchases. These participants must also receive intensive one-on-one financial counseling through VDCU. Ms. Canney asked if this program was offered to Chittenden County residents only, or if it was offered throughout the state. Ms. Crady responded that it was equally accessible throughout the state. The Board asked that Ms. Crady make sure that it definitely would be available throughout the state. Ms. Crady noted that she would make it a condition.

Ms. Crady suggested that we defer the VDCU discussion until next month, and she will gather more information on the specifics of this program. The Board agreed with Ms. Crady's suggestion.

Staff is recommending that $15,000 of the IORTA Funds be given to Energy Rated Homes of Vermont (ERH) to assist VHFA YESS program borrowers with energy rating and management fees.

Ms. Canney made a motion to approve staff's recommendation to use $280,000 for a cash assistance option and to give ERH $15,000 to assist VHFA YESS program borrowers with energy rating and management fees. The motion carried unanimously after being seconded by Mr. Candon.

Staff is also proposing to use up to $500,000 of the $960,000 available in excess yield funds to lower VHFA's interest rate from 6.85% to 6.5%. VHFA would also offer 1 point and 2 point options and a stepped rate option at reduced interest rates for the MOVE program.

Staff is also suggesting that up to $460,000 in excess yield funds be used to provide 0% 2nd mortgage loans to borrowers who are receiving financing from a VHFA program. These funds would be available on a first-come first-serve basis and would have to be reserved with VHFA at the time of reservation of funds on the first mortgage. These funds would target borrowers who are either (1) purchasing a home that will remain permanently affordable, (2) purchasing a home with assistance from a HUD Section 8 Homeownership Option Voucher, (3) purchasing a property in an area being targeted by a municipality for revitalization, or (4) purchasing a home due to a mobile home park closing. These funds can also be used to stimulate the construction of new affordable homes.

Ms. Crady noted that if a borrower is going to utilize the 0% second mortgage, they are required to complete homebuyer education through a Homeownership Center first. Staff is hoping to implement this in April.

With no further discussion, a motion to approve staff's recommendations regarding the excess yield funds was made by Ms. Canney. The motion carried unanimously after being seconded by Mr. Candon.

At 3:05 p.m. there was a 10-minute break.

FINANCE

Mr. Schoenbeck reviewed the handouts he distributed. He mentioned that the first one is a little complicated and it relates to the Down Payment Assistance Loan Program. As Mr. Candon mentioned earlier, one of his concerns is that once a program is started and produces a lot of activity, it becomes difficult to turn it off, creating hard feelings. Ms. Crady and her staff have been reviewing ways to start this program and then continue it in the future, because the funds in this program are limited and will be gone. Staff asked Evensen Dodge how to structure this next bond issue in April based, on the expiration of some notes and how this program can be structured into VHFA's standard bond program. The memo Mr. Schoenbeck handed out from Steve Johnson of Evensen Dodge, provides information about the costs of integrating a down payment assistant grant program. This is not a final calculation of what the Agency will do, but details some parameters of how the Agency will try to integrate a down payment assistance program into the next bond financing. This scenario was structured as doing half down payment assistance and half standard loans.

Based on today's market prices, down payment assistance loans would have an interest rate of 6.90%. Standard loans will be 6.45% both with 0 points. Mr. Schoenbeck indicated that this concept is not without risk, but not intolerable risks. Staff wanted to present this proposal to the Board for its consideration as to whether staff should proceed with this or look into a different approach.

Ms. Carpenter stated that New Hampshire has been doing this for several years, so that will help the Agency evaluate this program because we both have originating lenders working in both states that we can talk to. Current information is that half their volume is cash assistance program vs. regular programs. The hardest part of this decision making is whether 50% is the right mix. Ms. Carpenter noted that more research would be done to find out if 50% is the right structure. Ms. Beyer stated that 50-50 seems aggressive for the first shot at this. Mr. Schoenbeck replied that the problems that he has heard from other states, was that it started out slow, but picked up and eventually leveled off. Overall, it seems to be a very popular program. Staff will get back to the Board on this in April.

Mr. Schoenbeck said that bond purchase price would be higher with the Down Payment Purchase Assistance Program. Bonds are sold at 105% so bond people expect higher rates because of the increased risk that they won't recover the full amount of their premium payment. The 5% premium is used to provide the cash fund for the down payment assistance grants.

Mr. Schoenbeck had some brief comments on the December 31st financials. The Agency's surplus for the six months is $3.9 million before adding the market value investment gains of $1.7 million. This trends very well with the 1% of outstanding loans benchmark which is now $5 million annually before special adjustments. Mr. Schoenbeck noted that, when excess or 0% yield loans are made, it adds to the surplus and $1.6 million of these loans have been made this year. Retained loans have increased by $50 million over the last six months.

Mr. Schoenbeck pointed out that the General Fund Budget is in good shape. At this time of year the best thing to look at is the percentage of annual budget expended, which should be 50%. VHFA's numbers are at or very close to the benchmarks.

ADMINISTRATION

Ms. Carpenter indicated that she didn't have much to add to her report, but did mention that the Legislature has been showing quite a bit of interest in housing. She also mentioned that the General Affairs Committee is touring Chittenden County today to look at affordable housing projects. In terms of VHFA, in particular, she is finding that there is increased discussion and activity surrounding development and permitting issues and how that affects affordable housing.

OTHER BUSINESS

Ms. Canney addressed the Board and staff surrounding comments and information discussed during Board meetings. She believes that the Board needs to be more sensitive to the issues that she brings to the table, particularly regarding statewide and regional housing differences. Ms. Canney believes that there is incorrect information discussed during the Board meetings and indicated that she will continue to speak out when she doesn't agree. She also asked that the comments she makes during the meetings be recorded in the minutes.

Mr. Seelig thanked Ms. Canney for her comments.

After a motion made by Mr. Candon and seconded by Mr. Seelig, the motion adjourned at 4:11 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (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 $750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to $750,000 for 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 long-term loan in an amount of up to $115,000 for long-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;

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 Joe Erdelyi, dated January 18, 2001, 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 a to-be-formed limited partnership, for the acquisition, rehabilitation and long-term financing of the Clark/Canal housing development in Brattleboro. 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 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 a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;

    b. Sponsor must provide an as built appraisal satisfactory to the Agency; and

    c. Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing

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 an acquisition and construction loan in a maximum amount of $750,000, and a loan for the long-term financing of the Development, in an amount not to exceed $115,000.

3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 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, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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.

4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust 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 issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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.

6. The preliminary approval of paragraph 5 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.

7. The Executive Director, 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 February 22, 2001.

Sarah E. Carpenter

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

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: March 16, 2001

RE: McAuley Square, Burlington

The buildings are proceeding under construction. Some siding and sheetrocking has been done, and the construction quality appears excellent.

Shortly after closing on the VHFA loans, a problem became apparent. Months earlier, Housing Vermont had elected to make a change to the plans as a cost savings measure. The change involved eliminating the full basement under the Senior Building, and instead having a portion of the building on a slab and another portion with a basement. Unfortunately, the architect never conveyed this change to the soils engineer, and when they were all on site and preparing for foundation sitework, the soils engineer found the change unacceptable. The slab would have set on soils containing too much clay and therefore not have been sound. Of the potential solutions to this situation, Housing Vermont chose to proceed with the original plans for a full basement under the entire building. This problem led to a month's delay in the commencement of construction on the Senior building (and this delay brought associated costs with it, as the contractor had already mobilized on site), and to increased costs for the full basement. Housing Vermont is pursuing a claim against the architect's Errors and Omissions insurance to cover these increased costs. They are also pursuing a HUD grant and a loan from VCLF.

The amount of tax-exempt bond financing VHFA is providing must equal at least 50% of the project's "aggregate basis" in order for the project to receive the so-called automatic 4% tax credit. Prior to this increased cost, the loan amounts met this target. Now the loans are less than 50%, so VHFA needs to increase its loan amounts to get back up above the mark and ensure the credits. Because of the somewhat general nature of the "aggregate basis" definition, staff are proposing an additional construction loan of $600,000, which brings the loan totals to 55% of the total development cost of the Senior Building. This ought to be sufficient to accomplish the goal and not need any further revisiting. Although staff normally allow some extra room in sizing the construction loans, this condition probably would have exceeded that allowance. Going forward, we will use this higher standard of 55% of total development cost as an extra buffer.

Recommended Action: Approval of the attached resolution authorizing the Executive Director to execute the sale of an additional bond and to make an additional loan in an amount not to exceed $600,000, to Housing Vermont for the construction of the McAuley Square development.

RESOLUTION PERTAINING TO AN AMENDMENT TO THE COMMITMENT RE: CONSTRUCTION FINANCING FOR MCAULEY SQUARE, BURLINGTON

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

WHEREAS, a proposal was presented to the Agency by Housing Vermont on behalf of a limited partnership, McAuley Square Housing Limited Partnership, involving the new construction of 74 units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, this proposal has been the subject of a previous resolution of the Agency on May 25, 2000; and

WHEREAS, ultimately Housing Vermont, rather than the limited partnership, was the Borrower for the Agency's loan for the Development; and

WHEREAS, the Agency has closed on its $4,100,000 construction loan to the Borrower, but construction costs have increased to the point where the Borrower needs to borrow more funds from the proceeds of tax-exempt bonds in order to maintain a level of tax-exempt borrowing over 50% of project costs and insure the availability of housing credits for 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 $4,700,000 aggregate principal amount (the "Bonds") to finance a loan to the McAuley Square Housing Limited Partnership (the "Borrower") to construct 62 units of a 74 unit rental housing development (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a combination of first mortgage loans in an amount of up to $4,700,000 for 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 long-term loan in an amount of up to $3,500,000, 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;

WHEREAS, the Borrower qualifies 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 Joe Erdelyi, dated March 16, 2000, 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, 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 or the Chief of Program Operations may, in her/his discretion, issue an amended Commitment Letter for a construction loan for the Development in an amount not to exceed $4,700,000.

2. The issuance of Bonds in an additional amount of not more than $600,000 for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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.

3. The preliminary approval of paragraph 2 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.

4. The terms of the additional construction loan shall be consistent with the terms of the existing construction loan.

5. The Executive Director, 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.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER SUBSIDIARY OF BANK NORTH GROUP, INC. IN A MAXIMUM AMOUNT OF $600,000 AND USING THE PROCEEDS, ALONG WITH OTHER TAX-EXEMPT PROCEEDS, TO MAKE A LOAN IN THE MAXIMUM AMOUNT OF $4,700,000 TO HOUSING VERMONT TO FINANCE THE CONSTRUCTION OF 67 UNITS OF A 74-UNIT DEVELOPMENT IN BURLINGTON

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 additional tax-exempt bonds of not more than $600,000 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, in part, a construction loan to Housing Vermont (the "Borrower") to construct 67 units of a 74-unit development, McAuley Square (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $600,000 principal amount of additional 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 Program 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 eighteen months 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 22nd day of March, 2001.

VERMONT HOUSING FINANCE AGENCY

By ______________________________
Executive Director

Attest:

By ______________________________
Authorized Officer

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: Board of Commissioners

FROM: Dave Adams, Chief of Program Operations *DVA*

RE: Multifamily Development – "Significant Changes"

DATE: March 15, 2001

In response to our discussion at the February meeting, the staff has put together a recommendation regarding "Significant Changes" that would trigger reconsideration by the Board after a project's initial approval for financing. The following parameters will be considered "Significant Changes:"

1. **Change in Loan Amount**: VHFA construction or permanent loan amount increases by the greater of $50,000 or 10% over the Board-approved loan amount.

2. **Change in Project Type**: Applicant has amended application to change originally proposed resident profile.

3. **Change in Borrower**: Original applicant is no longer part of ultimate ownership structure or new entity has been added to ownership structure or profit structure of Borrower has changed (This may require a new application.).

4. **Change in Development Location**

5. **Other Changes**: The Executive Director will evaluate other unexpected changes and when appropriate, will discuss the change with the Chairperson to determine whether the change is "significant" and requires the Board's reconsideration.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah Carpenter, Executive Director

RE: Followup: Improvements to Multifamily Loan and Financing Approval Process

DATE: March 15, 2001

Based on our discussion at the February Board meeting, we have responded to your questions and present the following for your consideration and approval:

1. General Authorizing Multifamily Bond Resolution;
2. Underwriting Guidelines; and
3. Loan Review Committee's role.

General Authorizing Multifamily Bond Resolution. As we described last month, one way to eliminate the need to have Board action for each bond issuance is to adopt a "general authorizing multifamily bond resolution" which would authorize a lump sum amount of bond financing for multifamily projects to be assigned to approved projects in the future. This resolution can be used for both public issuances as well as private placements, such as, with Stratevest and Fannie Mae. As the issuances approach the maximum limit of the resolution, another resolution would be presented to the Board for consideration. The cumulative dollar amount of issuances would always be in compliance with the Agency's state volume cap allocation and the Board's allocation between single family and multifamily. A resolution authorizing up to $15 million in multifamily housing bonds is attached for your approval.

Underwriting Guidelines and the Loan Review Committee. To formalize the institution of the Underwriting Guidelines discussed at the last meeting and the role of the Loan Review Committee, a resolution entitled "General Authorizing Resolution Re: Multifamily Development Financing" is attached for your consideration. The only change to the attached Underwriting Guidelines is the recognition that "significant changes" to a project after the Board's initial approval would require the Board's reconsideration. An additional memorandum regarding "significant changes" is included in the Board packet.

Please feel free to call me if you have any questions regarding these resolutions before the Board meeting.

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GENERAL AUTHORIZING RESOLUTION RE: MULTIFAMILY DEVELOPMENT FINANCING

WHEREAS, the Board of Commissioners wish to direct the Executive Director to implement efficiency measures to streamline the approval process for multifamily developments; and

WHEREAS, the Board of Commissioners wishes to adopt Underwriting Guidelines to be implemented by the Executive Director and Agency staff to evaluate and finance multifamily housing developments; and

WHEREAS, the Board of Commissioners wishes to formalize the role of the Loan Review Committee and delegate certain authority to the Loan Review Committee as described in the Underwriting Guidelines;

THEREFORE, IT IS RESOLVED:

1. The Board of Commissioners hereby adopts the attached Underwriting Guidelines dated March 22, 2001 as a policy of the Agency to be applied to each application for multifamily housing development loans.
2. The members of the Loan Review Committee shall be the Executive Director, the Chief Financial Officer, the Chief of Program Operations, the Director of Multifamily Programs, Director of Homeownership Programs, the Senior Development Officer and the Multifamily Development Underwriter(s).
3. The Loan Review Committee shall meet regularly to evaluate the status of each multifamily housing development under consideration for financing and exercise its authority as described in the Underwriting Guidelines adopted by the Board of Commissioners as amended from time to time.
4. The Loan Review Committee shall provide a cumulative quarterly report to the Board of Commissioners of the multifamily loans closed and their terms during the current fiscal year.

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects

Adopted March 22, 2001

01-314988.01

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MISCELLANEOUS

VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

February 22, 2001

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 No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all 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

.1. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

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

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

.1. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

.1. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Director of Finance or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

.2. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

.3. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 8% if the interest on the Bonds is to be exempt from federal income taxation or 10% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE I

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

.1. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

.2. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

.3. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

.4. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE II

MISCELLANEOUS

.1. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

.2. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

.3. 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 (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

.4. Effective Date. This resolution shall take effect immediately.

Vermont Housing Finance Agency

UNDERWRITING GUIDELINES | **MULTIFAMILY DEVELOPMENT**

Approved:___________

Purpose: This policy outlines the underwriting guidelines which are to be followed to evaluate applications for both construction and permanent loans for multifamily housing.

Procedure: At the direction of the Executive Director, Multifamily Development staff in conjunction with Multifamily Management staff where appropriate will apply these guidelines consistently to each application for the financing of multifamily housing developments. Authority to issue a Letter of Interest and/or a Letter of Commitment for a particular project requires formal action by the Board of Commissioners. Based on the application of the underwriting guidelines, conditions for loan commitment and/or closing, loan terms and source of funds that maintain the financial viability of the project will be determined by the Multifamily Development staff and the Loan Review Committee with the concurrence of the Executive Director or his or her designee. Any significant changes (as determined by the Board of Commissioners) will require reconsideration by the Board of Commissioners. All loans are subject to the requirements of the source of funds to be used, such as, bond proceeds. The Loan Review Committee will submit a cumulative fiscal year report of the loans made or to be made and their terms to the Board of Commissioners quarterly, indicating the newest additions to the report.

Interpretation: Executive Director

Types of Projects to be Financed	New construction; acquisition and/or rehabilitation; mobile home parks; tenant cooperatives; transitional housing; SROs; congregate care; residential care; group homes
Affordability/Income Targeting	75% of housing must be occupied by households of low or moderate income as established by the Agency from time to time; may be waived to "more than half" by the Board of Commissioners LIHTC allocation and/or use of bond proceeds may dictate additional affordability requirements
Loan to Value	For-Profits: Up to 95% of appraised value or cost, whichever is less Non-profits: Up to 100% of appraised value or cost, whichever is less
Term	Based on source of funds and financial needs of project, but in no event shall the term exceed forty (40) years
Interest Rate	As determined by the VHFA Policy on Rates and Fees as amended from time to time
Debt Coverage Ratio	Generally requires 1.15 to 1; may be lowered if justified by mitigating circumstances

	Use of bond proceeds may require a higher ratio
Property Analysis	Appraisal required; Level I Environmental Assessment, including lead and asbestos abatement where necessary
Market Study	Sponsor must demonstrate need for housing to support staff recommendation to Board of Commissioners
Development Budget	Staff approval by line item based on Agency experience, comparables and industry benchmarks
Building Plans & Specifications	Staff approval with outside evaluation when needed; For existing projects, including mobile home parks, plans must address the results of a capital needs assessment
Management Capability	Proposed management plan and management agent requires Multifamily Management approval
Operating Budget	First year plus cash flow projections for the term of loan
Income and Expense Projections	Burlington MSA: 1.5% per year for income and 3% per year for expenses Outside Burlington MSA: 1% per year for income and 2.5% per year for expenses
Vacancy Rate Projection	Not less than 5% at stabilized occupancy unless supported by compensating circumstances at Agency's discretion; may require a higher rate based on market study
Replacement Reserve Account	Rental: minimum $350/unit/year Mobile Home Parks: Based on capital needs assessment
Working Capital	Two (2) months' operating expenses, including debt service and replacement reserves; at least 50% in cash
Deficit Escrow	Amount determined at permanent closing to cover expenses during rent-up period; released after six (6) months of sustained breakeven operation on an annualized basis
Minimum Equity	Local or State agency; Non-profit: None Others: 5% in cash or land or combination
Regulatory Agreement	Must include rent limits, operating account requirements, replacement reserve, working capital, tenant income monitoring, VHFA rights in case of default Requires Multifamily Management approval

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: March 15, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Attached are our standard production reports by product and lender as of February 28, 2001.

On Monday, March 19, 2001 we will implement our new Cash Assistance Option and new lower interest rate for the MOVE Program. Our lending and nonprofit partners seem to be very excited about the new lower rates and the Cash Assistance Option. These changes are just in time for the spring home buying season and should create a lot of additional excitement at the Home Buyer Fair on March 24th. I have attached a table showing VHFA's current interest rates.

COLLECTIONS

Attached is a REO Inventory Report as of February 28, 2001. Delinquency reports for the month ending February 28, 2001 was not available at the time of this mailing but will be available at the Board meeting.

Please feel free to call me if you have any questions about the reports.

VHFA Interest Rates

<u>The following interest rates are effective for loan funds reserved on or after 8:00 a.m. on March 19, 2001</u>

MOVE	HOUSE STEPPED RATES	YESS STEPPED RATES
0 Points - Cash Assistance 7.00% Fixed Rate	Cash Assistance Option Not Available	Cash Assistance Option Not Available
0 Points 6.50% Fixed Rate **0 Points - Stepped Rate** 5.90% Years 1-3 6.90% Years 4-30	**0 Point** 5.60% 1st Year 6.10% 2nd Year 6.60% 3rd Year 7.10% Years 4-30	**0 Point** 5.60% 1st Year 6.10% 2nd Year 6.60% 3rd Year 7.10% Years 4-30
1 Point 6.35% Fixed Rate **2 Points** 6.20% Fixed Rate	**1 Point** 5.45% 1st Year 5.95% 2nd Year 6.45% 3rd Year 6.95% Years 4-30	**1 Point** 5.45% 1st Year 5.95% 2nd Year 6.45% 3rd Year 6.95% Years 4-30

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,082,656	5,896,809	6,163,020	5,000,898	5,687,117	6,471,304	3,869,451	1,765,585					**40,936,840**
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,040,625	508,419	161,900					**4,552,715**
HOUSE	142,750	100,000	221,600	89,165	124,500	185,000	99,000	97,000					**1,059,015**
YESS	157,150	55,000	0	170,450	217,455	246,629	126,675	114,820					**1,088,179**
RURAL DEV.	139,900	43,180	57,360	10,000	39,000	26,260	86,500	28,640					**430,840**
Total	7,388,519	6,443,539	7,058,534	5,794,562	6,554,627	7,969,818	4,690,045	2,167,945	0	0	0	0	48,067,589

VHFA Production Report By Product FY2000

July 1, 1999 - June 30, 2000

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,124,272	5,050,851	2,983,050	10,360,896	9,377,888	5,824,798	4,920,567	3,318,996	3,256,736	3,056,844	3,290,355	6,229,550	**61,794,803**
MOBILE HOME	212,635	371,335	278,360	655,376	702,706	410,040	604,508	87,700	257,189	107,075	470,137	755,456	**4,912,517**
HOUSE	88,500	136,800	248,250	421,000	308,115	218,814	348,950	265,400	231,700	150,500	59,600	352,350	**2,829,979**
YESS	43,600	70,470	0	159,900	222,230	0	88,920	135,550	246,512	163,707	142,345	158,559	**1,431,793**
RURAL DEV.	98,180	49,505	80,350	33,200	0	66,250	33,950	26,730	74,360	45,100	15,910	160,270	**683,805**
Total	4,567,187	5,678,961	3,590,010	11,630,372	10,610,939	6,519,902	5,996,895	3,834,376	4,066,497	3,523,226	3,978,347	7,656,185	71,652,897

VHFA Production Report- Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900					$10,889,191
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070					$3,465,648
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220					$2,496,013
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$470,625	$253,500	$79,050					$2,484,245
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0					$2,383,707
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720					$2,244,848
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500					$1,785,525
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000					$1,784,232
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0					$1,630,487
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400					$1,617,335
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$0					$1,611,820
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0					$1,600,900
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0					$1,434,403
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155					$1,241,362
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0					$1,012,108
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0					$956,725
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640					$865,619
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0					$826,297
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000					$803,020
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0					$800,400
NCFCU	$159,610	$176,000	$0	$0	$178,900	$168,625	$0	$101,650					$784,785
MTG FINANCIAL	$78,375	$281,000	$46,500	$72,000	$0	$237,905	$0	$0					$715,780
LYNDONVILLE	$268,000	$0	$112,635	$74,690	$101,755	$53,675	$0	$0					$610,755
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0					$590,150
VHFA (RD)	$213,775	$43,180	$57,360	$26,640	$39,000	$26,260	$86,500	$28,640					$521,355
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0					$490,869
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0					$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0					$423,205
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0					$402,520
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0					$366,175
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0					$282,250
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$0	$0	$0					$270,450
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0					$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0					$0
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0					$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0					$0
TOTAL	$7,388,519	$6,443,539	$7,058,534	$5,794,562	$6,554,627	$7,969,818	$4,690,045	$2,167,945	$0	$0	$0	$0	$48,067,589

VHFA Production Report (Number of loans) FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	27	13	27	11	20	21	16	4					139
NEFCU	6	1	9	8	2	9	3	4					42
BANKNORTH	3	4	7	4	5	8	3	1					35
SUMMIT	5	7	4	2	4	4	5	1					32
VDCU	3	0	5	4	8	10	1	0					31
UNIVERSAL	1	12	4	2	1	2	3	4					29
VT STATE ECU	2	8	0	4	2	4	4	2					26
VHFA (RD)	7	3	4	2	1	2	5	2					26
UNION	2	5	1	5	2	5	3	1					24
NORTHFIELD	3	1	4	6	5	3	2	0					24
CHARTER ONE	2	8	0	6	3	4	0	0					23
COMMUNITY	3	0	7	1	3	4	3	0					21
GMAC	6	4	3	1	2	2	2	0					20
CTX	2	2	4	4	2	0	3	2					19
PEOPLES TRUST	1	0	0	3	1	3	2	3					13
CITIMORTGAGE, INC	6	0	2	2	1	2	0	0					13
BNK OF BENN	4	0	0	5	1	1	1	1					13
HERITAGE FCU	1	3	0	1	3	2	2	0					12
BRATTLEBORO	1	2	1	0	3	4	1	0					12
FACTORY	3	3	1	1	0	2	1	0					11
NCFCU	2	2	0	0	3	2	0	1					10
LYNDONVILLE	4	0	2	1	2	1	0	0					10
KITTREDGE	3	3	1	1	1	0	0	1					10
MTG FINANCIAL SRV	1	3	1	1	0	3	0	0					9
MASCOMA	0	2	3	0	1	1	2	0					9
CITIZENS	1	1	3	0	3	0	0	0					8
WELLS RIVER	1	2	0	1	1	1	0	0					6
PASSUMPSIC	1	0	1	1	3	0	0	0					6
N.E. HOME LOAN	0	0	0	0	0	4	2	0					6
CT RIVER	0	0	1	1	2	2	0	0					6
NAT'L CITY MTG	0	0	2	1	1	0	0	0					4
NAT'L BNK MIDDLE	0	0	0	1	1	1	1	0					4
WELLS FARGO	0	0	0	0	2	1	0	0					3
FIRST COMMUNITY	0	0	0	0	0	0	0	0					0
FIRST BRANDON	0	0	0	0	0	0	0	0					0
BEACON MTG	0	0	0	0	0	0	0	0					0
TOTAL	101	89	97	80	89	108	65	27	0	0	0	0	656

REO INVENTORY REPORT
As of February 28, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 09/30/00	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Prop Type	Comments
Bushey, W	1/19/98	Fairfield	$ 57,867	$ 5,686	$ 37,514	$ 17,360	$ 83,706	$ 46,203	$ 55,000	$ 60,000	10/4/00	$ 62,000	9/20/95	MH	Title issues have delayed the closing
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 18,804	$ 15,898	$ 84,587	$ 26,430	$ 60,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Leech field issues have delayed the closing
St. Peter	6/9/00	Starksboro	$ 20,527	$ 1,083	$ 6,653	$ 2,463	$ 25,800	$ 16,226	$ 3,500	$ 10,000	8/29/00	$ 26,000	10/24/98	MH	Under Contract $3,500; Will remove from Park
Pignone	7/12/00	Barre Town	$ 35,053	$ 3,323	$ 27,184	$ 9,570	$ 55,990	$ 27,648	$ 46,000	$ 43,000	6/20/00	$ 43,000	5/11/90	SF	Under Contract $43,000
Fogarty	8/15/00	Rutland City	$ 50,138	$ 4,895	$ 10,349	$ 15,041	$ 50,341	$ 16,875	$ 39,500	$ 30,000	10/9/00	$ 59,000	10/30/95	SF	Offer Pending
Roberts	8/24/00	Newbury	$ 54,865	$ 2,991	$ 8,558	$ 14,038	$ 52,376	$ 21,728	$ 47,000	$ 57,000	3/15/00	$ 57,000	4/5/99	SF	Property Sold on 3/9/2001
Spafford	9/25/00	Springfield	$ 79,651	$ 6,481	$ 9,794	$ 23,747	$ 72,179	$ 2,386	$ 72,500	$ 72,500	6/23/00	$ 91,000	8/2/95	SF	Under Contract $72,500
Park	10/13/00	Stannard	$ 42,805	$ 6,222	$ 9,408	$ 9,361	$ 49,074	$ 151	$ 52,500	$ 72,000	10/18/00	$ 47,000	5/25/94	SF	Under Contract $52,500
Genson	11/6/00	Swanton	$ 67,723	$ 10,332	$ 7,250	$ 14,908	$ 70,397	$ 20,682	$ 55,000	$ 50,000	1/23/01	$ 73,750	7/21/95	SF	New to Market; Did not have possession until early Jan.
Benham	11/7/00	Alburg	$ 78,465	$ 6,870	$ 9,721	$ 14,465	$ 80,591	$ 10,000	$ 55,000	$ 70,000	11/13/00	$ 80,500	12/20/93	SF	Under Contract $55,000
Ward	11/28/00	Fair Haven	$ 39,871	$ 4,380	$ 5,286	$ 10,136	$ 39,401	$ 9,724	$ 20,000	$ 29,000	12/11/00	$ 49,000	2/11/98	2F	Property Sold on 3/2/2001
Shaw	11/29/00	Rutland City	$ 81,644	$ 10,666	$ 7,887	$ 18,499	$ 81,698	$ 22,413	$ 75,000	$ 62,500	10/27/00	$ 90,000	5/18/95	SF	Property Sold on 3/1/2001
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 1,640	$ 9,800	$ 38,799	$ -	$ 55,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Just Listed; Occupants Vacated on 2/20/01
Gresham	12/15/00	Rutland City	$ 53,059	$ 5,692	$ 2,548	$ 12,000	$ 49,299	$ -	$ 20,000	$ 29,000	1/24/01	$ 65,000	1/13/93	MH	Under Contract $20,000
Gomez	12/22/00	Chester	$ 45,159	$ 4,182	$ 5,835	$ 13,538	$ 41,638	$ -	$ -	$ -		$ 49,000	6/2/95	MH	Vacant as of 3/14/01; Obtaining Values to list
Baldwin	12/28/00	Fairfax	$ 88,172	$ 12,097	$ 5,289	$ 19,400	$ 86,158	$ -	$ 87,500	$ 88,500	1/26/01	$ 98,000	2/10/95	SF	Under Contract $87,500
Chamberlin	1/16/01	Huntington	$ 70,891	$ 4,013	$ 5,032	$ 17,000	$ 62,936	$ -	$ 70,500	$ 80,000	12/4/00	$ 86,000	7/31/89	MH	Under Contract $70,500
Bushey, K	1/29/01	Fairfax	$ 58,620	$ 5,619	$ 2,009	$ -	$ 66,248	$ -	$ -	$ -		$ 85,000	9/23/97	SF	Occupied
Vanderwerf	2/14/01	Morristown	$ 70,671	$ 8,993	$ 13,236	$ 14,396	$ 78,504	$ -	$ 90,000	$ 80,000	11/8/00	$ 79,000	5/11/95	SF	Offer Pending
Sorrentino	2/5/01	Castleton	$ 59,853	$ 12,069	$ 6,694	$ 14,000	$ 64,616	$ -	$ 35,000	$ 35,000	2/12/01	$ 71,000	3/16/89	SF	Property is in very poor condition
Paini	2/12/01	Barre Town	$ 63,780	$ 4,182	$ 6,154	$ -	$ 74,116	$ -	$ 67,000	$ 61,000	10/24/00	$ 70,000	2/19/96	SF	RD Guaranteed
21			$ 1,233,740	$ 133,490	$ 206,845	$ 265,620	$ 1,308,454	$ 220,466	$ 1,006,000	$ 1,044,500		$ 1,412,750			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Leslie Black-Plumeau, Research Analyst LB-P

DATE: March 15, 2001

RE: Single-Family Home Sales In Vermont In 2000

This memo describes VHFA's market share and home prices in Vermont in 2000, according to data collected through the state's property transfer tax. In summary, VHFA assisted about 13% of the Vermont households who purchased homes in 2000—about the same as in 1999. Median home prices increased statewide by 6% to $117,000.

VHFA's Market Share

VHFA assisted about 13% of all home buyers in Vermont last year and about 16% of the buyers of homes priced at or below $165,000. VHFA's share of this more affordable home market ranged from 7% to 24% in the state's various counties, as shown below:

		All Primary Homes		Primary Homes Sold For $165,000 or Less	
(Counties Targeted Under the MRB Program Are Shaded)	*Number of Mortgages Assisted Through VHFA**	*Number of All Homes Sold In VT***	*VHFA's Market Share*	*Number of All Homes Sold In VT***	*VHFA's Market Share*
ADDISON	25	441	6%	339	7%
BENNINGTON	29	433	7%	305	10%
CALEDONIA	62	297	21%	271	23%
CHITTENDEN	248	2,673	9%	1,688	15%
ESSEX	8	65	12%	65	12%
FRANKLIN	101	618	16%	543	19%
GRAND ISLE	9	106	8%	83	11%
LAMOILLE	55	318	17%	234	24%
ORANGE	54	339	16%	290	19%
ORLEANS	46	299	15%	282	16%
RUTLAND	143	727	20%	617	23%
WASHINGTON	136	719	19%	614	22%
WINDHAM	60	457	13%	371	16%
WINDSOR	55	723	8%	562	10%
Total	1,031	8,215	13%	6,264	16%

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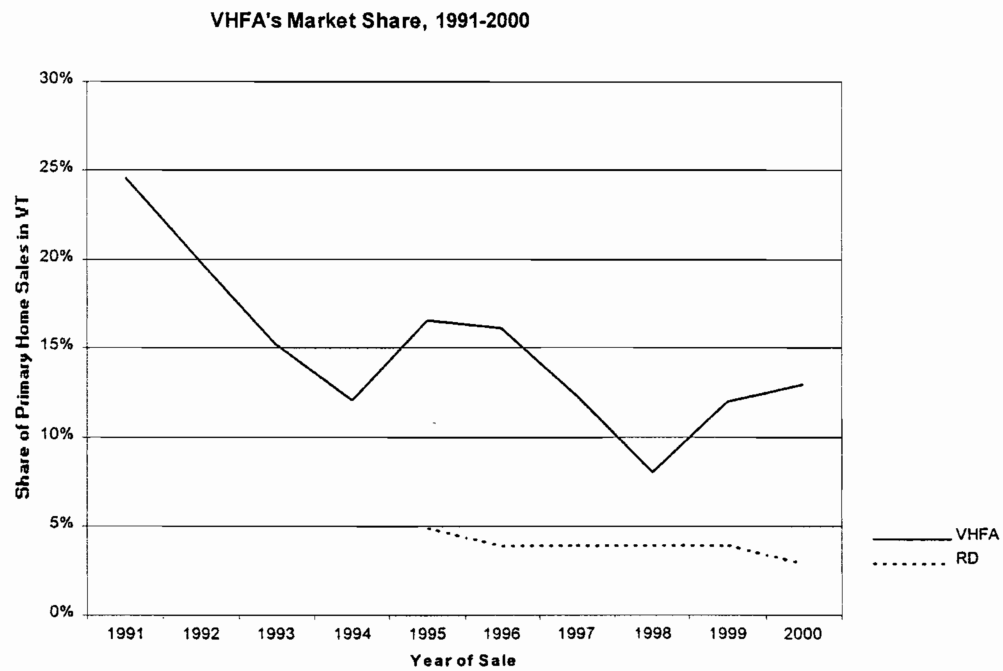
**Includes loans made through all VHFA homeownership loan programs (MOVE, HOUSE, YESS, RD/VHFA, and MCC).*

***Includes non-vacation, single-family houses, condominiums, and mobile homes on owned land sold and recorded in the VT Property Transfer Tax data*

VHFA's market share may be higher in some counties than in others due to the greater flexibility provided under the MRB program to areas designated as "targeted" (shaded on the table shown above.) In these counties, VHFA's purchase price and income limits may be set as a higher percentage of area average incomes and purchase prices. Similarly, VHFA's programs are available to *all* buyers in targeted counties, regardless of whether they are buying their *first* home. It is also possible that a greater concentration of community banks rather than commissioned loan officers in some of the more rural counties may increase VHFA's market share.

Market Share Trends For VHFA and RD

In recent years, VHFA's statewide market share has been increasing since hitting a low point of 8% in 1998. RD's share of the primary home market statewide has remained between 3% and 5%, as shown in the following table:



Note: VHFA market share figures include loans made through the MOVE, HOUSE, YESS, RD/VHFA, and MCC programs. RD figures include loans made through the Section 502 Direct Loan and Guarantee Loan programs. Loans may have been counted in both the VHFA and RD categories for a particular year, since a loan could have received assistance from both agencies through these various programs.

Source: VHFA analysis of VT property transfer tax data, RD volume data, and VHFA MITAS data.

In 2000, RD provided direct loans and loan guarantees to 283 rural Vermont households, constituting about 3% of all primary home buyers in Vermont that year. (The 283 households assisted by RD include about sixty loans made through RD's leveraging program with VHFA and several other agencies).

Home Prices in Vermont in 2000

The median home price in Vermont increased from $110,000 to $117,000 in 2000. Prices increased in most counties, with the exception of Washington County and the state's smallest counties--Essex and Grand Isle. Lamoille, Chittenden, Windham, and Windsor experienced the greatest price increases in the state (9%-13%), as shown below:

Median Prices of Primary Homes Sold In VT Since 1995

Table is based on single-unit, non-vacation residential properties, including mobile homes with land.

	1995	1996	1997	1998	1999	2000	Change Since 1999
ADDISON	92,900	92,100	100,000	113,500	118,500	120,000	1.3%
BENNINGTON	95,000	97,500	115,000	100,000	112,500	118,000	4.9%
CALEDONIA	66,250	69,950	67,000	79,000	75,000	77,000	2.7%
CHITTENDEN	117,550	118,000	119,000	129,000	132,000	145,000	9.8%
ESSEX	47,000	46,409	54,000	53,000	67,000	62,000	-7.5%
FRANKLIN	88,000	88,456	92,550	95,000	102,000	110,000	7.8%
GRAND ISLE	90,250	92,450	98,500	115,000	140,000	118,950	-15.0%
LAMOILLE	89,000	94,900	110,000	109,250	105,000	118,750	13.1%
ORANGE	80,000	80,000	88,000	85,000	89,265	95,000	6.4%
ORLEANS	55,950	62,000	60,000	65,000	69,900	72,000	3.0%
RUTLAND	85,000	85,826	87,000	90,000	91,000	95,000	4.4%
WASHINGTON	90,000	87,500	89,000	92,000	96,905	94,000	-3.0%
WINDHAM	97,500	93,000	104,750	105,000	100,000	109,410	9.4%
WINDSOR	93,000	95,000	95,000	104,000	100,000	110,000	10.0%
VERMONT	***96,400***	***96,316***	***100,000***	***109,900***	***110,000***	***117,000***	***6.4%***

Source: VT Property Transfer Tax data.

If you have any comments or questions about the information presented in this memo, please let me know.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: March 16, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

ADMINISTRATION

I regret to announce that Cathleen has decided to leave VHFA in pursuit of a new opportunity. She will be an independent consultant providing Public Relations direction to non-profit organizations. She is very excited about her new venture, which will begin in April. (Cathleen's last day as a staff member will be April 5th). However, she will still be working with VHFA in a consulting capacity as we work through the transition of filling her position. Cathleen will be dearly missed and we appreciate all of her dedication and inspiration over the last 9 years. Cathleen has personally been a great support to me in sorting out and thoroughly handling all the many issues that come to Planning and Public Affairs. Please join me in wishing Cathleen much success and happiness in her life away from VHFA!

PUBLIC AFFAIRS & PLANNING

I will be attending NCHSA's Legislative Conference on Monday through Wednesday in Washington, DC. I look forward to meeting with Vermont's congressional delegation to discuss ways we can work together effectively to pass federal legislation to meet the pressing affordable housing needs in Vermont. A bill has just been introduced with several technical changes of great importance to VHFA: to expand purchase price limitations for our homeownership mortgage programs, to repeal the Ten-Year rule which would allow us to recycle some MRB authority, and to make rural development more feasible through a change to the Housing Credit Program. A number of other legislative concepts are being developed, so I am pleased to be meeting with the delegation and their staff members at this early stage of the discussions. Some of the other issues I expect to discuss are a single family home development tax credit, new production funding through a National Housing Trust Fund, relief for owners of exit taxes if they sell to owners

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guaranteeing perpetual affordability, and some joint programs between HUD and HHS for affordable assisted living.

I continue to be busy at the Vermont Statehouse. A flurry of bills are coming out of various committees regarding housing programs and funding, the Joint Housing Committee recommendations, and Act 250 and other permit reforms, as well as increased funding for assisted living

DEVELOPMENT

Development staff is in the process of evaluating the 16 tax credit applications we received in late February. An April 30th meeting of the Board and Joint Committee on Tax Credits is planned to discuss the applications. Some of the loans that the Board has already acted on (Jeffersonville and Westgate) are awaiting decisions on additional tax credits, and are "on hold" pending those decisions. Others that have been committed to (Maple Tree Place, Clark/Canal, Baldwin Block, Columbian Ave., Farrell Street, Rutland Rehab) are moving forward.

Erin Philbrick has started as the new Multifamily Operations Specialist and is already providing much-needed support to the Development and Multifamily departments.

Many other projects are rapidly approaching completion (Barton, Franklin, The Gardens at Williamstown Square, Anderson Parkway, St. Johnsbury House) this spring.

Staff has begun work with HUD and owners of 202 projects to explore refinancing of their loans. This was a HUD direct loan (and now grant) program to non-profit organizations (like Cathedral Square). HUD now allows prepayment and refinance, and will allow the project to keep all or part of the debt service savings for services or repairs. 202 projects also can now participate in tax credit partnerships, although the rules have not been finalized.

MULTIFAMILY MANAGEMENT

Staff has wrapped up 2001 operating budget approvals, with the exception of a few projects that are being processed for rent increases, and is now beginning the review of audited financial statements. Templeton Court will be addressed as a separate Board agenda item, although the appraisal indicates a value at significantly below VHFA's loan balances.

We are revising preservation documents following an exchange of letters with Jim Pizzagalli and expect to close on Preservation Agreements covering his two properties in the near future. BHA's acquisition of Lake Champlain Apts closed as expected on February 23rd. Properties in Island Pond and Poultney are being considered for nonprofit acquisition and preservation and the owner of a Burlington property covered by a 1991 Preservation Agreement has also indicated her willingness to sell under the option provision.

VHFA has been working with Management Divisions of the six state New England region on compiling a Multifamily Operating Expense Survey based on each state's average per unit month operating expenses. The data was compiled using both Section 8 and Non-Section 8 properties and was further delineated by segregating Elderly, Family and Mixed development expenses in six categories including: Administrative, Utilities, Maintenance, RE Taxes, Insurance and Management Fee. Total per unit month operating expenses were also calculated and are presented as an average for the region. Copies of preliminary survey results will be available to interested members of the Board at the meeting on March 22nd.

HOMEOWNERSHIP

We continue to work very hard on completing the Single Family Mitas conversion. Mitas continues to be a challenge to partner with, however, IS, Homeownership and Finance staff have done an incredible job working through the many issues while keeping up with their daily functions. VHFA is very lucky to have staff members who are so dedicated and loyal to ensuring a successful completion of this project. [The Multifamily conversion has been postponed, pending completion of the Single Family conversion.]

Staff has implemented the interest rate changes and down payment assistance program you approved at the last Board meeting. Pat will update you on Thursday.

FINANCE

There will be a conference call with our bond working group on Friday afternoon to discuss the issues and schedule for a bond issue in April.

REMINDER

Stop by the Annual **VHFA Homebuyer Fair**, **Saturday, March 24th** at the **Sheraton** in South Burlington.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: March 16, 2000

RE: **Strategic Plan Update**

Enclosed is a copy of VHFA's Strategic Plan, which resulted from the Board Retreat in November 1999. Incorporated into the plan is a status update for each of the items for your review and discussion at the Board meeting. It has been a busy year and a half, as you will see from the updates.

Also enclosed are the Summary Notes from the November 2000 Board Retreat. I would like to discuss the status of the two target strategic initiatives discussed during the retreat and reconfirm the Boards commitment to each of these initiatives.

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VHFA Board of Commissioners Strategic Planning Retreat
November 30, 2000

The primary focus of the annual retreat was to establish future directions for VHFA. Our mission statement was revisited and affirmed and substantial time was spent on the development of a vision statement. Two areas of focus for the Agency were identified.

Mission
To Finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

Vision
VHFA opens doors so that every Vermonter can have a home they can afford, which is the corner stone for building healthy communities.

Key Strategic Issues

1. Build awareness and acceptance for building affordable housing in all communities. Need to change public perception about affordable housing.
2. Need to build more housing.
3. Build awareness of problem (crisis) - there is no single voice - need coordination.
4. Make the connection between economic growth and housing needs. Connect with business community – form partnerships.
5. Need to reduce anti-Chittenden County bias in legislature and around the state.
6. Measurement of improvement is difficult.
7. Leadership role is currently unfulfilled.
8. Housing crisis is faceless.
9. Highlight awareness of housing options.
10. How does VHFA maintain it's long-term viability? (Construction, worker coalitions, fee for service, affordability gap)
11. Political and financial resources

Discussion Points

- Home for everyone who wants one – alternatives.
- Affordable – need to maintain
- Clean, safe, sanitary
- Neighbor
- Transformation of society's values
- Take leadership role in moving forward with the housing agenda
- Improve quality of the community
- People
- Satisfies a need in someone to have a home
- Preferred lender for first time home buyers
- To be recognized as the preeminent provider of financing of homes and the lender in housing policy and community education
- To eliminate homelessness in VT

- To improve the quality of life of all Vermonters by taking a leadership role in providing access for all Vermonters for affordable housing to server as a catalyst to building strong communities
- To be a leader in making a difference in the financial, policy and social aspects of building strong communities
- VHFA opens doors so that every Vermonter can have a home they can afford
- VHFA provides the keys for opening doors to affordable homes for all Vermonters

Target Strategic Issues

1. Awareness/Education Campaign (1,2,3,4,5,8,9)
2. Leadership - re: resources for housing to create affordability. Leadership to produce the housing (7,4)
3. VHFA long-term viability and potential for innovation (2,10)
4. Access to infrastructure at reduced rates for affordable housing (2,11,4)

Next Steps

Awareness Campaign Initiative –Dick, Cathleen, Tom, Jim, Jacklyn, Rick, Pat L.,Tim

1. Identify partners and resources
2. Determine Audience
3. Develop timeline
4. Contact Housing MN
5. Develop short term and long term campaigns and strategies

Leadership (Advocate) Group – *Lisa, Gus, Roger, Dave, Sarah, Kathy, Dagyne, Pat C., Sam, Joe*

1. Take a lead in legislative issues
2. Develop new alliances
3. Think about how to deal with resistance to change
4. Explore having a board luncheon with the Governor
5. Define a 'good ' demonstration project

Vermont Housing Finance Agency

STRATEGIC PLAN 2000

STATUS UPDATE AS OF MARCH 2001

INTRODUCTION

In 1999, Vermont Housing Finance Agency experienced several major milestones. The Agency celebrated our 25th anniversary, providing an opportunity to reflect upon past successes and to look forward to future endeavors. A new executive director assumed the responsibilities for leading VHFA, following the 20-year tenure of VHFA's previous executive director. Also in 1999, the Vermont Legislature terminated the mortgage insurance programs of Vermont Home Mortgage Guarantee Board, the primary mortgage insurer for VHFA home mortgages.

Along with other state housing finance agencies across the U.S., VHFA recently has experienced a dramatic shift in the business of financing affordable housing. Chief among the external trends affecting VHFA are shrinking federal resources and restrictions associated with tax exempt financing, technological and competitive innovations in the mortgage lending industry, and a growing demand for affordable housing programs in Vermont.

To take stock of the major milestones of the past year and to meet our many challenges, VHFA reassessed our operations and programs and the manner in which we conduct our business. VHFA's Strategic Plan 2000 sets forth the goals, objectives, and business strategies for immediate implementation and for long range planning.

OVERVIEW OF VHFA STRATEGIC PLANNING PROCESS

VHFA's Strategic Plan 2000 identifies the business focus between January 2000 and June 2001, explores new directions, and confirms the Agency's mission and overall goals. Incorporating overall changes in our business climate with a new vision, this plan establishes a foundation on which to build and expand future VHFA business operations.

The process for developing the VHFA Strategic Plan 2000 integrated many elements including an organizational re-structuring, input from VHFA staff, insights from business analysts, an overview of the state's economy and affordable housing needs, and careful guidance from VHFA's Board of Commissioners.

- During 1999, VHFA completed an organizational re-structuring to better align every part of our business process within a changing business climate. Three divisions were created, re-defining VHFA's processes for creating, financing, and preserving affordable housing as well as servicing VHFA's loan portfolios to maintain and ensure fiscally sound operations.

- In September 1999, VHFA staff participated in a day-long retreat and contemplated VHFA's future, examining what makes good customer service, resolving barriers in meeting our mission, and developing short and long-term plans for agency divisions. The results of this retreat were shared with VHFA's Board of Commissioners.
- Also in September, VHFA's Board met with the Agency's financial advisers as well as teams from national bond rating agencies. Bond financing trends for housing finance agencies, VHFA's general performance, and the future outlook for the bond market were discussed during that session.
- An overview of the Vermont economy was provided to VHFA's Board of Commissioners by Jeffrey Carr, Vice-President/Economist for Economic and Policy Resources, Inc. in October 1999. The overview included outlooks for the U.S. economy as well as revenue projections for the State of Vermont and general economic outlooks for the Vermont and local economies.

Having synthesized the information gathered during the proceeding months, VHFA's Board of Commissioners and senior staff met during a two-day planning retreat in November 1999 to identify the business focus for the next 12 to 18 months, explore new directions, and confirm the mission and overall goals for the Agency. The discussions from that planning retreat form the basis of VHFA's Strategic Plan 2000.

EXTERNAL FACTORS

The primary reasons for conducting a strategic planning process are to assess current and expected future operational and external conditions, to plan in a manner which maximizes efficiencies, and to establish a foundation on which to develop future business operations and programs. During the course of developing VHFA's Strategic Plan 2000, numerous external factors likely to affect VHFA business decisions were identified and integrated into the decision making process.

A. Vermont's Economy

The State of Vermont economic outlook for October 1999, produced by Jeffrey Carr of Economic & Policy Resources, Inc., shows a strong positive link between the U.S. and the Vermont economies. The U.S. economy has experienced a 9-year period of economic expansion, the longest in history. Vermont's economy continues to be positive overall, as measured by job and income growth performance. Total employment growth has exceeded labor force growth for the greater part of the last three to four years. Employment growth continues to be strong, even though labor market conditions are growing tighter.

The State's economy is expected to expand over the next four years along with the national economy. The outlook for the Vermont economy as well as almost all Vermont regional economies is generally positive and no recession is expected during the forecast time period.

B. Current Financing Environment

VHFA has proven itself willing to take risks and break new ground; our ability to continue to offer new programs and use our fund balances creatively is dependent upon current and future financial conditions. The Agency must always be mindful of its mission and balance meeting the affordable housing needs of Vermonters with maintaining our financial viability.

In the past several years, technological and competitive innovations have significantly changed the mortgage lending industry. De-regulations in inter-state banking, new affordable housing programs offered by secondary markets, and the introduction of Internet-based financing options create new challenges for housing finance agencies.

In 2000, the demand for tax-exempt bonds among Vermont bond issuers exceeded the amount available from the State's private activity bond cap. This unprecedented situation will necessitate a shift in how bond issues are structured, at least until federal legislation takes effect to increase the private activity bond cap authority. (Legislation has been approved to increase the private activity bond cap beginning in 2003.) The lack of adequate bond cap and a move to other types of bonds may result in higher interest rates charged by VHFA for our borrowers.

In the late 1980s, new restrictions were imposed on housing finance agencies. Tax-exempt bond financing tools for affordable housing programs include many restrictions, such as limitations on the allowable spread on the interest rates for loans and bonds, arbitrage regulations, allowable earnings, etc. which limit the long-term profitability seen with some early bonds.

Housing finance agencies are utilizing a wide range of program enhancements using interest rate subsidy pools or reduced loan rates, new financial management tools, and new types of bonds. Working with our financial advisors, VHFA is exploring new program enhancements, risk share programs, and preservation tools to protect existing affordable housing projects.

C. Vermont's Affordable Housing Needs

According to the 1998 *Vermont Housing Needs Assessment*, about 20,000 Vermont families had unmet needs for rental housing assistance in 1998. An additional 2,478 elderly households had unmet housing needs, increasing the total number of households with unmet rental housing needs to roughly 10 percent of all Vermont households. Vermont is considered to be one of the five least affordable states for low-income renters in the annual housing affordability studies of Harvard's Joint Center and the National Low-Income Housing Coalition. The short supply of affordable rental units is expected to worsen during the next few years in Vermont, according to both studies, as current owners of subsidized units opt out of contracts with HUD and other housing agencies. Demand for more expensive rental options among higher income households will also exacerbate the shortage of affordable rental units, according to the Joint Center.

The 1998 *Vermont Housing Needs Assessment* also highlights the need for affordable homeownership opportunities. Approximately 5,000 Vermont households will need affordable homeownership mortgage financing in the next five years. Without special programs, gaps between home prices and renter incomes are likely to continue preventing low-income renters, in particular, from joining the ranks of Vermont's homeowners.

Increasing national reports show that many low-income households who already own their homes face high housing costs and postpone critical home maintenance and repair. According to Harvard's Joint Center, a lack of financial resources is prompting many very low-income homeowners to shoulder high housing payment burdens and to defer basic upkeep on their homes.

For 1998, the *Housing Needs Assessment* estimated demand for an additional 600 primarily subsidized assisted living units throughout Vermont. Between 1998 and 2008, the number of older seniors in Vermont is expected to grow by almost 15%, from about 30,500 to 35,000 persons, according to Census Bureau estimates.

Over the next several years, VHFA must target its resources carefully to meet the needs of low- and moderate-income homeowners, elderly, and family rental households, and other special needs populations to ensure that appropriate housing is made available. Strategy goals to achieve this are addressed in VHFA's Strategic Plan 2000 for the period January 2000 through June 2001.

VHFA MISSION, GOALS, AND STRATEGIES

Utilizing the information gathered during the strategic planning process, the VHFA Board of Commissioners confirmed the following mission statement and overall goals. Subsequent strategies were developed in accordance with the mission and overall goals for the 18-month period between January 2000 and June 2001.

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing Opportunities for low- and moderate-income Vermonters.

ADMINISTRATION & FINANCE DIVISION GOALS

Initiate a benchmarking analysis to improve workflow, increase efficiencies, and obtain information regarding our performance relative to our peers.

STRATEGIES

1-A Research, gather, and review benchmark informational packet for MMI.
[March 31, 2000]

1-B Review the draft report and complete the final version. [March 31, 2000]

1-C Develop a plan to implement action items. [June 30, 2000]

STATUS UPDATE – 1-A through 1-C
Benchmark analysis was performed by McManis Associates and completed in May 2000. The report provided valuable information regarding other HFAs and how VHFA compares with said agencies. Suggestions for future research/action have been incorporated into the plans of each division.

STRATEGIES

2-A Survey various agencies for benefit and compensation information. [June 30, 2000]

2-B Revise Agency job descriptions and job description questionnaires. [March 31, 2000]

2-C Re-grade all positions. [June 30, 2000]

2-D Prepare analysis and report to the Board. [June 30, 2000]

<u>STATUS UPDATE – 2-A Through 2-D</u>
All steps were completed and approved by the Board by June 30, 2000.

Ensure PC network and software applications meet the needs of users, can be maintained efficiently, and provide a secure environment for Agency information.

STRATEGIES

3-A Evaluate Mitas application to determine whether it adequately meets VHFA needs after completion of the Mitas Windows conversions. [2001]

<u>STATUS UPDATE</u> – **VHFA is currently in the process of converting to Mitas Windows. Anticipate completion of conversion to be Fall 2001.**

3-B Evaluate terminal server-central server processing. [June 30, 2000]

<u>STATUS UPDATE -</u> **Evaluation will commence after the completion of the Mitas Windows conversions.**

3-C Upgrade to Windows NT. [December 31, 2000]

- Mitas Windows conversions need to be completed prior to NT server being installed.

<u>STATUS UPDATE -</u> **Pending Mitas Windows conversion completion.**

3-D Develop and implement Intranet. [December 31, 2000]

STATUS UPDATE - The Agency has recently started the evaluation phase of implementing an Intranet. This project will be put on hold pending the replacement of Cathleen's position.

3-E Explore expansion of Internet applications. [Ongoing]

STATUS UPDATE - The Agency continues to expand its Website on a regular basis. An Internet reservation system will be evaluated within the next year.

3-F Investigate new report writer software such as SQL. [2001]

STATUS UPDATE - SQL has been chosen as the software of choice. Staff will attend training and commence using after Mitas Windows conversions.

Provide industry data to facilitate management decisions for various projects and programs.

STRATEGIES

4-A Loan Performance Study. [March 31, 2000]

STATUS UPDATE – The Loan performance study was not conducted because VHFA was unable to obtain credit scores for many older loans. As an alternative, VHFA is using the results from other studies about loan default patterns conducted by MGIC and other industry groups.

4-B Homeowner statistical reports. [June 30, 2000]

STATUS UPDATE – Two reports are now available through the computer network to VHFA staff: historical purchase price information by county and HUD median income information.

4-C Northwest Vermont Housing Needs Study. [June 30, 2000]

STATUS UPDATE – The Northwest Vermont Housing Needs study was completed and announced by Governor Dean in August 2000. This study has been vitally important in establishing the need for additional affordable housing resources in Vermont.

4-D Vermont Forum on Sprawl Study. [September 30, 2000]

STATUS UPDATE – The Vermont Forum on Sprawl decided not to pursue doing this study at this time.

Improve timeliness and accessibility of financial reporting.

STRATEGIES

5-A Implement Mitas Window budget system. [Ongoing]

STATUS UPDATE – The FY2001 budget was completed using the Mitas Windows budget system

5-B Integrate electronic access of financial transactions with trustee. [Ongoing]

STATUS UPDATE – Finance staff can access this information electronically, however not formal integration to the monthly process has occurred.

5-C Conduct training of non-Finance Department staff in utilizing on-line accounting, budgeting, and reporting systems. [Ongoing]

STATUS UPDATE – Training of Senior Management was completed in January 2000

5-D Ensure that monthly budget reports are available by the 15th day of the following month. [Ongoing]

STATUS UPDATE – This schedule is met on a regular basis

5-E Investigate electronic transfer of financial data from trustee and interface with accounting system. [June 30, 2000]

STATUS UPDATE - Commence this process post Mitas Windows conversion

Obtain general obligation/internal credit bond rating.

STRATEGIES

6-A Research implications of single vs. multiple rating(s) including cost, relationships, and benefits. [Ongoing]

STATUS UPDATE – This strategy is complete. A decision was made to receive a single rating.

6-B Prepare formal application for rating. [Ongoing]

STATUS UPDATE - Completed July 2000

6-C Establish marketplace awareness and benefits of credit rating. [March 31, 2000]

STATUS UPDATE – VHFA is currently pursuing its first project associated with the general obligation/internal credit bond rating. The ICR is also a pre-requisite for participation in HUD Risk Sharing Insurance. Staff will continue to market the Agency ICR with Fannie Mae.

Create additional capital generation capacity.

STRATEGIES

7-A Review internal resources and work with Federal Home Loan Bank to utilize additional sources of collateral for loan programs. [March 31, 2000]

STATUS UPDATE – Still pending.

7-B Identification and education of potential private placement investors and utilization of general obligation bond rating. [June 30, 2000]

STATUS UPDATE – VHFA is currently pursuing its first project associated with the general obligation/internal credit bond rating. Staff will continue to market the Agency ICR with Fannie Mae.

7-C Access expertise of financial advisors for alternative financing models and programs. [March 31, 2000]

STATUS UPDATE – Notes as part of bond issuance is continuing. A new Cash Assistance Program is in the process of being implemented. The Agency will continue to investigate financing alternatives.

7-D Maximize bonding authority and continue to advocate for additional volume cap authority. [September 30, 2000]

STATUS UPDATE – With increase in Federal authority, VHFA received our requested amount. VHFA will work with the Congressional Delegation to repeal the 10 year rule.

Enhance legally required investor disclosure reports and post on VHFA's website.

STRATEGIES

8-A Research other states' process of implementation. [March 31, 2000]

8-B Investigate electronic transfer of financial data from Mitas system and interface with website. [June 30, 2000]

8-C Identify and include additional non-Mitas system required information.
[June 30, 2000]

8-D Approval by bond counsel and notification of National Municipal Securities Information Repositories. [June 30, 2000]

8-E Post on VHFA website. [September 30, 2000]

<u>STATUS UPDATE</u> – **8-A through 8-E**
VHFA financials were posted on the web site as of 12/31/00. The remaining bond disclosures will be implemented upon completion of the Mitas Windows conversions. We are not able to move forward with this in our current DOS environment.

Improve communications among departments, integrate strategic initiatives, and support VHFA's ongoing work.

STRATEGIES

9-A Support strategic planning initiatives by other departments.

- Identify and review areas of assistance required.
- Review schedule requirements and assign staff as appropriate/available.
- Integrate strategic planning tasks into ongoing staff schedules and annual work programs.

<u>STATUS UPDATE</u> - **Executive Management and Senior Management meet on a regular basis (weekly/monthly respectively) to discuss activities within the Agency. Sarah also distributes to staff her monthly Executive Directors report, which highlights her activities for the past month. Full staff meetings are also held every other month.**

HOMEOWNERSHIP PROGRAM GOALS

Be proactive in managing the changing landscape of our lending partners to insure we maintain high quality loans, with maximum access to VHFA programs and education.

STRATEGIES

1-A VHFA will continue its reliance on outside lending partners for production and will evaluate alternative methods for originating VHFA loans for future consideration with primary focus given to underserved areas of the state.

- Identify underserved areas of Vermont and determine best ways to improve access to VHFA programs. [December 31, 2000]

STATUS UPDATE – Staff has begun to identify any underserved areas of Vermont and expects to have it completed by June 30, 2001.

1-B VHFA will develop formal guidelines for approving new and retaining existing lending partners.

- Complete guidelines for approving new originating lenders and new servicing lenders. [June 30, 2000]

STATUS UPDATE – This strategy was completed June 30, 2000.

1-C VHFA will continue to rely on and support Homeownership Centers.

- Provide ongoing training and technical assistance. [Ongoing]

STATUS UPDATE – Staff has been providing training and technical assistance throughout the year, and this will continue to be an ongoing process.

- Complete 2000 activity summary. [March 31, 2000]

STATUS UPDATE – Staff expects to have this summary completed by May 30, 2001.

- Facilitate partnership with the Centers and VHFA servicers to provide delinquency intervention counseling for VHFA borrowers. [December 31, 2000]

STATUS UPDATE – Implement after completion of Strategy 2-C.

- Facilitate partnership (referrals and tracking) between VHFA originating lenders and the Centers to improve access to VHFA financing with initial focus on underserved areas. [2001]

<u>**STATUS UPDATE**</u> **– Implement after completion of Strategy 1-A.**

Look for ways to increase the efficiency of our business processes with our lending partners in the following areas:

STRATEGIES

2-A Automatic data transfer on new applications originated by lending partners.

- Initial focus will be to research the feasibility of automatic transmission of data on new loans from MGIC to VHFA. Research and implement, if feasible, report if not. [December 31, 2000]

STATUS UPDATE – This strategy is on hold, pending the single family Mitas conversion resolution. Target date is May 2001.

2-B Data transfer from our mortgage services for reporting, remitting, and reconciliation processes.

- Automate reporting, remittance reconciliation systems. [December 31, 2000]
- Document current procedures, determine internal and external reporting capabilities and pilot with high volume servicers. [December 31, 2000]

STATUS UPDATE – This strategy is on hold, pending the single family Mitas conversion. Target date is May 2001. VHFA has piloted with Graystone Mortgage prior to conversion to Windows.

2-C Delinquency reporting, collection, and foreclosures

- Work with servicing partners to reengineer collection procedures and process. [September 30, 2000]

STATUS UPDATE – This is on hold, pending single family Mitas conversion. Target date is December 31, 2001.

2-D Automated underwriting system that incorporates credit modeling and compliance monitoring.

- Assist MGIC with any necessary changes to the system they have designed and implement with participating lenders. [June 30, 2000]

STATUS UPDATE – Staff has tested and piloted with several lenders and it has proved inefficient. It is being used internally by MGIC.

2-E Complete integration of Mitas system via conversion to Windows software.

- Develop Mitas Windows conversion plan and implement by the date established in the plan. [September 30, 2000]

STATUS UPDATE – The single family Mitas conversion occurred during the last week of January 2001. Complete implementation pending post Mitas conversion clean up.

Consolidate the number of loan servicers to improve business processes, reduce delinquencies and minimize losses, while remaining sensitive to Vermont based, community banks.

STRATEGIES

3-A Establish criteria for approving, retaining and/or consolidating existing servicers.

- Adopt an approved servicer criteria and implementation plan. [March 31, 2000]

STATUS UPDATE – This strategy is completed as of May 25, 2000.

3-B Conduct cost/benefit analysis of servicing options.

- Report results as of the end of the 1st quarter. [September 30, 2000]

STATUS UPDATE – This strategy is deferred until we have achieved better success consolidating servicing.

VHFA will support statewide housing initiatives that promote affordable housing in conjunction with revitalization of downtown business districts and urban village centers.

STRATEGIES

4-A Develop policies/programs to support small growth initiatives for the development of units under the VHFA price limits.

- Support legislative proposals to enhance affordable housing consistent with the State Consolidated Plan and design loan programs accordingly. [Ongoing]

STATUS UPDATE – **There is much work in progress with other business groups, organizations, and state agencies testifying on pertinent legislation. At this time, a cash assistance program, zero percent funds used to buy down rates, and deferred second mortgages are loan programs that VHFA is in the process of implementing.**

Improve Profitability.

STRATEGIES

5-A Decrease delinquencies.

- Develop monthly reports and Board reports during 1st quarter; reduce delinquencies from 8.3% to 7.8%. [December 31, 2000]

STATUS UPDATE – **Delinquencies, as of 12/31/00 were 7.77%; average FY01 is 6.84%.**

5-B Reduce REO expenses.

- Reduce average foreclosure/REO expenses from $9500 per loan to $6500 per loan. [December 31, 2000]

STATUS UPDATE – **We are on goal. REO expenses are ultimately reflected in our REO loss experience, which are**

currently on track to come in under budget projections for FY01.

5-C Reduce loan losses.

- Calendar year 2000 goal for total losses is $1.4 million. [December 31, 2000]

STATUS UPDATE – Losses for FY00 were $400,000 below budget; we are on target to meet goal of $1.2 million for fy01.

Evaluate feasibility and implement, if appropriate, loan programs in the following areas.

STRATEGIES

6-A Mobile home loans.

- Complete feasibility study, define program parameters required to make the program work, and develop implementation plan. [December 31, 2000]

<u>STATUS UPDATE</u> – **The research has been completed. Staff is reviewing underwriting changes and implementation issues with a $1.5 million pilot program planned for a spring bond issue.**

6-B Purchase/refinance loans with rehabilitation or home improvements.

- Complete feasibility study, define program parameters required to make the program work, and develop implementation plan. [December 31, 2000]

<u>STATUS UPDATE</u> – **Staff has not yet focused on a broad refinancing piece. Staff is in the process of making some enhancements to the process of closing loans with repair escrows. Also, a portion of the 0% second mortgage loans will be targeted for purchase/rehabilitation. A small refinance program for HOUSE loans may be included in a spring bond issue.**

6-C Loans to finance repairs for low equity borrowers.

- Complete feasibility study, define program parameters required to make the program work, and develop implementation plan. [December 31, 2000]

<u>STATUS UPDATE</u> – **Please refer to 6B.**

6-D Builder programs that encourage new construction of affordable housing.

- Complete feasibility study, define program parameters required to make the program work, and develop implementation plan. [June 30, 2000]

<u>STATUS UPDATE</u> – **This has not yet been addressed.**

6-E Establish new sources of capital to support new programs as needed.

- Establish new sources of capital beyond tax-exempt MRBs and Federal Home Loan Bank to support new program development. [Ongoing]

STATUS UPDATE – Staff has put the IORTA funds to use for several targeted funds as of March 2001. A taxable bond is pending.

Improve efficiencies to increase production capacity and profitability in our multifamily programs.

STRATEGIES

1-A Expand staff lending authority to eliminate delays and work related to obtaining Board approval. Seek statutory or regulatory changes as needed.

- Review statutes, rules, and internal procedures to confirm current approval process. [March 31, 2000]

STATUS UPDATE – This strategy has been completed.

- Develop desired approval process. [June 30, 2000]

STATUS UPDATE – This strategy is complete, pending Board approval in March 2001.

- Develop and propose changes to authorize VHFA management to approve loans. [If statutory - September 30,2000; If rules - June 30, 2001]

STATUS UPDATE – This strategy is complete, pending Board approval in March 2001.

1-B Conduct business process reviews of the production & closing and approval process.

- Define scope of review, document current processes and recent improvements, document planned changes, and set implementation dates. Review processing/approval times and staffing levels. Review to include qualitative as well as quantitative measurements. Make changes as appropriate. [June 30, 2000]

STATUS UPDATE – This process is ongoing as part of the overall process of reviewing the approval/legal processes. Completion of special project work by Elizabeth Mullikin Drake will formalize the internal filing of closing documents and provide templates for documentation.

1-C Develop and utilize VHFA web page to provide greater access to multifamily program information.

- Convert existing Word and Excel application format to protected Word and Excel documents that are available on VHFA web page. [June 30, 2000]

STATUS UPDATE – This strategy has not yet been completed. Target date is September 2001.

- Develop quarterly "What's New" announcements to developers, managers, and owners. [June 30, 2000]

STATUS UPDATE – This strategy has not yet been completed. Other priorities have prevented staff from moving forward on this initiative.

- Develop a plan to encourage the use of an automated application form. [March 31, 2000]

STATUS UPDATE – Excel spreadsheets were widely distributed to developers with incentives to encourage its use. There is also a worksheet available on our web site.

Improve data integrity, access, tracking and report writing capabilities within the Agency.

STRATEGIES

2-A Develop conversion plan and implement move to Mitas Windows version.

- Define Multifamily and Development's critical needs with emphasis on integration. [April 30, 2000]

STATUS UPDATE – This strategy has been completed.

- Develop Mitas Windows conversion plan. [April 30, 2000]

STATUS UPDATE – This strategy has been completed.

- Implement conversion by date determined in plan. [December 31, 2000]

STATUS UPDATE – This strategy is on hold pending clean up of the single family Mitas conversion. Target date for the multifamily Mitas conversion is June/July 2001.

2-B Implement use of electronic data transfer to minimize manual input of new loans, servicing and monitoring tasks.

- Define minimum data requirements, clean and populate Multifamily and Development's database. [September 30, 2000]

STATUS UPDATE – Staff has completed defining the data requirements. The database will not be populated or cleaned until the multifamily Mitas conversion is completed.

- Enable electronic data transfer of application data provided to Development underwriters into Mitas. [In conjunction with Mitas conversion]

STATUS UPDATE – This strategy is on hold, pending the multifamily Mitas conversion.

- Automate input of project annual operating budgets and audit information. [December 31, 2000 or within 90 days of Mitas conversion]

STATUS UPDATE – This strategy is on hold pending the multifamily Mitas conversion. Target date is September/October 2001.

Improve profitability of VHFA multifamily programs.

STRATEGIES

3-A Establish clear criteria for determining interest margin to be earned on projects, targeting full spread to those projects that can afford it and/or are not completely in line with our mission.

- Develop and implement formal policy on rates and fees. [April 30, 2000]

STATUS UPDATE – A formal policy on rates and fees was adopted and implemented in December 2000.

3-B Conduct cost benefit analysis of Agency programs.

- Define scope, methodology, and prioritize programs and report on each. [September 30, 2000]

STATUS UPDATE – The tax credit program has been analyzed. The multifamily rates and fees have been reviewed and revised. The multifamily/development business processes have been documented. There are further changes on hold, pending the multifamily Mitas conversion. The actual cost analysis on other programs has been deferred. The benchmarking analysis completed in May 2000 did not identify any outlying areas for VHFA.

Stabilize and preserve existing portfolio and enhance lending opportunities to current multifamily clients or new ownership structures.

STRATEGIES

4-A Complete review of existing projects' Capital Needs Analysis.

- Complete capital needs assessments on each project, identify those which have greatest needs, and develop loan proposals to meet those needs. [Ongoing]

STATUS UPDATE – A Capital Needs Analysis has been completed on all existing projects. Loan proposals to restructure and/or sell to non profits have been made on many, with several completed and others in process.

4-B Review and streamline reporting and regulatory requirements for property owners and managers.

- Hold owners/managers meeting to solicit feedback on current requirements. [March 31, 2000]

STATUS UPDATE – This strategy was completed in March 2000.

- Create list of current requirements and determine those that are needed and eliminate where possible. [June 30, 2000]

STATUS UPDATE – Quarterly reports have been eliminated on many projects, annual financial statements have been simplified, and provisions for electronic submissions have been enabled.

4-C Secure preservation lock-in agreements using the zero percent earnings pool and other incentives.

- Create inventory of at-risk projects, define needs, and develop loan proposals for each. [Ongoing]

STATUS UPDATE – Staff has identified at risk projects and strategies are being developed. Projects with needs this year have been identified, zero percent pool requests are allocated with anticipated time frames.

Evaluate existing and design new programs and/or policies to explore new market opportunities, which will insure VHFA service to all areas of Vermont.

STRATEGIES

5-A Develop a zero percent lending policy that maximizes effective use of the excess earnings pool with VHFA targeted lending initiatives.

- Create lending policy based on current resolutions that defines targeted uses for zero percent funds. [March 31, 2000]

<u>STATUS UPDATE</u> – **This strategy was completed in May 2000.**

5-B Support statewide initiative for a state tax credit or other investment incentive programs.

- Support enabling legislation. [Ongoing]

<u>STATUS UPDATE</u> – **$100,000 State Housing Tax Credit Program was implemented.**

- Design and administer lending programs as needed. [Ongoing]

<u>STATUS UPDATE</u> – **VHFA administers the State Tax Credit Program along the same parameters as the Federal Low Income Housing Tax Credit Program.**

5-C Design programs that enable lending on mixed use projects (both commercial and real estate portions) and hybrid real estate/business loans (like assisted living facilities).

- Research needs and related statutes and create program parameters and funding sources. [2001]

<u>STATUS UPDATE</u> – **This strategy is ongoing. No specific changes are required at this time. VHFA, as of January 2001, is the co-sponsor of the RWJ Grant to Vermont in the development of affordable assisted living models.**

5-D Develop improved program for mobile home parks.

- Research needs and related statutes and create program parameters and funding sources. [December 31, 2000]

<u>STATUS UPDATE</u> – **VHFA found 501(c)(3) bonds to be effective. Staff has used these bonds to finance both Brookside Mobile Home Park and French Hill Mobile Home Park.**

Establish new sources of capital to support new and existing programs.

STRATEGIES

6-A Define loan program parameters and funding needs and locate alternative sources of funding or investors for programs.

- Investigate the Federal Home Loan Bank collateral issue and create solution or locate alternative source of funding for projects that do not meet tax-exempt MRB requirements. [Ongoing]

<u>STATUS UPDATE</u> – Staff has had various discussions with the Federal Home Loan Bank, but no there is no resolution to date.

- Locate new investors for private placement of small multifamily bonds. [Ongoing]

<u>STATUS UPDATE</u> – Negotiations with Fannie Mae regarding private placement of small bonds has resulted in a reliable source for the foreseeable future.

- Investigate securing sources of capital beyond tax-exempt MRB and Federal Home Loan Bank funds. [Ongoing]

<u>STATUS UPDATE</u> – This strategy continues to be ongoing. No other sources have been identified yet. FHA insurance program is being evaluated.

- Investigate securing credit enhancements, which may attract investors such as HUD Risk Share Program. [Ongoing]

<u>STATUS UPDATE</u> – The HUD Risk Share Program has been researched, but the benefits to VHFA are limited.

- Work with GSEs and other entities to maximize use of new and existing capital programs. [Ongoing]

<u>STATUS UPDATE</u> – This strategy continues to be ongoing.

Evaluate VHFA's role and working relationship with other agencies in Vermont, based on regional and statewide housing initiatives.

STRATEGIES

7-A Develop lending policy in line with State Consolidated Plan that provides for the creation of affordable housing and supports statewide economic development initiatives.

- Establish guidelines for how VHFA will use its resources to finance housing in line with state initiatives. [June 30, 2000]

<u>STATUS UPDATE</u> – This strategy continues to be ongoing. Our multifamily/development lending policies have been targeted to be in line with the State Consolidated Plan. The Executive Director participated on the Consolidated Plan Advisory Committee.

7-B Evaluate VHFA's role with other state agencies to facilitate the creation of affordable housing in northwestern Vermont to address projected housing shortfalls.

- Quantify VHFA resources in terms of programs, funding and staff resources that can be targeted and coordinated with state affordable housing initiatives. [June 30, 2000]

STATUS UPDATE – This strategy continues to be ongoing. Staff is actively involved at state and local levels. The Excess Yield pool has been quantified and allocated to targeted projects with a policy that gives priority to existing projects first and then new projects, which is in line with the State Consolidated Plan.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director of Multifamily Programs

DATE: March 21, 2001

RE: **New England HFA Operating Expense Survey**

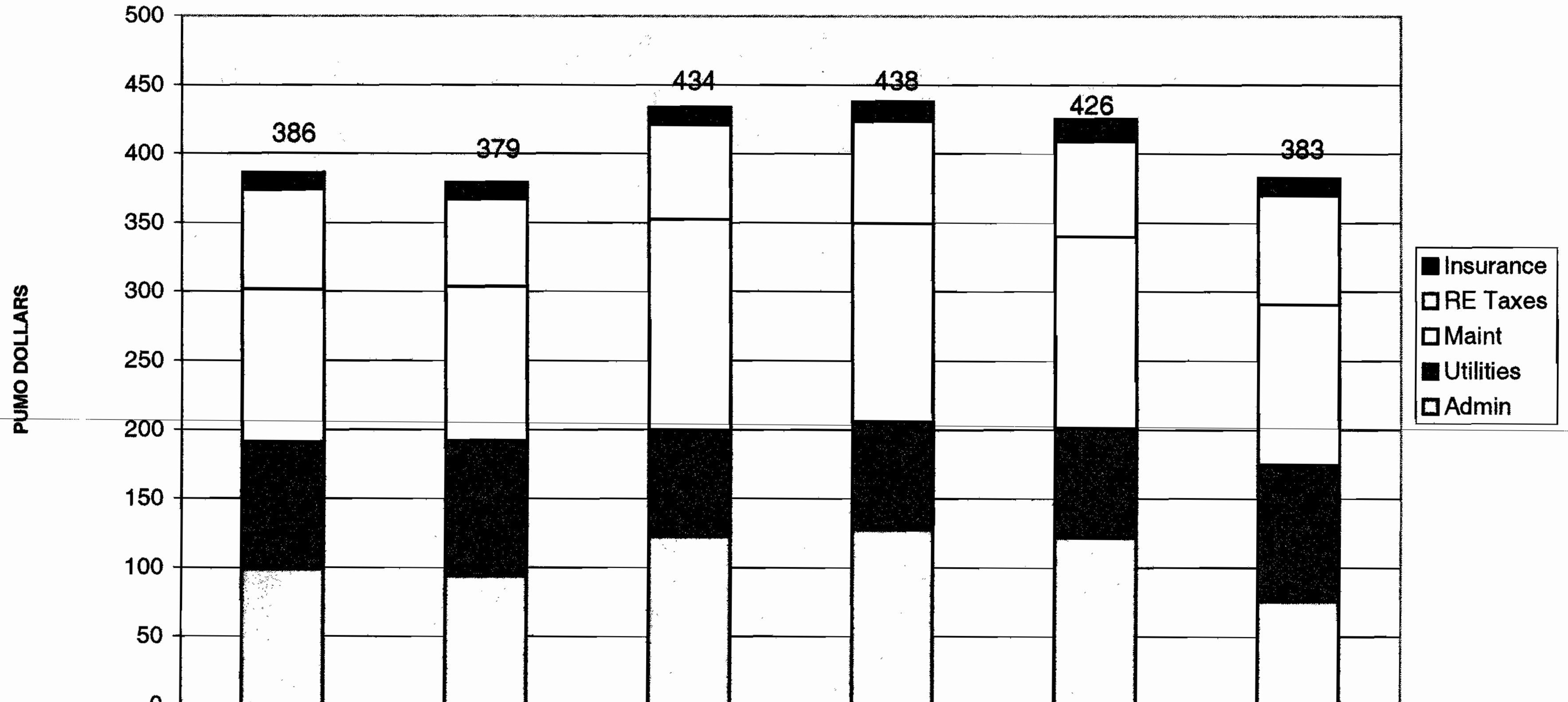
At our annual Management conference this fall, the six states attending agreed to provide operating expense data for the multifamily properties in their respective portfolios. This type of survey was last compiled in 1995 and was helpful in understanding the region as a whole and how various states compare with each other. Most of the data provided was from 1999 and 2000 audits (although one state used 2001 budget information).

The attached graphs present the major operating expense categories for each state and the numbers are expressed as a per unit month operating (PUMO) figures. We have displayed both Section 8 and Non-Section 8 properties and have further segregated the types of properties into Elderly and Family developments. In each category, the numbers represent the state's *average* per unit month operating expenses. Operating numbers do not include debt service or replacement reserve deposits.

Average project size in Vermont, New Hampshire and Maine is in the 30-unit range and in Massachusetts, Connecticut and Rhode Island the number is closer to 100 units. These differences may correlate to greater efficiencies in certain expense categories although, as a whole, the six-state region is comparable in many respects.

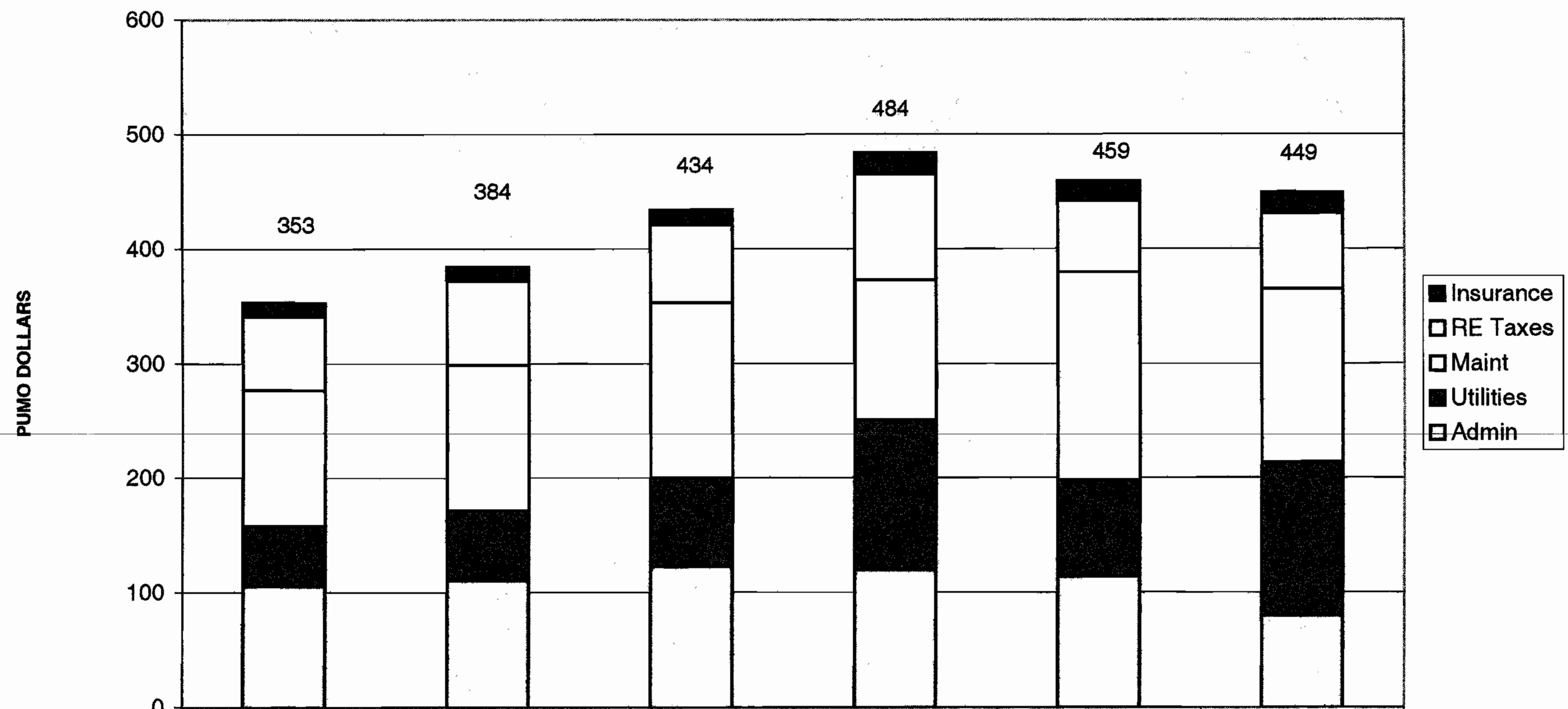
We will be reviewing this information and expect that it will help us in making future underwriting decisions on new multifamily loan proposals.

NE HFA Survey - Sec 8 Eldery



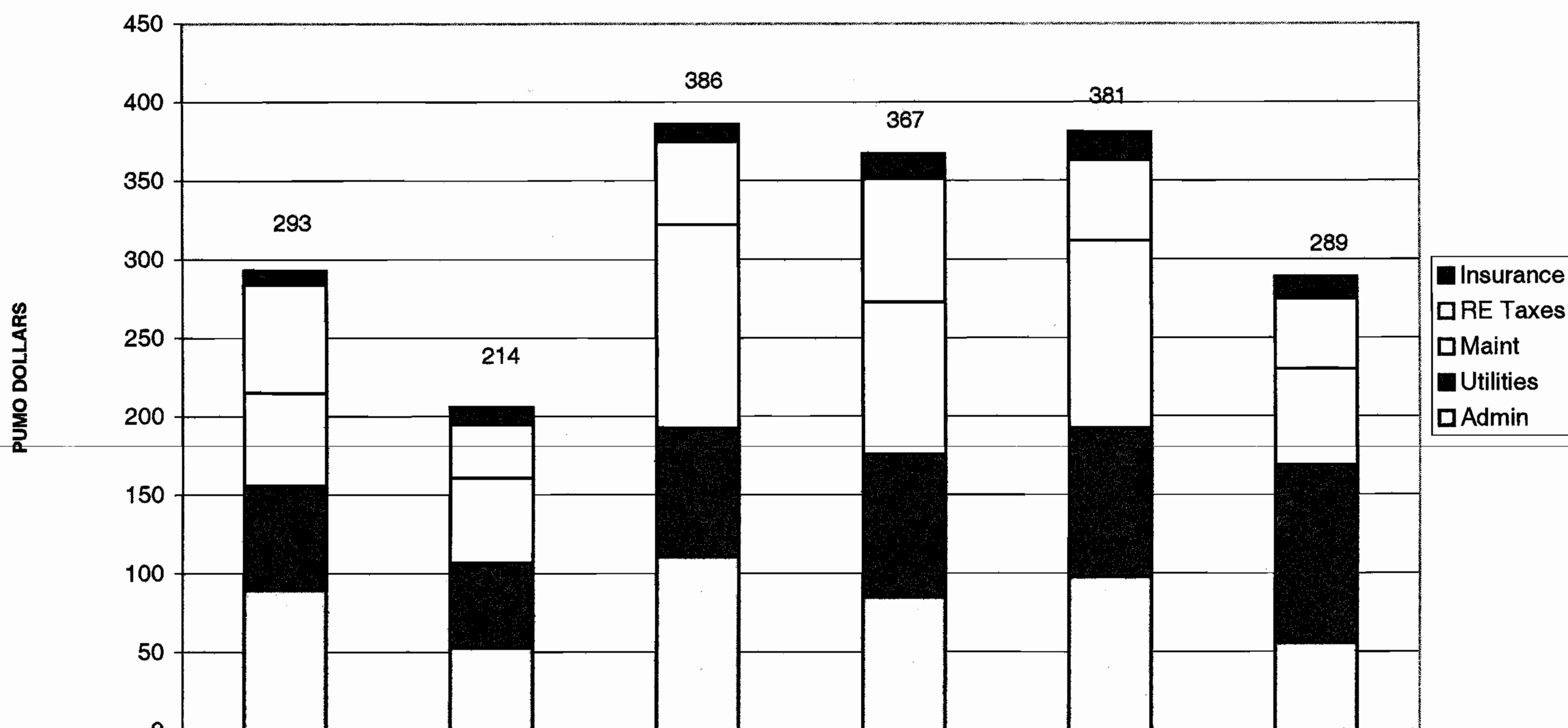
	VT	ME	MA	NH	CONN	RI
Insurance	12	12	13	14	16	13
RE Taxes	72	63	68	74	69	79
Maint	111	112	153	144	139	116
Utilities	92	98	77	78	79	99
Admin	99	94	123	128	122	76

NE HFA Survey - Sec 8 Family



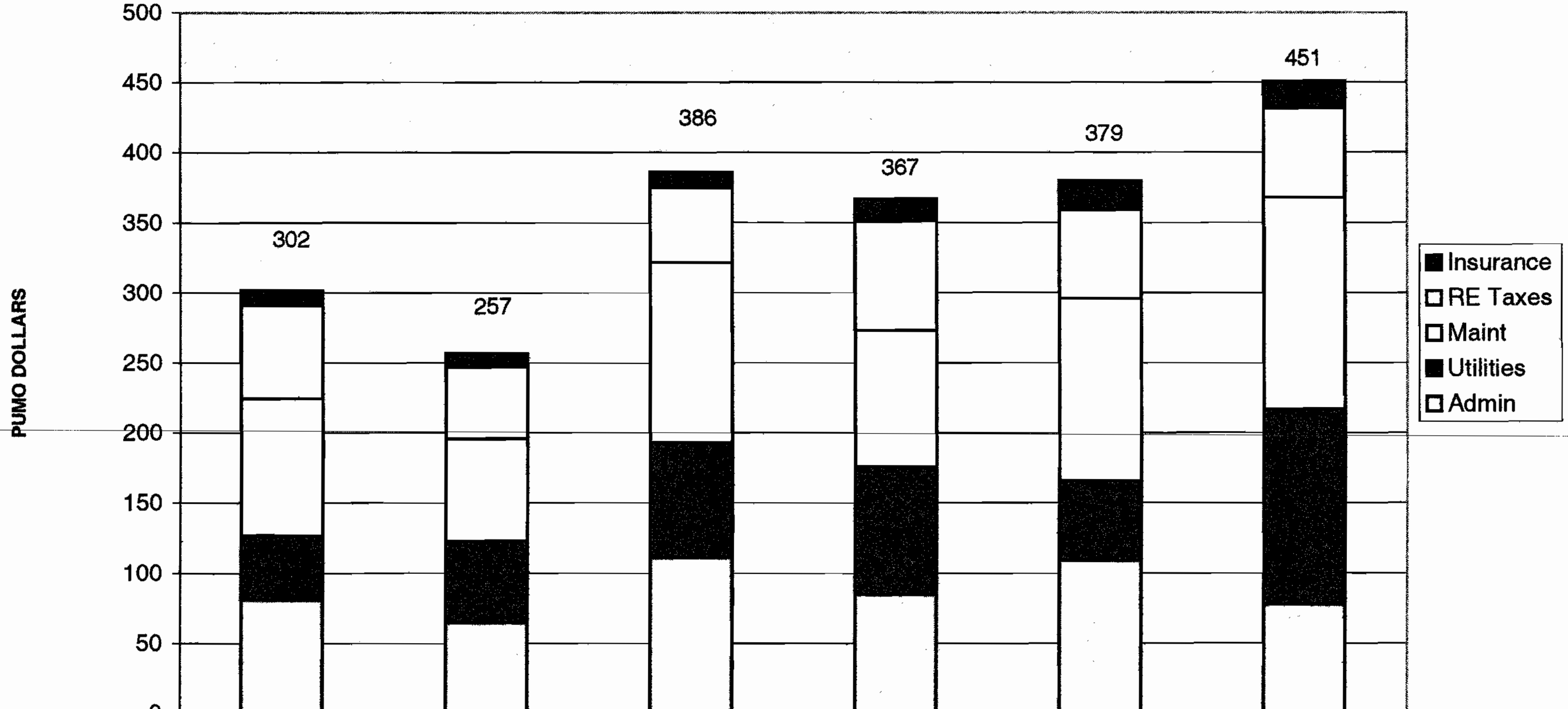
	VT	ME	MA	NH	CONN	RI
Insurance	12	12	13	19	17	18
RE Taxes	64	73	68	92	62	66
Maint	119	127	153	122	182	151
Utilities	52	61	77	131	84	134
Admin	106	111	123	120	114	80

NE HFA Survey - Non-Sec 8 Elderly



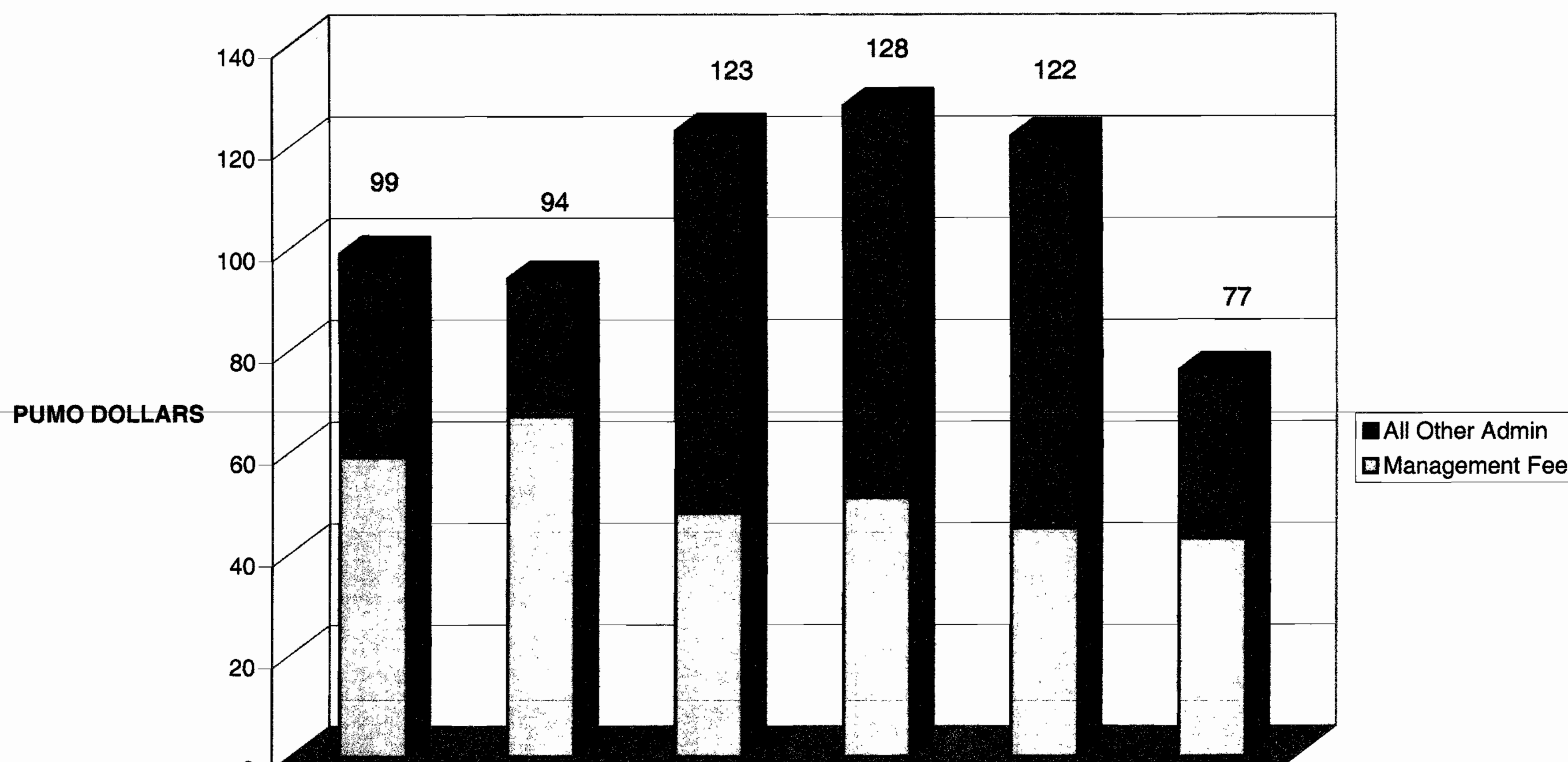
	VT	ME	MA	NH	CONN	RI
Insurance	9	11	11	16	18	14
RE Taxes	69	34	53	78	51	45
Maint	59	54	129	97	119	61
Utilities	66	54	82	91	95	113
Admin	90	53	111	85	98	56

NE HFA Survey - Non Sec 8 Family



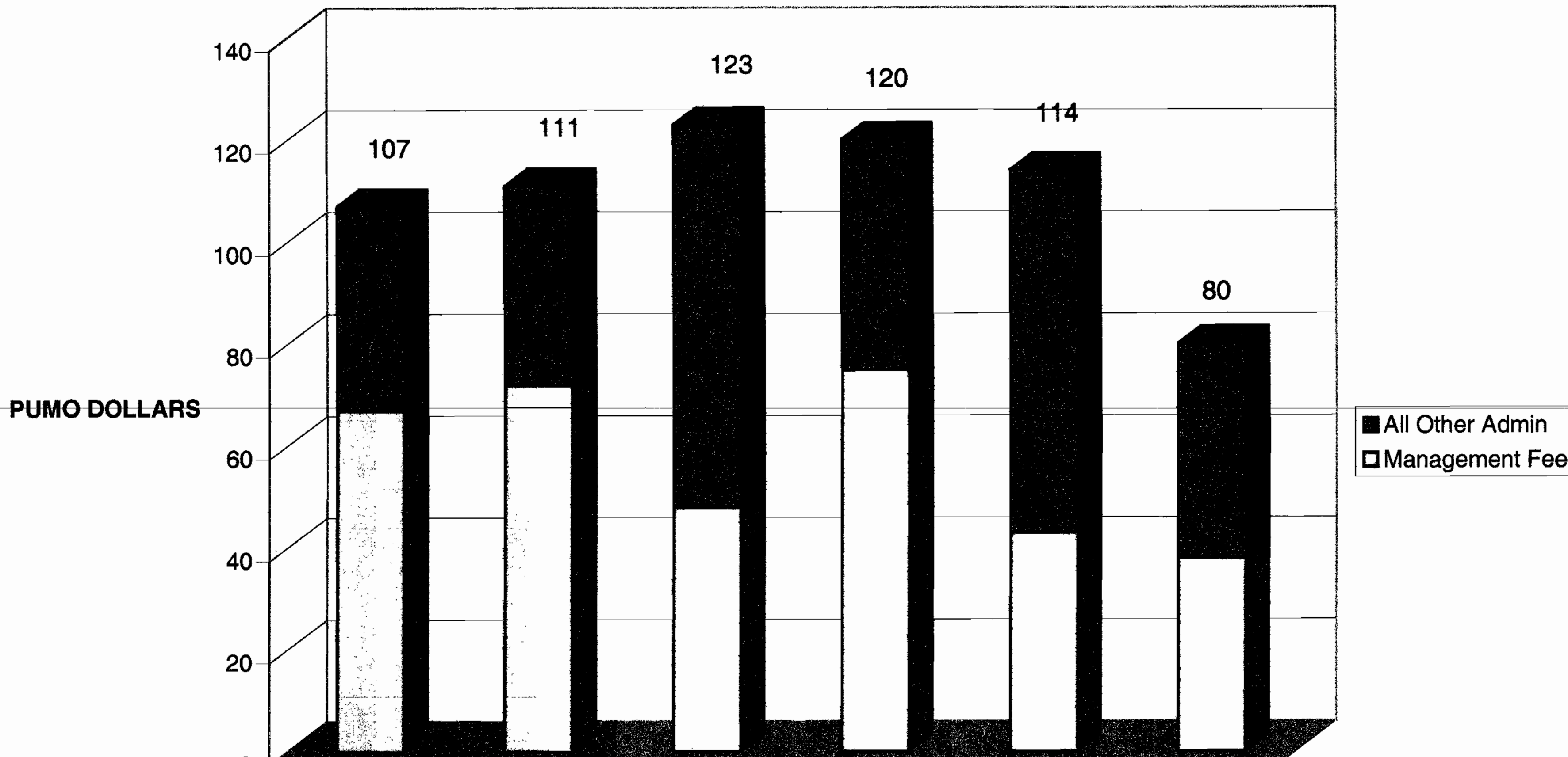
	VT	ME	MA	NH	CONN	RI
Insurance	11	10	11	16	21	19
RE Taxes	66	51	53	78	63	64
Maint	98	73	129	97	130	151
Utilities	46	58	82	91	57	139
Admin	81	65	111	85	109	78

Sec 8 Elderly - Total Admin Expense



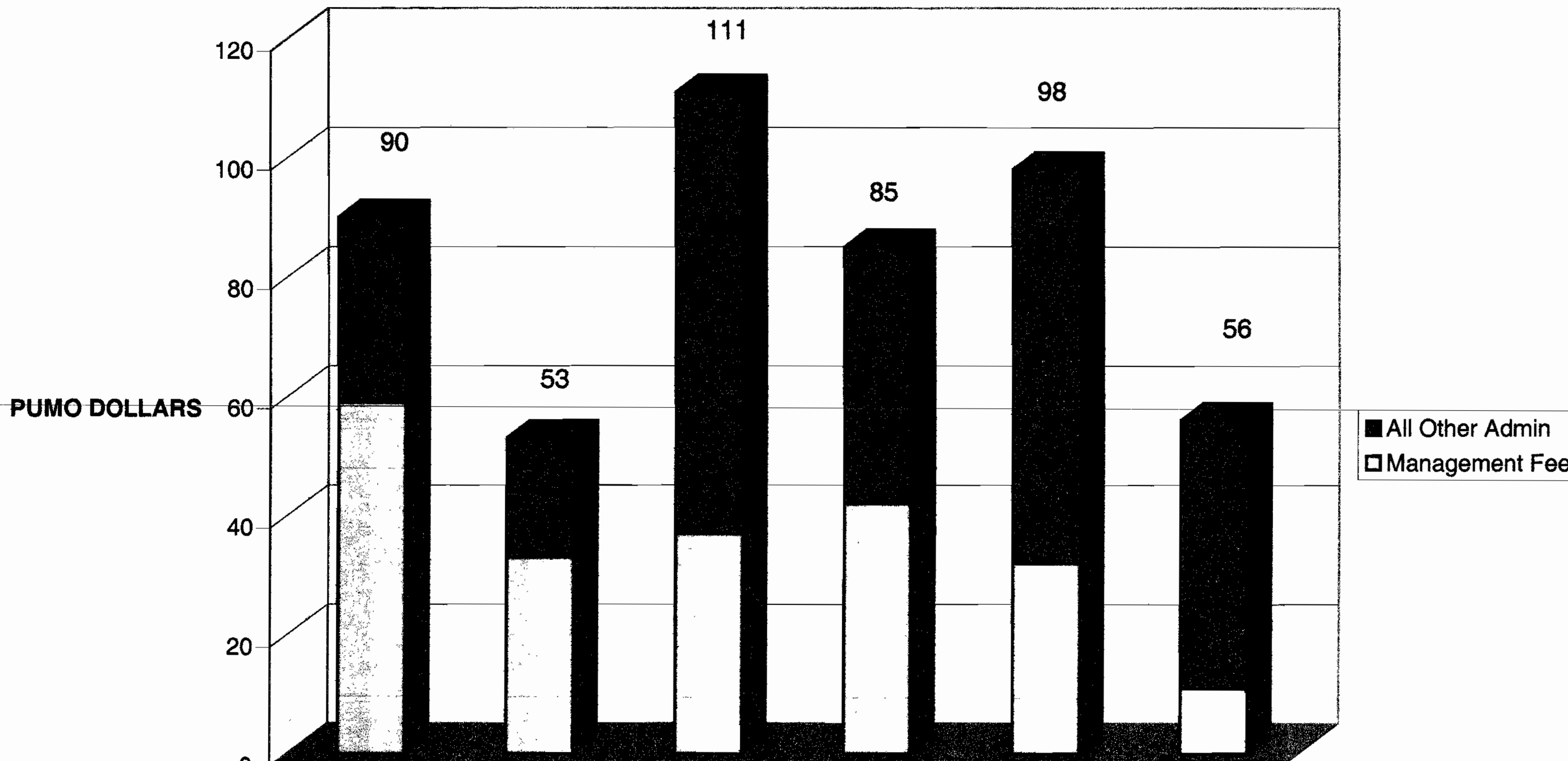
	VT	ME	MA	NH	CONN	RI
All Other Admin	40	27	75	77	77	33
Management Fee	59	67	48	51	45	43

Sec 8 Family - Total Admin Expense



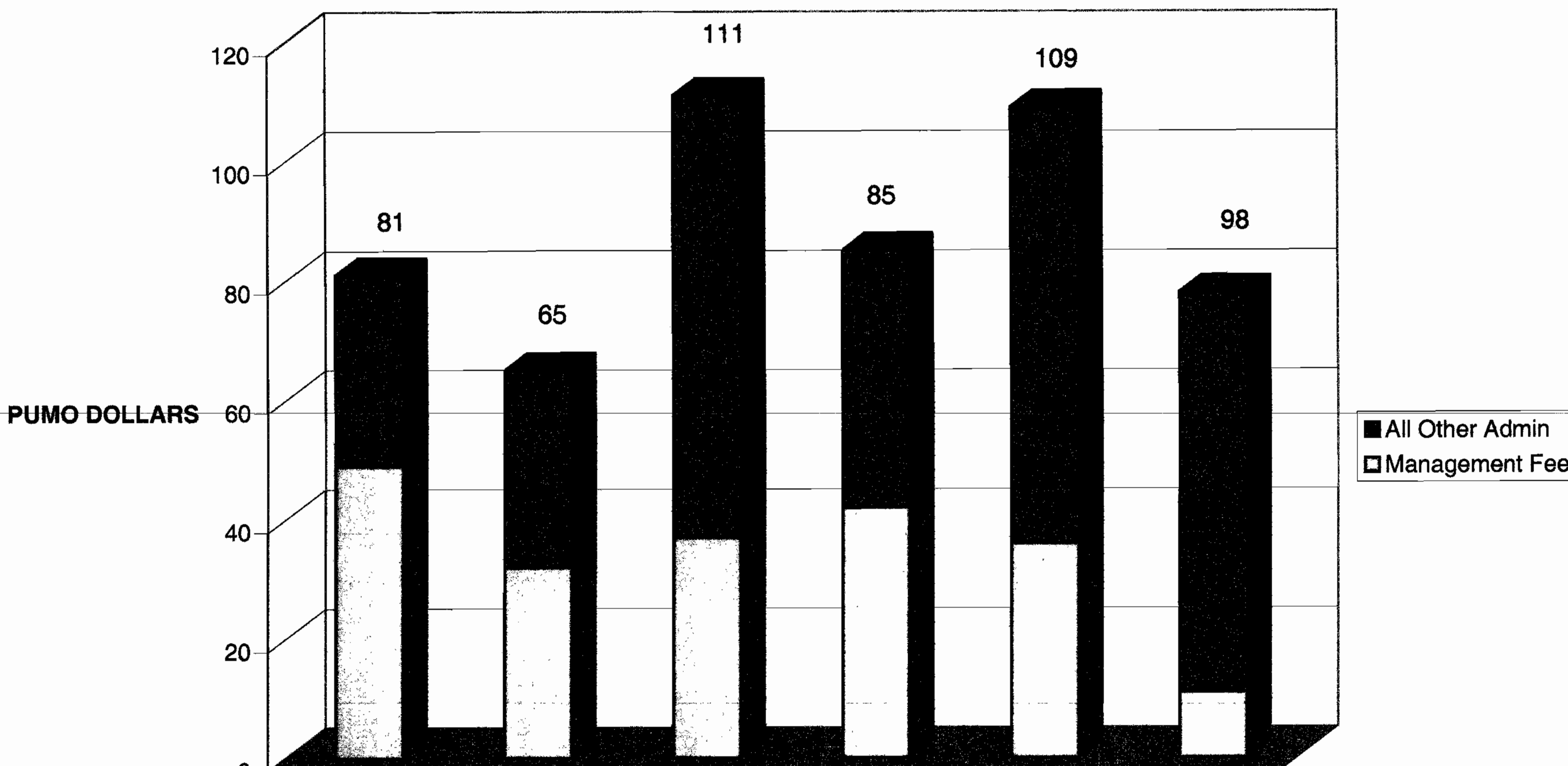
	VT	ME	MA	NH	CONN	RI
All Other Admin	40	39	75	45	71	42
Management Fee	67	72	48	75	43	38

Non-Sec 8 Elderly - Total Admin Expense



	VT	ME	MA	NH	CONN	RI
All Other Admin	31	20	74	43	66	45
Management Fee	59	33	37	42	32	11

Non-Sec 8 Family - Total Admin Expense



	VT	ME	MA	NH	CONN	RI
All Other Admin	32	33	74	43	73	67
Management Fee	49	32	37	42	36	11

vhfa

Vermont Housing Finance Agency

April 9, 2001

Ms. Mary Moore
Vermont Department of Libraries
109 State Street
Montpelier, VT 05609

Dear Ms. Moore:

The Vermont Housing Finance Agency Board of Commissioners will have its regular meeting on Thursday, April 19, 2001 at 12:00 p.m. at the Associated General Contractor's Office Building, 149 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3413.

Sincerely,

Kari Caragher

Kari A. Caragher
Executive/HR Assistant

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

GENERAL AUTHORIZING RESOLUTION RE: MULTIFAMILY DEVELOPMENT FINANCING

WHEREAS, the Board of Commissioners wish to direct the Executive Director to implement efficiency measures to streamline the approval process for multifamily developments; and

WHEREAS, the Board of Commissioners wishes to adopt Underwriting Guidelines to be implemented by the Executive Director and Agency staff to evaluate and finance multifamily housing developments; and

WHEREAS, the Board of Commissioners wishes to formalize the role of the Loan Review Committee and delegate certain authority to the Loan Review Committee as described in the Underwriting Guidelines;

THEREFORE, IT IS RESOLVED:

1. The Board of Commissioners hereby adopts the attached Underwriting Guidelines dated March 22, 2001 as a policy of the Agency to be applied to each application for multifamily housing development loans.
2. The members of the Loan Review Committee shall be the Executive Director, the Chief Financial Officer, the Chief of Program Operations, the Director of Multifamily Programs, Director of Homeownership Programs, the Senior Development Officer and the Multifamily Development Underwriter(s).
3. The Loan Review Committee shall meet regularly to evaluate the status of each multifamily housing development under consideration for financing and exercise its authority as described in the Underwriting Guidelines adopted by the Board of Commissioners as amended from time to time.
4. The Loan Review Committee shall provide a cumulative quarterly report to the Board of Commissioners of the multifamily loans closed and their terms during the current fiscal year.

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 March 22, 2001.

Sarah E Carpenter

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

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RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, MARCH 22, 2001

RESOLVED, Gustave Seelig is hereby elected to serve as Vice Chairman of the Agency until his successor is elected and qualified.

RESOLVED, Roger A. Schoenbeck is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

RESOLVED, that any and all prior actions of the officers of the Agency since the last annual meeting are hereby authorized, ratified and confirmed.

RESOLVED, that the Bylaws of the Agency are hereby amended in the first sentence of Article II Section 3.1 to read as follows:

> Section 3.1. Annual Meeting. The Annual Meeting of the Commissioners shall be held during the month of March of each year, or on such earlier or later date in each calendar year as the Chairman shall designate.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 15, 1999" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

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 March 22, 2001.

Sarah E. Carpenter

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

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER SUBSIDIARY OF BANK NORTH GROUP, INC. IN A MAXIMUM AMOUNT OF $600,000 AND USING THE PROCEEDS, ALONG WITH OTHER TAX-EXEMPT PROCEEDS, TO MAKE A LOAN IN THE MAXIMUM AMOUNT OF $4,700,000 TO HOUSING VERMONT TO FINANCE THE CONSTRUCTION OF 67 UNITS OF A 74-UNIT DEVELOPMENT IN BURLINGTON

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 additional tax-exempt bonds of not more than $600,000 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, in part, a construction loan to Housing Vermont (the "Borrower") to construct 67 units of a 74-unit development, McAuley Square (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to $600,000 principal amount of additional 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 Program 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 eighteen months 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. The Executive Director, Chief of Program 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.

3. The Executive Director, Chief of Program 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.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 22nd day of March, 2001.

VERMONT HOUSING FINANCE AGENCY

By Sarah E. Carpenter
Executive Director

Attest:

By Roger A. Dehaunbeck
Authorized Officer

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 March 22, 2001.

Sarah E. Carpenter

SARAH E. CARPENTER
Executive Director and Secretary
Vermont Housing Finance Agency

BOOK

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: April 13, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on April 19, 2001, at 12:00 p.m. at the Associated General Contractor's Building, 148 State Street, Montpelier, Vermont. *Lunch will be provided.*

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on April 19th!

vhfa
Vermont Housing Finance Agency

BOARD AGENDA

Associated General Contractors Office
148 State Street
Montpelier, Vermont
Thursday, April 19, 2001 at noon

The Human Resources Committee will meet at 10:30 a.m. at the Associated General Contractor's office.

1. Approval of the minutes of March 22, 2001.

2. DEVELOPMENT
   - A. Multifamily Construction Loan Application For Green Mountain Seminary, Waterbury — {Reid/Enclosure}
   - B. Multifamily Permanent Loan for Marketplace Bond Project, South Burlington — {Reid/Enclosure}
   - C. Jeffersonville Housing — {Erdelyi/Enclosure}
   - D. Lead Paint Funding Request — {Enclosure}

3. HOMEOWNERSHIP
   - A. Summary of Homeownership Activities — {Crady/Enclosure}
   - B. VDCU HomeDollars Program — {Crady/Enclosure}

4. MULTIFAMILY
   - A. Templeton Court Apartments — {Adams/Enclosure}

5. FINANCE
   - A. Authorized Officers Resolution — {Mullikin Drake/Enclosure}
   - B. Allocation of State Volume Cap Resolution — {Mullikin Drake/Enclosure}
   - C. Single Family Bond Financing — {Schoenbeck/Enclosures}

6. ADMINISTRATION
   - A. Executive Director's Report — {Carpenter/Enclosure}
   - B. Strategic Plan Summary — {Carpenter/Enclosure}

7. Any other business to come before the Board.

8. Executive Session

Other Enclosures
~ HFA Operating Expense Survey – Follow Up (Falzone)
~ Final Underwriting Guidelines – (Mullikin Drake)

Vermont Housing Finance Agency

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, March 22, 2001 at 12:00 p.m.

PRESENT: Chairperson Randall, Commissioner Beyer (designee of Lambert)
Staff: Ms. Carpenter, Ms. Caragher, Ms. Kendrick, Ms. Loller, Ms. Reid, Ms. Crady, Ms. Black-Plumeau, Mr. Falzone, Ms. Mullikin Drake, Mr. Schoenbeck, Mr. Erdelyi
Other: Ms. Owens (Housing Vermont)

VIA TELEPHONE: Commissioners Candon (designee of Costle), Seelig, Young (designee of Douglas), Mr. Adams

Chairperson Randall called the meeting to order at 12:05 p.m.

ANNUAL MEETING

Ms. Mullikin Drake briefly reviewed the proposed Annual Meeting resolution. Each year an annual meeting should occur to elect officers, confirm actions of the prior year, and authorize any other changes (advisor changes, underwriters, check signing authority, etc). The Agency's bylaws currently state that the annual meeting should take place in July unless changed by the Chairperson for cause.

Ms. Mullikin Drake suggested that the Board choose another month to hold the annual meeting, due to the scheduling of Board meetings (the Board does not usually meet in July).

Chairperson Randall stated that Mr. Seelig has agreed to continue as Vice-Chairman. After a brief discussion, the Board agreed that March should be the month in which the annual meeting is held each year. With no further discussion, Ms. Beyer made a motion to approve the "Resolution Adopted at the Annual Meeting of Vermont Housing Finance Agency, March 22, 2001." The motion carried unanimously after being seconded by Mr. Candon.

MINUTES

Next on the agenda was the approval of the February 22, 2001 minutes. Mr. Seelig noted that there was discussion during the February Board meeting surrounding the issues of amending Act 250. Staff and the Board discussed the difficulties of getting involved in the process and proposed revisions of Act 250 and the permitting process. Although there was no conclusion to this discussion, Mr. Seelig asked that it be added to the minutes.

With no further changes, Mr. Seelig made a motion to approve the February 22, 2001 minutes with the above change. The motion carried unanimously after being seconded by Mr. Candon.

DEVELOPMENT

Mr. Adams stated that at the February Board meeting there was discussion surrounding what changes the Board would want to revisit if there were changes after a project's initial approval for financing. Since then, staff has compiled the following items as "significant changes" that would trigger the Board's review: (1) change in the loan amount, (2) change in the project type, (3) change in the borrower, (4) change in the development location, and (5) other changes (all unexpected changes will be discussed with the Chairperson to determine whether the Board should revisit).

Mr. Adams indicated that Ms. Carpenter's memo, regarding the improvements to multifamily loan and financing approval process, tie into the significant changes listed above. The two improvements to the approval process are (1) the approval of a general authorizing bond resolution, which would authorize a certain amount of bond financing for multifamily projects, and (2) to formalize the underwriting guidelines and the role of the Loan Review Committee. Ms. Carpenter indicated that the only change staff has made to underwriting guidelines, since last month's meeting, is the recognition that "significant changes" to a project require the Board's reconsideration.

Mr. Seelig suggested that he would like a project that has a change in the loan type to come back to the Board for reconsideration. Ms. Beyer agreed that she would feel more comfortable with this change as well. Mr. Seelig also inquired about the 0% money and what changes are considered "significant." Ms. Carpenter indicated that currently if a 0% loan exceeds $100,000 it then goes to the Board for approval. The Loan Review Committee approves the 0% loans under $100,000.

It was suggested that if an applicant has requested any change in the amount of an approved 0% loan, which is greater than $100,000, or the amount of the 0% loan will exceed $100,000 after the requested change is applied, that it be added to the underwriting guidelines. Ms. Mullikin Drake indicated that she would make that change.

With no further discussion, Mr. Seelig made a motion to approve (1) a general authorization multifamily bond resolution in the amount of $15 million, (2) the proposed underwriting guidelines, including the addition of the changes in 0% loans, (3) the Loan Review Committee's role, and (4) the "significant changes" with the addition of a change of loan type. The motion carried unanimously after being seconded by Ms. Beyer.

Next, Mr. Erdelyi reviewed McAuley Square in Burlington. Shortly after the closing on the VHFA loans, a problem arose. An architect failed to communicate to an engineer a change that Housing Vermont made in the design plans. The change was to eliminate the full basement and only have a partial basement with the rest of the building built on a slab. When the work began, the soil engineers indicated that putting part of the building on a slab would not be acceptable. Housing Vermont then decided to proceed with a full basement. This full basement was more expensive, and also this change led to a month's delay in construction, which resulted in higher costs.

Staff is proposing that the Board approve an additional construction loan not to exceed $600,000. Mr. Erdelyi noted that in the future, VHFA would use the higher standard of 55% of total development cost as an extra buffer for construction loans in projects utilizing the 4% tax credit.

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to an Amendment to the Commitment Re: Construction Financing for McAuley Square, Burlington." The motion carried unanimously after being seconded by Mr. Candon.

HOMEOWNERSHIP

Ms. Crady indicated that on March 19th the new Cash Assistance Option was implemented. Staff will start working on getting the word out about this new initiative to consumers and will begin training the lenders as well.

Next, Ms. Black-Plumeau reviewed the single family home sales in Vermont during 2000. In regard to market share, VHFA assisted 13% of 8,215 homebuyers in Vermont in 2000. VHFA assisted 16% of homebuyers whose homes sold for $165,000 or less. This information was also broken down by counties.

Mr. Seelig mentioned that at the February Board meeting, Ms. Canney stated that while the Chittenden County inventory may be very low, this did not seem to be the case in Rutland and may not be in other p arts of the state. He asked Ms. Black-Plumeau if she had any information regarding this. Ms. Black-Plumeau noted that she doesn't have any information on the inventory, but would look at it for the Board. Chairperson Randall suggested that she look back a couple of years to compare where there are differences in the state.

MULTIFAMILY

A full discussion of the Templeton Court project was postponed until the April Board meeting. Mr. Falzone did indicate that the appraisal value for Templeton came in at $960,000. Currently, VHFA has a $1.42 million outstanding loan balance. The property is in need of significant rehabilitation, including the need to address some potential code issues, and VSHA is proposing a costly total redevelopment of the property. Ms. Beyer asked if VHFA's construction consultant has reviewed the renovation plan and was told that he has only completed a limited review. Ms. Carpenter suggested that we have him review VSHA's proposal and engineering reports to see if he has a different opinion on the options and cost for addressing these problems. The issue of VSHA's management was also discussed and it was noted that their regional office had been located on the Templeton site since they acquired the property in 1991.

Mr. Falzone reported that there would be more information regarding Templeton at the April Board meeting and Richard Williams, Executive Director of VSHA, will attend with his development consultant Jeff Kantor.

Mr. Falzone handed out an analysis of Multifamily per unit month operating costs in the northeastern states. He indicated that VHFA is on the low to middle side of operating costs compared to other HFA's in New England. Ms. Beyer suggested that staff might want to consider putting one graph together that compares Vermont's projects and the New England states.

STRATEGIC PLAN

Mr. Candon congratulated staff on a job well done with the strategic plan update and indicated that it was very easy to read. Ms. Carpenter indicated that in the fall it was agreed that a lot of the goals we had on our list would still be on our list going forward into 2001. Staff is requesting a reaffirmation from the Board that the two initiatives discussed at the fall retreat still make sense to pursue for the Agency.

Ms. Carpenter asked for feedback regarding VHFA's role in developing public awareness. Ms. Beyer indicated that the Board needs to be clear on what the expectations are for the marketing campaign. Mr. Seelig stated that we need to figure out what we are trying to motivate the public to do, and identify the purpose of our campaign.

After further discussion, Chairperson Randall proposed that Ms. Carpenter, Ms. Loller and herself get together to discuss the next steps for the Board in dealing with strategic plan issues, and also how we want to do our strategic planning in November. The Board agreed with this suggestion.

ADMINISTRATION

Ms. Carpenter discussed our current situation with the Mitas Group. Staff has a strong sense that the Mitas Group is over extended and it is creating issues for VHFA. Mr. Jean (Information Systems Manager) indicated that there is a lack of support from Mitas to resolve system problems. Ms. Carpenter indicated that if the situation continues, we might have to get more staffing to assist us. She also indicated that we might have to look into new systems. Staff is working on different options and will keep the Board updated.

Ms. Carpenter announced with regret, that Cathleen Gent was leaving VHFA to pursue independent consulting. With her resignation, it gave the management team a chance to look at the different aspects of Ms. Gent's position. Ms. Carpenter indicated that Ms. Caragher would be moving downstairs and taking over the supervision of the front office staff and functions as part of the Administration department. The housing studies will move over to Ms. Black-Plumeau and we will recruit for a public affairs coordinator.

Ms. Loller mentioned that Ms. Gent was sorry she couldn't attend the Board meeting, but that she wanted to say thank you to the Board for its support over the past nine years.

Ms. Carpenter mentioned that she returned from the NCSHA Legislative Conference in Washington the previous day and that she got the opportunity to meet with staff of the Vermont Congressional Delegation.

Ms. Carpenter mentioned that a federal tax bill is being introduced that would accomplish three things: (1) appeal the 10-year rule (this would allow VHFA to recycle single family bond cap), (2) set an alternate method for determining purchase price limits for VHFA homeownership programs, (3) and include an enhancement to the Housing Credit program to expand eligibility for the program in rural areas.

<u>FINANCE</u>

The single family bond financing must close by April 27th, and the expectation is that we will sell the bonds on April 19th. The structure of the bond sale is similar to what we have done in the past; we would sell $35 million of notes and $35 million of bonds and split the bonds. Staff was told yesterday that long bond rates are at a historical low, so staff is going to incorporate an interest rate adjustment feature. This will allow VHFA to drop its rates if needed.

<u>OTHER</u>

Ms. Carpenter indicated that she would like to have a Board meeting on April 19th in Montpelier to discuss Templeton, the bond financing and strategic planning. Ms. Caragher will email the Board with the location for the meeting.

Mr. Seelig asked if the Joint Committee on Tax Credits would be meeting before April 30th. Ms. Carpenter indicated that each member of the committee would be receiving a summary to review and probably would not need to meet. Mr. Erdelyi noted that he is working on the summary and will get it out to the committee members.

Ms. Randall thanked staff for all of their hard work with the Mitas conversion. With no further business, the meeting adjourned at 2:50 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

RESOLUTION PERTAINING TO AN AMENDMENT TO THE COMMITMENT RE: CONSTRUCTION FINANCING FOR MCAULEY SQUARE, BURLINGTON

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

WHEREAS, a proposal was presented to the Agency by Housing Vermont on behalf of a limited partnership, McAuley Square Housing Limited Partnership, involving the new construction of 74 units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, this proposal has been the subject of a previous resolution of the Agency on May 25, 2000; and

WHEREAS, ultimately Housing Vermont, rather than the limited partnership, was the Borrower for the Agency's loan for the Development; and

WHEREAS, the Agency has closed on its $4,100,000 construction loan to the Borrower, but construction costs have increased to the point where the Borrower needs to borrow more funds from the proceeds of tax-exempt bonds in order to maintain a level of tax-exempt borrowing over 50% of project costs and insure the availability of housing credits for 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 $4,700,000 aggregate principal amount (the "Bonds") to finance a loan to the McAuley Square Housing Limited Partnership (the "Borrower") to construct 62 units of a 74 unit rental housing development (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a combination of first mortgage loans in an amount of up to $4,700,000 for 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 long-term loan in an amount of up to $3,500,000, 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;

WHEREAS, the Borrower qualifies 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 Joe Erdelyi, dated March 16, 2000, 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, 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 or the Chief of Program Operations may, in her/his discretion, issue an amended Commitment Letter for a construction loan for the Development in an amount not to exceed $4,700,000.

2. The issuance of Bonds in an additional amount of not more than $600,000 for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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.

3. The preliminary approval of paragraph 2 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.

4. The terms of the additional construction loan shall be consistent with the terms of the existing construction loan.

5. The Executive Director, 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 Montpelier, Vermont, on March 22, 2001.

Sarah E. Carpenter

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

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects

Adopted March 22, 2001

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

March 22, 2001

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 No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all 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

.1. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

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

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

.1. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

.1. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

.2. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

.3. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE I

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

.1. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

.2. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

.3. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

.4. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE II

MISCELLANEOUS

.1. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

.2. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

.3. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Chief Financial Officer and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

.4. Effective Date. 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 Burlington, Vermont on March 22, 2001.

Sarah E. Carpenter

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

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: April 12, 2001

RE: Multifamily Construction Loan Application for Green Mountain Seminary, Waterbury

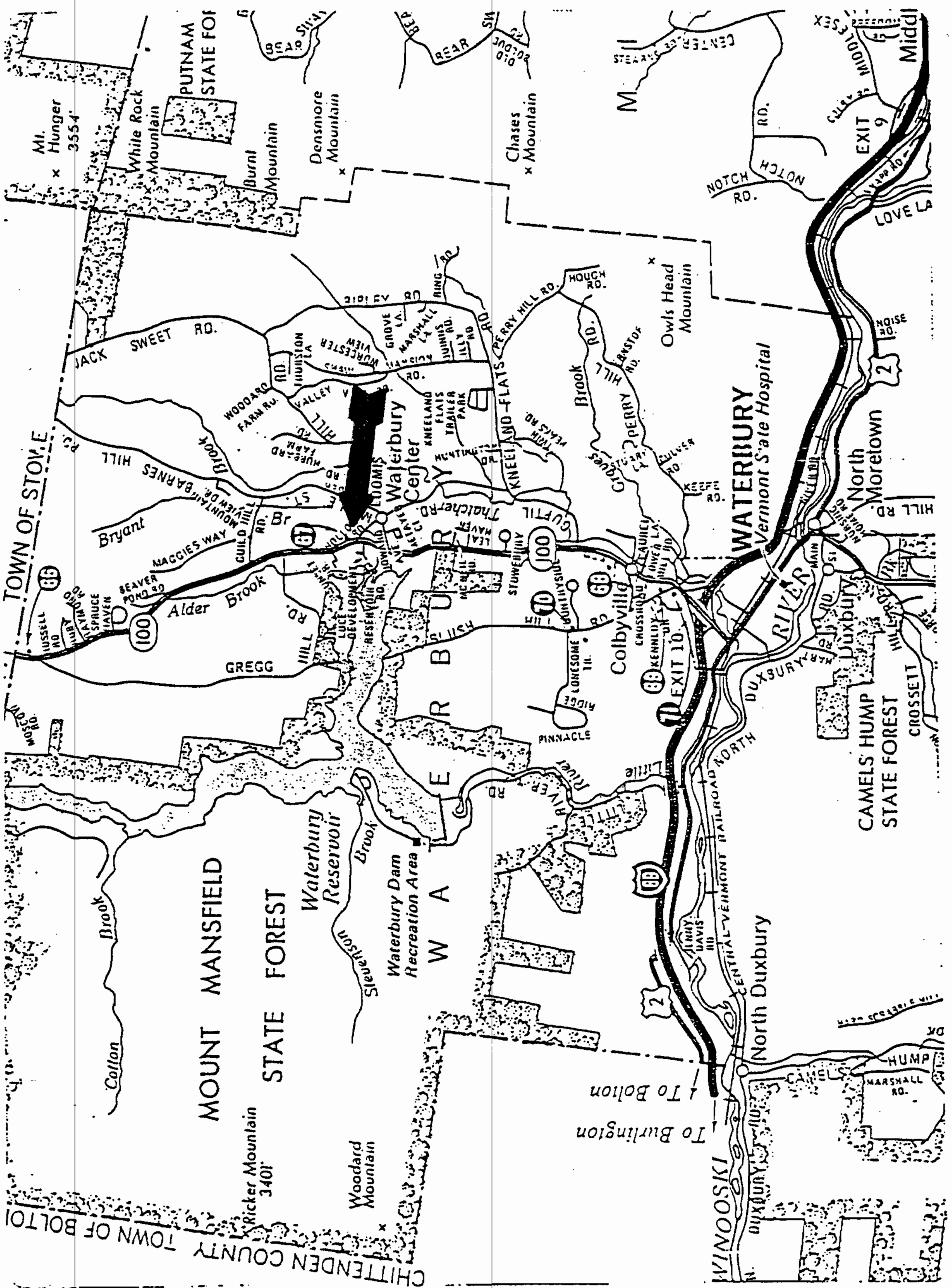
Name:	Green Mountain Seminary	**Location:**	Waterbury
Housing Type:	General Occupancy	**Unit Type:**	Flats
Total Units:	16	**Unit Sizes:**	8 1-Br, 627 sf; 8 2-Br, 839 sf
Total Cost:	$2,282,454 (residential only)	**Per S.F. Devel Cost (residential only):**	$194.53
Loan Requested:	$1,628,000 construction loan	**Housing Credits:**	$67,244
Other Funding:	VHCB, HOME, VCDP, VHCB Lead, HUD Special Purpose, Waterbury Revolving Loan Fund, Neighborworks, Historic Tax Credits, State Tax Credit, Housing Credits (4%)		
Sponsors:	Housing Vermont & Central Vermont Community Land Trust		

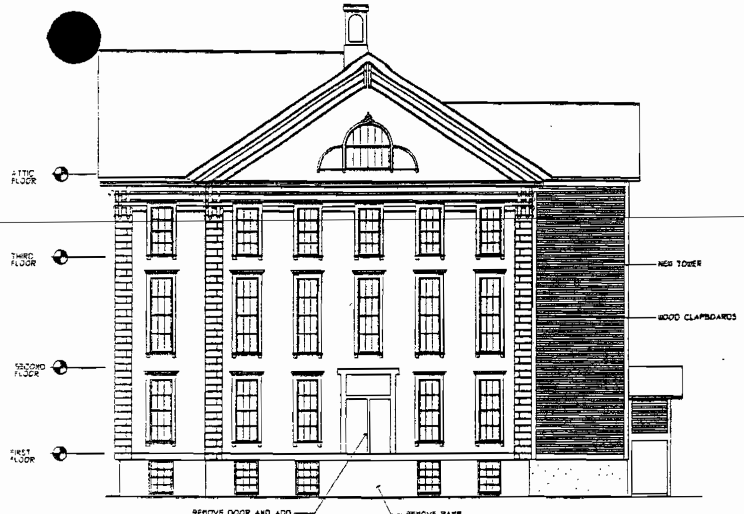
Housing Vermont is seeking $1,628,000 in tax exempt construction financing in order to obtain 4% Housing Credits to acquire and rehabilitate a vacant historic property in Waterbury. Two vacant apartments and a branch of the local public library currently occupy two floors of the four-story building. The remainder of the building is vacant and has been for at least 35 years since the building was used as a school. HVT/CVCLT propose to rehabilitate the property and create sixteen housing units and a newly renovated space for the library. An elevator will be installed and two units will be made handicapped accessible. CVCLT will manage the property once it's completed. All other funding is committed; the project has local permits and anticipates Act 250 approval by the end of April. The sponsors anticipate starting construction in May and completing it in early 2002. An as-completed appraisal has been ordered but not yet obtained. The budget is attached.

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 and the Chief of Program Operations to issue a Letter of Interest and a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

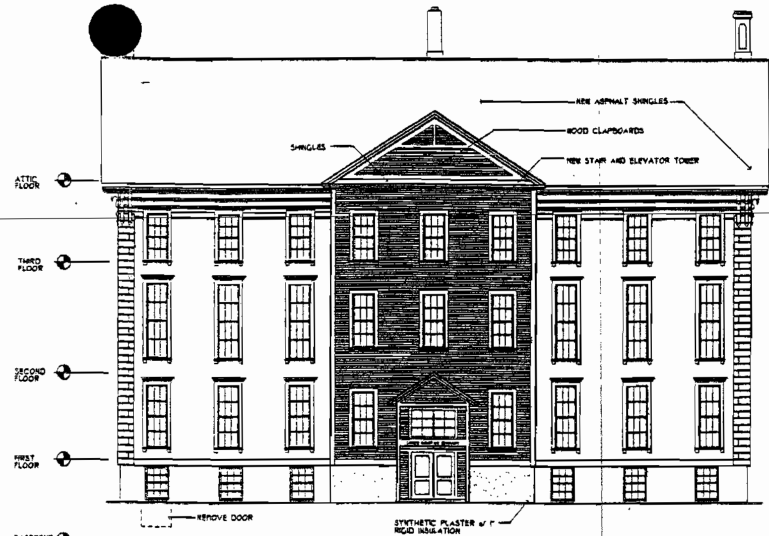
Community Map

EXHIBIT F
Location Map

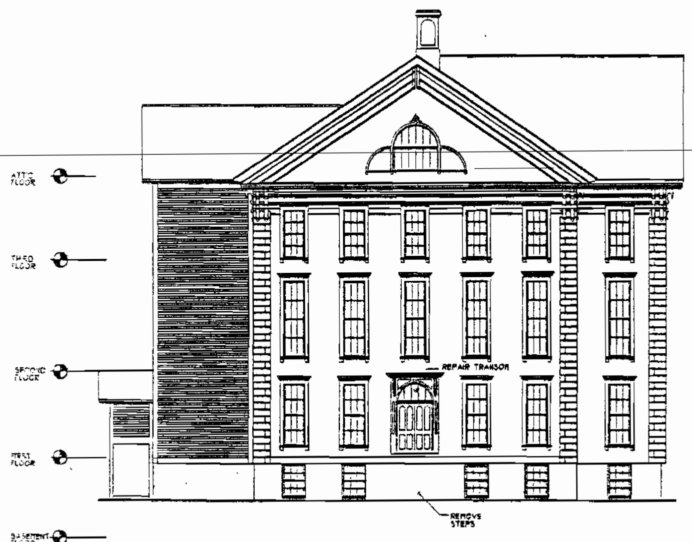




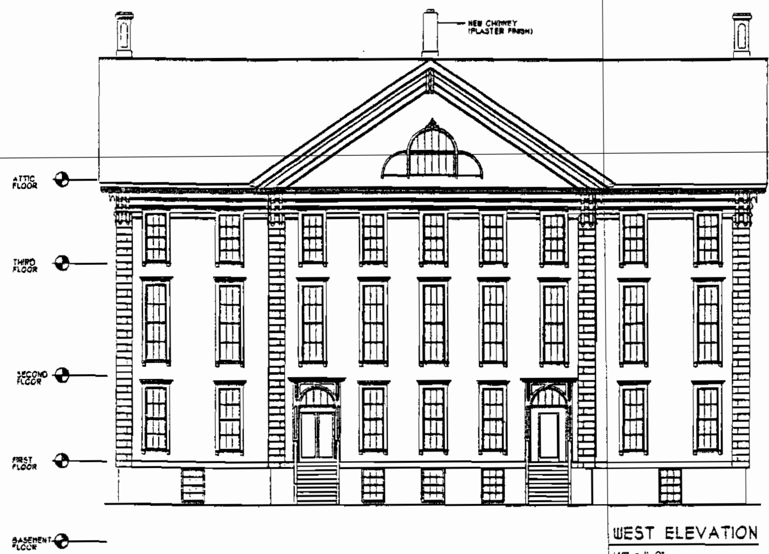
SOUTH ELEVATION
1/8" = 1'-0"



EAST ELEVATION
1/8" = 1'-0"



NORTH ELEVATION
1/8" = 1'-0"



WEST ELEVATION
1/8" = 1'-0"

N·B·F
Nimtz • Berryhill • Figiel
ARCHITECTS P.C.
24 ½ Center Street
Rutland, Vermont
0 5 7 0 1

Renovations to The
Green Mountain Seminary
Waterbury, Vermont

Date	Issued For
02/01/01	ACT 250 REVIEW

Drawing Title

A8

Drawing Number

Job File Number 2002

10-Apr-01 **Seminary Housing**

Total Residential Units:	16	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	14	Increase in Income from Other Sources:	3.50%
Percent Restricted:	87.50%	Increase in Income from Commercial:	1.50%
Total Development Cost:	2,713,525	Expense increase:	3.00%
Total Development Cost per Unit:	169,595	Vacancy Rate:	5%
Total Development Cost Per SF:	231	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
4% Credit Amount Allocated:	67,244	Short Depreciation Schedule:	7 years
State Credit Allocated:	42,000	Sponsor's Estimated Yield:	166.65%

LIHTC - 9%	8.21%	April 2001
LIHTC - 4%	3.52%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
RLF	80,000	2.95%	3.00%	15	15
HOME	123,600	4.55%	7.00%	30	int. only
VHCB-lead	56,000	2.06%	7.00%	30	int only
VCDP	306,700	11.30%	0	30	30
VHCB	372,000	13.71%	0%	30	30
Neighbor Works	101,000	3.72%	0%	30	30
HUD Special Purpose	190,000	7.00%	0%	30	30
VHCB Feasibility	6,700	0.25%	N/A	N/A	N/A
Historic equity	449,324	16.56%	N/A	N/A	N/A
Tax Credit Equity	1,028,200	37.89%	N/A	N/A	N/A
TOTAL SOURCES	2,713,524	100.00%			

USES

Acquisition	197,250	7.27%
Construction Hard Costs	2,014,094	74.22%
Soft Costs	502,181	18.51%
TOTAL USES	2,713,525	100.00%
Gap	1	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	8	721,120		
2 Br	95,890	8	767,120		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			1,488,240		
Projected total cost, excluding cash accounts&comm.			2,676,125	Cost Overage %	56%
	(over)/under		(1,187,885)		

General Partner's Capital Contribution	11,206	1.00%
Limited Partner's Capital Contribution	1,109,419	99.00%
Total Equity	1,120,626	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	14
Total Units	16
Unit Fraction	87.50%
Tax Credit Square Footage	10,168
Total Residential Square Footage	11,733
Square Footage Fraction	86.66%
Applicable Fraction	86.66%

10-Apr-01 Sen[illegible] Housing

#	Item	Budget	Per Unit	Per s.f.	84% Housing	16% Library	VHCB Terms: 378700	VHCB Fee	HOME Terms: 123600	VCDP Terms: 306700	RLF Terms: 80000	Equity Terms 14 77500	Lead Terms: 56000	HUD Terms: 190000	NW 101,000	TOTAL SOURCES
	ACQUISITION															
1	Land	21,600	1,350	1.84	17,400	4,200	17,400									17,400
2	Purchase of Building(s)	158,400	9,900	13.50	127,600	30,800	127,600									127,600
3	DEVELOPER'S FEES	9,000	563	0.77	7,581	1,419						7,581				7,581
4	Property Appraisal	4,500	281	0.38	3,790	710						3,790				3,790
5	Legal - Title and Recording	3,750	234	0.32	3,159	591						3,159				3,159
	Subtotal - Acquisition	197,250	12,328	16.81	159,530	37,720										
	CONSTRUCTION HARD COSTS															
6	Rehabilitation	1,746,466	109,154	148.85	1,471,078	275,388	152,454		123,600	296,700	80,000	550,819	47,505	190,000	30,000	1,471,078
7	New Building(s)		0	0.00												0
8	Accessory Buildings		0	0.00												0
9	Sitework	32,000	2,000	2.73	26,954	5,046						26,954				26,954
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	204,728	12,796	17.45	172,446	32,282						172,446				172,446
15	Construction Management		0	0.00												0
16	Construction Bond Fee		0	0.00												0
17	Hazardous Materials Abatement	13,700	856	1.17	11,540	2,160						3,045	8,495			11,540
18	Off-Site Improvements		0	0.00												0
19	Furnishings, Fixtures, & Equipment	17,200	1,075	1.47	17,200	0						17,200				17,200
20	Other (______________)		0	0.00												0
	Subtotal - Hard Costs	2,014,094	125,881	171.66	1,699,218	314,876										0
	SOFT COSTS															0
21	Architectural	133,137	8,321	11.35	112,144	20,993	74,546	4,700				32,898				112,144
22	Engineering		0	0.00												0
23	Legal/Accounting	12,000	750	1.02	10,108	1,892						10,108				10,108
24	Relocation	11,200	700	0.95	9,434	1,766						9,434				9,434
25	Environmental Assessment	2,000	125	0.17	1,685	315		1,685								1,685
26	Energy Assessment		0	0.00												0
27	Permits/Fees	18,617	1,164	1.59	15,681	2,936						15,681				15,681
28	Independent Market Study		0	0.00												0
29	Construction Period Insurance	5,500	344	0.47	4,633	867						4,633				4,633
30	Construction Interest	42,667	2,667	3.64	35,939	6,728						35,939				35,939
31	Construction Loan Origination Fee	30,060	1,879	2.56	25,320	4,740						25,320				25,320
32	Taxes During Construction		0	0.00												0
33	Clerk of the Works	13,500	844	1.15	11,371	2,129						11,371				11,371
34	Marketing	4,500	281	0.38	4,500	0						4,500				4,500
35	Tax Credit Fees	3,950	247	0.34	3,327	623						3,327				3,327
36	Soft Cost Contingency	7,850	491	0.67	6,612	1,238						6,612				6,612
37	Permanent Loan Origination Fee		0	0.00												0
38	Lender's Counsel's Fee		0	0.00												0
39	Other (_VCDP Admin fee__)	10,000	625	0.85	8,423	1,577				8,423						8,423
	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	90,500	5,656	7.71	76,230	14,270						76,230				76,230
45	Other Partnership Fees	90,500	5,656	7.71	76,230	14,270						76,230				76,230
46	Consultant Fees		0	0.00												0
	RESERVES															
47	Working Capital	26,200	1,638	2.23	22,069	4,131						22,069				22,069
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	502,181	31,386	42.80	423,706	78,475										
	TOTAL DEVELOPMENT COSTS	2,713,525	169,595	231.27	2,282,454	431,071	372,000	6,385	123,600	305,123	80,000	1,119,346	56,000	190,000	30,000	2,282,454
	Resid only	2,713,525	169,595	231.27				315		1,577		358,179			71,000	
		(1)			194.53			6,700		306,700		1,477,525			101,000	
							372,000	6,700	123,600	306,700	80,000	1,477,524	56,000	190,000	101,000	
												1,119,346				

Allocation of Sources - Library

#	Item	Equity Terms: 14 77500	VHCB Feasib	VCDP Terms: 306700	NW 101,000	TOTAL SOURCES
1	Land	4,200				4,200
2	Purchase of Building(s)	30,800				30,800
3	DEVELOPER'S FEES	1,419				1,419
4	Property Appraisal	710				710
5	Legal - Title and Recording	591				591
	Subtotal - Acquisition					0
	CONSTRUCTION HARD COSTS					0
6	Rehabilitation	204,388			71,000	275,388
7	New Building(s)					0
8	Accessory Buildings					0
9	Sitework	5,046				5,046
10	Commercial Space Costs (if any)					0
11	General Requirements					0
12	Contractor Overhead					0
13	Contractor Profit					0
14	Construction Contingency	32,282				32,282
15	Construction Management					0
16	Construction Bond Fee					0
17	Hazardous Materials Abatement	2,160				2,160
18	Off-Site Improvements					0
19	Furnishings, Fixtures, & Equipment					0
20	Other					0
	Subtotal - Hard Costs					0
	SOFT COSTS					0
21	Architectural	20,993				20,993
22	Engineering					0
23	Legal/Accounting	1,892				1,892
24	Relocation	1,766				1,766
25	Environmental Assessment		315			315
26	Energy Assessment	0				0
27	Permits/Fees	2,936				2,936
28	Independent Market Study	0				0
29	Construction Period Insurance	867				867
30	Construction Interest	6,728				6,728
31	Construction Loan Origination Fee	4,740				4,740
32	Taxes During Construction	0				0
33	Clerk of the Works	2,129				2,129
34	Marketing	0				0
35	Tax Credit Fees	623				623
36	Soft Cost Contingency	1,238				1,238
37	Permanent Loan Origination Fee	0				0
38	Lender's Counsel's Fee	0				0
39	Other (VCDP Admin fee)			1,577		1,577
	SYNDICATION COSTS					0
40	Organizational (Partnership)					0
41	Bridge Loan Fees and Expenses					0
42	Syndication Consultant					0
43	Tax Opinion					0
	DEVELOPER'S FEES					0
44	Developer's Fees	14,270				14,270
45	Other Partnership Fees	14,270				14,270
46	Consultant Fees					0
	RESERVES					0
47	Working Capital	4,131				4,131
48	Rent-up (Deficit Escrow) Reserve					0
49	Other Operating Reserves					0
50	Sinking Fund					0
51	Replacement Reserves					0
	TOTAL	358,179	315	1,577	71,000	431,071

10-Apr-01 **Seminary Housing**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Depreciation	
	ACQUISITION							
1	Land	21,600						
2	Purchase of Building(s)	158,400	127,600		127,600		30,800	
3	DEVELOPER'S FEES	9,000	7,581		7,581		1,419	
4	Property Appraisal	4,500	3,790		3,790		710	
5	Legal - Title and Recording	3,750	3,159		3,159		591	
	Subtotal - Acquisition	197,250						
	CONSTRUCTION HARD COSTS							
6	Rehabilitation	1,746,466		1,471,078	1,471,078	1,471,078	275,388	
7	New Building(s)	0						
8	Accessory Buildings	0						
9	Sitework	32,000		26,954	26,954		5,046	
10	Commercial Space Costs (if any)	0				0	0	
11	General Requirements	0						
12	Contractor Overhead	0						
13	Contractor Profit	0						
14	Construction Contingency	204,728		172,446	172,446	172,446	32,282	
15	Construction Management	0						
16	Construction Bond Fee	0						
17	Hazardous Materials Abatement	13,700		11,540	11,540	11,540	2,160	
18	Off-Site Improvements	0						
19	Furnishings, Fixtures, & Equipment	17,200		17,200				
20	Other (__________________)	0						
	Subtotal - Hard Costs	2,014,094						
	SOFT COSTS							
21	Architectural	133,137		112,144	112,144	112,144	20,993	
22	Engineering	0			0			
23	Legal/Accounting	12,000		10,108	10,108	10,108	1,892	
24	Relocation	11,200		9,434	9,434	9,434	1,766	
25	Environmental Assessment	2,000		1,685	1,685	1,685	315	
26	Energy Assessment	0			0	0		
27	Permits/Fees	18,617		15,681	15,681	15,681	2,936	
28	Independent Market Study	0			0	0		
29	Construction Period Insurance	5,500		4,633	4,633	4,633	867	
30	Construction Interest	42,667		35,939	35,939	35,939	6,728	
31	Construction Loan Origination Fee	30,060		0	0	0		
32	Taxes During Construction	0		0	0	0		
33	Clerk of the Works	13,500		11,371	11,371	11,371	2,129	
34	Marketing	4,500			3,790		710	
35	Tax Credit Fees	3,950		3,327	3,327	3,327	623	
36	Soft Cost Contingency	7,850		6,612	6,612	6,612	1,238	
37	Permanent Loan Origination Fee	0						
38	Lender's Counsel's Fee	0						
39	Other (_VCDP Admin fee__)	10,000						
	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	90,500		76,230	76,230	76,230	14,270	
45	Other Partnership Fees	90,500		76,230	76,230	76,230	14,270	
46	Consultant Fees	0						
	RESERVES							
47	Working Capital	26,200						
48	Rent-up (Deficit Escrow) Reserve	0						
49	Other Operating Reserves	0						
50	Sinking Fund	0						
51	Replacement Reserves	0						
	Subtotal - Soft Costs	502,181						
	TOTALS	2,713,525	142,130	2,062,612	2,191,332	2,018,458	417,133	0
LESS:	Amount of Non-qualified Financing		0	90,717	509,865	90,717	72,176	0
LESS:	Adjustment for per unit cost limits	100.00%		0				
LESS:	Historic tax Credit (Residential Portion)			385,548		20%	Historic Credit Rate	
	Total Eligible Basis		142,130	1,586,347		385,548	Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		2,062,251				
TIMES:	Applicable Fraction	86.66%	123,172	1,787,179				
	Total Qualified Basis		123,172	1,787,179	1,681,467	Long Term Depreciable Basis	344,957	
TIMES:	Applicable Percentage		3.52%	3.52%	27.5	Depreciation Schedule	39	
	Total Annual Credit Qualified		4,336	62,909	61,144	Annual Depreciation	8,845	

Total Tax Credits Requested	67,846	67,244	17,200	Short Term Depreciable Basis	72,175 Library Historic Credit'
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,119,346		7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication	166.65%		2,457	Annual Depreciation	
Equity Gap	1,119,346				
Credits Needed to fill Equity Gap	67,846				

State Credit 42,000

10-Apr-01 **Seminary Housing**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		618	7	370	36	31,080
2 Br		834	7	500	45	42,000
3 Br			0	0		0
4+ Br			0	0		0
	Totals	10,168	14			73,080

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		690	1	423	36	5,076
2 Br		875	1	550	45	6,600
3 Br			0	0		0
4+ Br			0	0		0
	Totals	1,565	2			11,676

All Units

Grand Totals	11,733	16	84,756
Less Vacancy		5.00%	(4,238)
NET RENT			80,518

OTHER INCOME

Laundry	1,000
Parking	0
Commercial Space Income	5,580
Other	0
TOTAL INCOME	87,098

10-Apr-01

Seminary Housing

	Check all Applicable									A					C							
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at:						1 Br	2 Br
															30%	50%	60%	65%	80%	100%+	494	593
	1		1		1	1	1			2	760	530	45	575			1				58%	
	2	1	1		1	1		1		1	580	360	36	396		1					48%	
	3	1	1		1	1		1		1	580	360	36	396		1					48%	
	4		1		1	1		1		2	780	530	45	575			1				58%	
	5		1		1	1		1		2	845	530	45	575			1				58%	
	6		1		1	1		1		2	860	530	45	575			1				58%	
	7		1		1	1	1			2	875	530	45	575			1				58%	
	8							1	1	1	690	450	36	486			1				59%	
	9		1		1	1		1		2	860	500	45	545			1				55%	
	10		1		1	1		1		1	688	410	36	446			1				54%	
	11		1		1	1		1		1	575	410	36	446			1				54%	
	12							1	1	2	875	550	45	595			1				60%	
	13		1		1	1		1		1	666	410	36	446			1				54%	
	14		1		1	1		1		2	860	500	45	545			1				55%	
	15		1		1	1		1		1	664	410	36	446			1				54%	
	16		1		1	1		1		1	575	410	36	446			1				54%	
Total # Units	16	2	14	0	14	14	2	14	2	Totals:	11,733	7,420		Total # Units:	0	2	14	0	0	0		

10-Apr-01 **Seminary Housing**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,180	765	48	10.5%
Supportive Services	1,020	85	5	
Audit/Accounting	3,672	306	19	
Legal	1,224	102	6	
Compliance Monitoring	672	56	4	
Marketing	408	34	2	
CVCLT Fee	1,020	85	5	
HVT Fee	1,632	136	9	
TOTAL ADMINISTRATIVE	18,828	1,569	98	
Utilities				
Electricity	2,040	170	11	
Fuel	9,180	765	48	
Water and Sewer	3,060	255	16	
Fire Alarm / Emergency	816	68	4	
Other		0	0	
TOTAL UTILITIES	15,096	1,258	79	
Maintenance				
Maintenance / Janitor Payroll	9,180	765	48	
Janitor Supplies	1,020	85	5	
Exterminating	510	43	3	
Trash Removal	2,652	221	14	
Snow Removal	1,632	136	9	
Grounds	1,428	119	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,448	204	13	
Painting and Decorating	1,530	128	8	
Other		0	0	
TOTAL MAINTENANCE	20,400	1,700	106	
				per unit month excl. ds & res. 344
Real Estate Taxes	8,568	714	45	
Property Insurance	3,060	255	16	
Replacement Reserves	7,140	595	37	
Primary Debt Service	6,630	553	35	
Other "must pay" debt service		0	0	
Other		0	0	
Total	79,722	6,644	415	

form revision date: 2/27/97

10-Apr-01 **Seminary Housing**

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		84,756	86,027	87,318	88,628	89,957	91,306	92,676	94,066	95,477	96,909	98,363	99,838	101,336	102,856	104,399
Other Income		1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Vacancy and other losses		(4,238)	(4,301)	(4,366)	(4,431)	(4,498)	(4,565)	(4,634)	(4,703)	(4,774)	(4,845)	(4,918)	(4,992)	(5,067)	(5,143)	(5,220)
Commercial Income		5,580	5,775	5,977	6,187	6,403	6,627	6,859	7,099	7,348	7,605	7,871	8,147	8,432	8,727	9,032
Less Commercial Vacancy		(279)	(289)	(299)	(309)	(320)	(331)	(343)	(355)	(367)	(380)	(394)	(407)	(422)	(436)	(452)
Total Operating Income		86,819	88,248	89,702	91,182	92,690	94,225	95,788	97,379	99,000	100,651	102,333	104,046	105,790	107,568	109,378
Operating Expenses																
Total Expenses (excl. Reserves)		65,952	67,931	69,968	72,068	74,230	76,456	78,750	81,113	83,546	86,052	88,634	91,293	94,032	96,853	99,758
Reserves		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Total Operating Expense		73,092	75,178	77,324	79,534	81,808	84,148	86,557	89,037	91,589	94,216	96,920	99,704	102,568	105,517	108,553
Net Operating Income		13,727	13,070	12,377	11,648	10,882	10,076	9,230	8,342	7,411	6,435	5,413	4,342	3,222	2,050	825
Less Primary Debt Service		6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	(194)	(1,217)	(2,288)	(3,408)	(4,580)	(5,804)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	194	1,217	2,288	3,408	4,580	5,804
Net Cash		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	0	0	0	0	0	0
DCR		207.06%	197.14%	186.70%	175.70%	164.14%	151.99%	139.23%	125.84%	111.79%	97.07%	81.64%	65.50%	48.60%	30.92%	12.45%
Cumulative Cash Flow																
Beginning Balance		0	7,169	13,819	19,904	25,376	30,184	34,275	37,595	40,085	41,684	42,329	41,963	40,529	37,957	34,175
Deposits		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	0	0	0	0	0	0
Interest	2.0%	72	210	337	453	556	645	719	777	818	840	850	854	836	797	734
Withdrawals		0	0	0	0	0	0	0	0	0	(194)	(1,217)	(2,288)	(3,408)	(4,580)	(5,804)
Ending Balance		7,169	13,819	19,904	25,376	30,184	34,275	37,595	40,085	41,684	42,329	41,963	40,529	37,957	34,175	29,104
Cumulative Replacement Reserves																
Beginning Balance		0	7,211	14,747	22,619	30,838	7,418	15,409	23,756	32,473	41,570	19,063	28,004	37,339	47,081	57,245
Deposits		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Interest	2.0%	71	289	516	753	1,001	299	540	792	1,055	1,329	655	924	1,206	1,499	1,805
Withdrawals*		0	0	0	0	(32,000)	0	0	0	0	(32,000)	0	0	0	0	(32,000)
Ending Balance		7,211	14,747	22,619	30,838	7,418	15,409	23,756	32,473	41,570	19,063	28,004	37,339	47,081	57,245	35,845
		*assumes $2,000 per unit is used every 5 years														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		13,727	13,070	12,377	11,648	10,882	10,076	9,230	8,342	7,411	6,435	5,413	4,342	3,222	2,050	825
Plus Reserves		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Less Interest Expense		(137,402)	(130,059)	(89,010)	(32,262)	(33,007)	(33,792)	(34,619)	(35,491)	(36,409)	(37,376)	(38,394)	(39,467)	(40,597)	(41,787)	(43,041)
Less Long Depreciation		(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)
Less Short Depreciation		(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(188,981)	(182,189)	(141,723)	(85,594)	(86,994)	(88,470)	(90,028)	(89,213)	(90,944)	(92,766)	(94,685)	(96,704)	(98,828)	(101,062)	(103,410)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		66,143	63,766	49,603	29,958	30,448	30,965	31,510	31,225	31,830	32,468	33,140	33,846	34,590	35,372	36,194
Plus Tax Credits		67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244					
Plus Historic Tax Credit		457,723														
Plus State Tax Credit		27,300	27,300	27,300	27,300	27,300										
After Tax Cash Flow		618,411	158,310	144,147	124,502	124,992	98,209	98,754	98,469	99,075	99,712	33,140	33,846	34,590	35,372	36,194
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		618,411	158,310	144,147	124,502	124,992	98,209	98,754	98,469	99,075	99,712	33,140	33,846	34,590	35,372	36,194
Future Value of Cash Flows at Yr 15:		3,384,913	773,681	628,986	485,058	434,791	305,022	273,853	243,805	219,022	196,815	58,403	53,258	48,596	44,370	40,537
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	01-Jul-01	01-May-02	30-Oct-02	01-May-03	01-May-04	01-May-05	10-Apr-01	10-Apr-01								
Amount of Capital Contribution:	17,241	17,241	86,205	206,893	620,679	775,849	0	0								
Present Value of Contributions:	17,241	16,389	79,498	185,066	522,345	614,399										
Cash Flows	(1,434,938)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,191,111
IRR:	11.34%															
Equity Yield:	114.43%															

form revision date: 2/27/97

RESOLUTION RE: CONSTRUCTION FINANCING FOR GREEN MOUNTAIN SEMINARY, WATERBURY

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Housing Vermont (the "Sponsor") involving the acquisition and rehabilitation of sixteen units of rental housing in the Town of Waterbury (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 (the "Bonds") to finance a loan to a to-be formed limited partnership to be created by Housing Vermont and the Central Vermont Community Land Trust (the "Borrower") to acquire and rehabilitate sixteen units of rental housing (the "Project") in Waterbury, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan for 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;

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 April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is a financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designee may, in his or her discretion, issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the limited partnership to be created by Housing Vermont and Central Vermont Community Land Trust for acquisition and construction financing based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designee may, in his or her discretion, issue a Commitment Letter for a mortgage loan for the acquisition and construction of the Development. The Commitment Letter may be issued to Housing Vermont as a representative of the Borrower. 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 issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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 described in the preceding paragraph 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 independent 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 Sponsor, the Borrower or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amount of the loan, such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: April 12, 2001

RE: Multifamily Permanent Loan for Marketplace Bond Project, South Burlington

At the November 2000 meeting, the Board of Commissioners approved construction and permanent loans to finance the Marketplace development in South Burlington. In summary, there are two Marketplace projects, "bond" (three buildings totaling 120 units) and "allocated" (one building totaling 40 units), differentiated by the type of tax credits and associated financing.

Housing Vermont has requested an increase in the permanent loan for the bond project mainly due to higher than budgeted construction costs. The amount of permanent debt approved in November was up to $3,600,000. The new requested amount is up to $3,973,000. The loan to value ratio was 37% and with the higher loan amount is 41%. Since this increase is higher than 10% (per the new policy), it necessitates Board review and approval. The permanent debt is structured as two loans, one with a 40 year term and the other with a 10 year term. The level of permanent debt is contingent upon the Borrower obtaining a commitment of 40 Section 8 project based vouchers with a 10 year term from the Burlington Housing Authority. The loan commitment is also contingent upon the satisfactory review of plans and specifications by VHFA's construction inspector. Recently an appeal was made to the Act 250 permit. This could have an effect on the project's timing and cost.

Other loan amounts have increased (and one decreased), although less than 10%; the new aggregate loan amounts are contained in the resolution.

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 or her designee to issue a Commitment Letter to finance this development.

29-Apr-00 **Marketplace Bond**

Total Residential Units:	120	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	93	Increase in Income from Other Sources:	1.5%
Percent Restricted:	77.50%	Increase in Income from Commercial:	1.5%
Total Development Cost:	12,229,203	Expense increase:	3%
Total Development Cost per Unit:	101,910	Vacancy Rate:	5%
Total Development Cost Per SF:	111.44	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	227,868	Sponsor's Estimated Yield:	136.26%

LIHTC - 9%	8.21%	(April 2001)
LIHTC - 4%	3.52%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage - tax exempt	3,473,000	28.40%	6.75%	40	40	115.98% DCR yr 1
First Mortgage - tax exempt	500,000	4.09%	6.75%	10	10	
HOME	216,000	1.77%	6.00%	30	30	
VCDP	562,500	4.60%	6.00%	30	30	
VHCB	3,184,000	26.04%	0.00%	30	30	
HUD Special Purpose	305,934	2.50%	6.00%	10	10	
VHFA 0% Loan	300,000	2.45%	0.00%	15	15	
Developer Loan	230,000	1.88%	3.00%	15	15	
VHCB Development Loan	50,000	0.41%	0.00%	15	15	
REEP	175,000	1.43%	N/A	N/A	N/A	
Tax Credit Equity	3,232,810	26.44%	N/A	N/A		
TOTAL SOURCES	12,229,244	100.00%				
VHFA Construction Loan (TE)	7,200,000	58.88%				

USES

Acquisition	1,098,750	8.98%
Construction Hard Costs	9,695,001	79.28%
Soft Costs	1,435,452	11.74%
TOTAL USES	12,229,203	100.00%
Gap	(41)	

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		18	1,622,520		
2 Br	95,890		90	8,630,100		
3 Br	101,637		12	1,219,644		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			120	11,472,264		
Projected total cost, excluding cash accounts				12,169,203	Cost Overage %	94.27%
		(over)/under		(696,939)		

General Partner's Capital Contribution	32,328	1.00%
Limited Partner's Capital Contribution	3,200,482	99.00%
Total Equity	3,232,810	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	93
Total Units	120
Unit Fraction	77.50%
Tax Credit Square Footage	85,283
Total Residential Square Footage	109,734
Square Footage Fraction	77.72%
Applicable Fraction	77.50%

12-Apr-01 **Marketplace Bond**

	Building SE Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	360,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,000	1,000		1,000		
5	Legal - Title and Recording	5,250			5,250		
	Subtotal - Acquisition	366,250					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	2,949,667		2,949,667	2,949,667		
8	Accessory Buildings	0					
9	Sitework	250,000		250,000	250,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000			
20	Other (________________)	0					
	Subtotal - Hard Costs	3,231,667					
	SOFT COSTS	0					
21	Architectural	5,000		5,000	5,000		
22	Engineering	0					
23	Legal/Accounting	8,750		8,750	8,750		
24	Relocation	0					
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	35,197		26,398			
32	Taxes During Construction	0					
33	Clerk of the Works	4,500		4,500	4,500		
34	Marketing	1,875			1,875		
35	Tax Credit Fees	4,550		4,550	4,550		
36	Soft Cost Contingency	5,784		5,784	5,784		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	6,828		6,828	6,828		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	160,000		160,000	160,000		
45	LCHDC Development Fee	160,000		160,000	160,000		
46	Consultant Fees	5,000		5,000	5,000		
	RESERVES	0					
47	Working Capital	20,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	478,484					
	TOTALS	4,076,401	1,000	3,679,477	3,629,204	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		1,000	3,679,477		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.00%		3,679,477			
TIMES:	Applicable Fraction	72.50%	725	2,667,621			
	Total Qualified Basis		725	2,667,621	3,629,204	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.52%	3.52%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	93,900	131,971	Annual Depreciation	395,913

Total Tax Credits Requested	94,167
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,077,603
Estimated Yield - Housing Credit Syndication	115.59%
Equity Gap	1,415,547
Credits Needed to fill Equity Gap	123,698

32,000 Short Term Depreciable Basis

7 Depreciation Schedule

4,571 Annual Depreciation 13,714

12-Apr-01 **Marketplace Bond**

	Building NW Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	360,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,000	1,000		1,000		
5	Legal - Title and Recording	5,250			5,250		
	Subtotal - Acquisition	366,250					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	2,949,667		2,949,667	2,949,667		
8	Accessory Buildings	0					
9	Sitework	250,000		250,000	250,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000			
20	Other (__________________)	0					
	Subtotal - Hard Costs	3,231,667					
	SOFT COSTS	0					
21	Architectural	5,000		5,000	5,000		
22	Engineering	0					
23	Legal/Accounting	8,750		8,750	8,750		
24	Relocation	0					
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	35,197		26,398			
32	Taxes During Construction	0					
33	Clerk of the Works	4,500		4,500	4,500		
34	Marketing	1,875			1,875		
35	Tax Credit Fees	4,550		4,550	4,550		
36	Soft Cost Contingency	5,784		5,784	5,784		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (____________)	6,828		6,828	6,828		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	160,000		160,000	160,000		
45	LCHDC Development Fee	160,000		160,000	160,000		
46	Consultant Fees	5,000		5,000	5,000		
	RESERVES	0					
47	Working Capital	20,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	478,484					
	TOTALS	4,076,401	1,000	3,679,477	3,629,204	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		1,000	3,679,477		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.00%		3,679,477			
TIMES:	Applicable Fraction	100.00%	1,000	3,679,477			
	Total Qualified Basis		1,000	3,679,477	3,629,204	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.52%	3.52%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	129,518	131,971	Annual Depreciation	

Total Tax Credits Requested	12,985
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	1,077,603
Estimated Yield - Housing Credit Syndication	838.27%
Equity Gap	1,242,588
Credits Needed to fill Equity Gap	14,973

32,000	Short Term Depreciable Basis
7	Depreciation Schedule
4,571	Annual Depreciation

12-Apr-01 **Marketplace Bond**

	Building NE Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	360,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,000	1,000		1,000		
5	Legal - Title and Recording	5,250			5,250		
	Subtotal - Acquisition	366,250					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	2,949,667		2,949,667	2,949,667		
8	Accessory Buildings	0					
9	Sitework	250,000		250,000	250,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000			
20	Other (____________________)	0					
	Subtotal - Hard Costs	3,231,667					
	SOFT COSTS	0					
21	Architectural	5,000		5,000	5,000		
22	Engineering	0					
23	Legal/Accounting	8,750		8,750	8,750		
24	Relocation	0					
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment						
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	35,197		26,398			
32	Taxes During Construction	0					
33	Clerk of the Works	4,500		4,500	4,500		
34	Marketing	1,875			1,875		
35	Tax Credit Fees	4,550		4,550	4,550		
36	Soft Cost Contingency	5,784		5,784	5,784		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	6,828		6,828	6,828		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
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44	HVT Development Fee	160,000		160,000	160,000		
45	LCHDC Development Fee	160,000		160,000	160,000		
46	Consultant Fees	5,000		5,000	5,000		
	RESERVES	0					
47	Working Capital	20,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	478,484					
	TOTALS	4,076,401	1,000	3,679,477	3,629,204	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		1,000	3,679,477		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.0%		3,679,477			
TIMES:	Applicable Fraction	60.00%	600	2,207,686			
	Total Qualified Basis		600	2,207,686	3,629,204	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.52%	3.52%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	77,711	131,971	Annual Depreciation	

Total Tax Credits Requested	77,931
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,099,843
Estimated Yield - Housing Credit Syndication	142.56%
Equity Gap	1,258,838
Credits Needed to fill Equity Gap	89,197

32,000	Short Term Depreciable Basis
7	Depreciation Schedule
4,571	Annual Depreciation

12-Apr-01 **Marketplace Bond**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	14	470		78,960
2 Br Flats		925	61	564		412,848
2 Br Townhouses		973	6	585		42,120
3 Br		1,076	12	765		110,160
	Totals	85,283	93			644,088

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	4	614		29,472
2 Br Flats		925	17	739		150,756
2 Br Townhouses		973	6	749		53,928
3 Br		1,076	0	950		0
	Totals	24,451	27			234,156

All Units

Grand Totals	109,734	120		878,244
Less Vacancy		5.00%		(43,912)
			NET RENT	834,332

OTHER INCOME

Laundry	600/month	7,200
Section 8		83,619
Commercial Space Income		0
Other		0
TOTAL INCOME		925,151

form revision date: 2/27/97

12-Apr-01 **Marketplace Bond**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	64,800	5,400	45	7.0%
Admin Salaries & Benefits	25,920	2,160	18	
Audit/Accounting	7,200	600	5	
Legal	7,200	600	5	
Compliance Monitoring	4,464	372	3	
Marketing		0	0	
Other	11,520	960	8	
TOTAL ADMINISTRATIVE	121,104	10,092	84	
Utilities				
Electricity	7,200	600	5	
Fuel - oil	50,400	4,200	35	
Water and Sewer	28,800	2,400	20	
Fire Alarm / Emergency	2,880	240	2	
Other		0	0	
TOTAL UTILITIES	89,280	7,440	62	
Maintenance				
Maintenance / Janitor Payroll	57,600	4,800	40	
Janitor Supplies	7,200	600	5	
Exterminating	2,880	240	2	
Trash Removal	21,600	1,800	15	
Snow Removal	11,520	960	8	
Grounds	11,520	960	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	7,200	600	5	
Painting and Decorating	10,080	840	7	
Other		0	0	
TOTAL MAINTENANCE	129,600	10,800	90	
				per unit month excl. ds & res. 339
Real Estate Taxes	129,600	10,800	90	
Property Insurance	18,720	1,560	13	
Replacement Reserves	43,200	3,600	30	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
Total	531,504	44,292	369	

12-Apr-01

Marketplace Allocated

Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		878,244	891,418	904,789	918,361	932,136	946,118	960,310	974,715	989,335	1,004,175	1,019,238	1,034,527	1,050,044	1,065,795	1,081,782
Other Income (Rental Assistance)		83,619	84,873	86,146	87,439	88,750	90,081	91,433	92,804	94,196	95,609	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(43,912)	(44,571)	(45,239)	(45,918)	(46,607)	(47,306)	(48,015)	(48,736)	(49,467)	(50,209)	(50,962)	(51,726)	(52,502)	(53,290)	(54,089)
Total Operating Income		925,151	939,028	953,113	967,410	981,921	996,650	1,011,600	1,026,774	1,042,176	1,057,808	976,632	991,281	1,006,151	1,021,243	1,036,562
Operating Expenses																
Total Expenses (excl. Reserves)		488,304	502,953	518,042	533,583	549,590	566,078	583,061	600,552	618,569	637,126	656,240	675,927	696,205	717,091	738,604
Reserves		43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Total Operating Expense		531,504	546,801	562,547	578,756	595,441	612,617	630,297	648,498	667,233	686,520	706,375	726,814	747,855	769,516	791,815
Net Operating Income		393,647	392,227	390,566	388,654	386,480	384,033	381,303	378,276	374,942	371,288	270,257	264,467	258,295	251,727	244,746
Less Primary Debt Service (tax exempt)		251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455
Less Primary Debt Service (tax exempt)		68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	0	0	0	0	0
Less Developer Loan		19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060
Annual Cash Flow		54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	(258)	(6,048)	(12,220)	(18,788)	(25,769)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	258	6,048	12,220	18,788	25,769
Net Cash		54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	0	0	0	0	0
DCR		115.98%	115.56%	115.07%	114.51%	113.87%	113.15%	112.34%	111.45%	110.47%	109.39%	99.90%	97.76%	95.48%	93.05%	90.47%
Cumulative Cash Flow																
Beginning Balance		0	54,780	109,769	164,730	219,409	273,532	326,808	378,924	429,547	478,322	524,868	540,356	550,519	554,815	552,671
Deposits		54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	0	0	0	0	0
Interest	2.0%	542	2,172	3,805	5,434	7,053	8,652	10,223	11,756	13,242	14,668	15,746	16,211	16,516	16,644	16,580
Withdrawals		0	0	0	0	0	0	0	0	0	0	(258)	(6,048)	(12,220)	(18,788)	(25,769)
Ending Balance		54,780	109,769	164,730	219,409	273,532	326,808	378,924	429,547	478,322	524,868	540,356	550,519	554,815	552,671	543,482
Cumulative Replacement Reserves																
Beginning Balance		0	43,632	89,227	136,855	186,586	4,493	51,632	100,890	152,341	206,062	28,133	79,613	133,398	189,567	248,204
Deposits		43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Interest	2.0%	432	1,747	3,122	4,557	6,056	600	2,021	3,506	5,057	6,676	1,345	2,897	4,518	6,211	7,978
Withdrawals*		0	0	0	0	(234,000)	0	0	0	0	(234,000)	0	0	0	0	(234,000)
Ending Balance		43,632	89,227	136,855	186,586	4,493	51,632	100,890	152,341	206,062	28,133	79,613	133,398	189,567	248,204	75,394

* = assumes $1950 per unit is expended every 5 years

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		393,647	392,227	390,566	388,654	386,480	384,033	381,303	378,276	374,942	371,288	270,257	264,467	258,295	251,727	244,746
Plus Reserves		43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Less Interest Expense		(588,017)	(517,627)	(441,597)	(338,655)	(337,597)	(336,443)	(335,186)	(333,815)	(332,322)	(330,695)	(331,094)	(334,112)	(337,303)	(340,676)	(344,240)
Less Long Depreciation		(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)
Less Short Depreciation		(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(560,798)	(491,179)	(416,152)	(314,455)	(314,893)	(315,499)	(316,274)	(303,507)	(304,628)	(305,926)	(406,615)	(414,671)	(423,270)	(432,437)	(442,196)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		196,279	171,913	145,653	110,059	110,213	110,425	110,696	106,227	106,620	107,074	142,315	145,135	148,144	151,353	154,768
Plus Tax Credits		227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868					
After Tax Cash Flow		424,147	399,781	373,522	337,927	338,081	338,293	338,564	334,096	334,488	334,942	142,315	145,135	148,144	151,353	154,768
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		424,147	399,781	373,522	337,927	338,081	338,293	338,564	334,096	334,488	334,942	142,315	145,135	148,144	151,353	154,768
Future Value of Cash Flows at Yr 15:		2,321,599	1,953,775	1,629,859	1,316,557	1,176,031	1,050,686	938,865	827,209	739,447	661,117	250,808	228,372	208,132	189,857	173,341

Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	01-Jul-01	01-Jul-02	01-Sep-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	37,212	37,212	37,212	1,116,367	1,116,367	1,376,852	0	0								
Present Value of Contributions:	37,212	35,016	34,656	978,329	920,439	1,068,213										
Cash Flows	(3,073,866)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,665,655

IRR: 10.46%

Equity Yield: 136.26%

12-Apr-01 **Marketplace Allocated**

Total Residential Units:	40	Increase in Income from Rental Units:	1.5%	
Housing Credit Restricted Units:	37	Increase in Income from Other Sources:	1.5%	
Percent Restricted:	92.50%	Increase in Income from Commercial:	1.5%	
Total Development Cost:	4,087,817	Expense increase:	3%	
Total Development Cost per Unit:	102,195	Vacancy Rate:	5%	
Total Development Cost Per SF:	111.76	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
		Short Depreciation Schedule:	7	years
9% Credit Allocated:	275,000	Sponsor's Estimated Yield:	82.10%	

LIHTC - 9%	8.53%	(June 2000)
LIHTC - 4%	3.52%	(April 2001)

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage - taxable bond	1,010,000	24.71%	8.25%	40	40	116.84% DCR Yr 1
First Mortgage - taxable bond	154,000	3.77%	8.25%	10	10	
HUD Special Purpose	369,316	9.03%	6.00%	10	10	
VCDP Loan	187,500	4.59%	6.00%	30	30	
Tax Credit Equity	2,367,000	57.90%	N/A	N/A		
TOTAL SOURCES	4,087,816	100.00%				

Construction Loan	3,250,000	Appraised Value

USES

Acquisition	366,250	8.96%
Construction Hard Costs	3,222,000	78.82%
Soft Costs	499,567	12.22%
TOTAL USES	4,087,817	100.00%
Gap	1	

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		6	540,840		
2 Br	95,890		30	2,876,700		
3 Br	101,637		4	406,548		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			40	3,824,088		
Projected total cost, excluding cash accounts				4,067,817	Cost Overage %	94.01%
		(over)/under		(243,729)		

General Partner's Capital Contribution	23,670	1.00%
Limited Partner's Capital Contribution	2,343,330	99.00%
Total Equity	2,367,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	37
Total Units	40
Unit Fraction	92.50%
Tax Credit Square Footage	34,161
Total Residential Square Footage	36,578
Square Footage Fraction	93.39%
Applicable Fraction	92.50%

12-Apr-01 **Marketplace Allocated**

	Building SW Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	360,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,000	1,000		1,000		
5	Legal - Title and Recording	5,250			5,250		
	Subtotal - Acquisition	366,250					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	2,940,000		2,940,000	2,940,000		
8	Accessory Buildings	0					
9	Sitework	250,000		250,000	250,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000			
20	Other (________________)	0					
	Subtotal - Hard Costs	3,222,000					
	SOFT COSTS	0					
21	Architectural	5,000		5,000	5,000		
22	Engineering	0					
23	Legal/Accounting	8,750		8,750	8,750		
24	Relocation	0					
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	0					
32	Taxes During Construction	0					
33	Clerk of the Works	4,500		4,500	4,500		
34	Marketing	1,875			1,875		
35	Tax Credit Fees	4,550		4,550	4,550		
36	Soft Cost Contingency	5,784		5,784	5,784		
37	Permanent Loan Origination Fee	56,280					
38	Lender's Counsel's Fee	0					
39	Other (______________)	6,828		6,828			
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	160,000		160,000	160,000		
45	LCHDC Development Fee	160,000		160,000	160,000		
46	Consultant Fees	5,000		5,000			
	RESERVES	0					
47	Working Capital	20,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	499,567					
	TOTALS	4,087,817	1,000	3,643,412	3,607,709	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		1,000	3,643,412		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.0%		3,643,412			
TIMES:	Applicable Fraction	92.50%	925	3,370,156			
	Total Qualified Basis		925	3,370,156	3,607,709 Long Term Depreciable Basis		
TIMES:	Applicable Percentage		3.52%	8.53%	27.5 Depreciation Schedule		
	Total Annual Credit Qualified		0	287,474	131,189 Annual Depreciation		

Total Tax Credits Requested	275,000
Estimated Net Syndication Proceeds (**excluding historic credit equity)**	2,367,000
Estimated Yield - Housing Credit Syndication	86.94%
Equity Gap	2,487,108
Credits Needed to fill Equity Gap	288,954

32,000 Short Term Depreciable Basis

7 Depreciation Schedule

4,571 Annual Depreciation

12-Apr-01 **Marketplace Allocated**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	4	498		23,904
2 Br Flats		925	26	580		180,960
2 Br Townhouses		973	3	585		21,060
3 Br		1,076	4	765		36,720
	Totals	34,161	37			262,644

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	2	614		14,736
2 Br Flats		925	0	739		0
2 Br Townhouses		973	1	749		8,988
3 Br		1,076	0	950		0
	Totals	2,417	3			23,724
All Units						
	Grand Totals	36,578	40			286,368

Less Vacancy	5.00%	(14,318)
	NET RENT	272,050

OTHER INCOME

Laundry	600/month	7,200
Section 8		25,821
Commercial Space Income		0
Other		0
	TOTAL INCOME	305,071

12-Apr-01 **Marketplace Allocated**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	21,600	1,800	45	2.3%
Admin Salaries/Benefits	8,640	720	18	
Audit/Accounting	2,400	200	5	
Legal	2,400	200	5	
Compliance Monitoring	1,776	148	4	
Marketing		0	0	
Other	3,840	320	8	
TOTAL ADMINISTRATIVE	40,656	3,388	85	
Utilities				
Electricity	2,400	200	5	
Fuel - oil	16,800	1,400	35	
Water and Sewer	9,600	800	20	
Fire Alarm / Emergency	960	80	2	
Other		0	0	
TOTAL UTILITIES	29,760	2,480	62	
Maintenance				
Maintenance / Janitor Payroll	19,200	1,600	40	
Janitor Supplies	2,400	200	5	
Exterminating	960	80	2	
Trash Removal	7,200	600	15	
Snow Removal	3,840	320	8	
Grounds	3,840	320	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,400	200	5	
Painting and Decorating	3,360	280	7	
Other		0	0	
TOTAL MAINTENANCE	43,200	3,600	90	
				per unit month excl. ds & res.
Real Estate Taxes	43,200	3,600	90	340
Property Insurance	6,240	520	13	
Replacement Reserves	14,400	1,200	30	
Primary Debt Service	86,554	7,213	180	
Other "must pay" debt service	22,666	1,889	47	
Other		0	0	
Total	286,676	23,890	597	

12-Apr-01	**Marketplace Allocated**															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		286,368	290,664	295,023	299,449	303,941	308,500	313,127	317,824	322,591	327,430	332,342	337,327	342,387	347,523	352,735
Other Income (Rental Assistance)		25,821	26,208	26,601	27,000	27,405	27,817	28,234	28,657	29,087	29,523	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(14,318)	(14,533)	(14,751)	(14,972)	(15,197)	(15,425)	(15,656)	(15,891)	(16,130)	(16,372)	(16,617)	(16,866)	(17,119)	(17,376)	(17,637)
Total Operating Income		305,071	309,647	314,291	319,006	323,791	328,648	333,577	338,581	343,660	348,815	324,081	328,942	333,876	338,884	343,967
Operating Expenses																
Total Expenses (excl. Reserves)		163,056	167,948	172,986	178,176	183,521	189,027	194,697	200,538	206,554	212,751	219,134	225,708	232,479	239,453	246,637
Reserves		14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Total Operating Expense		177,456	182,564	187,821	193,233	198,805	204,539	210,443	216,520	222,776	229,216	235,845	242,670	249,696	256,928	264,374
Net Operating Income		127,615	127,083	126,470	125,772	124,986	124,108	123,134	122,061	120,884	119,599	88,235	86,272	84,180	81,956	79,593
Less Primary Debt Service (taxable)		86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554
Less Primary Debt Service (taxable)		22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	0	0	0	0	0
Less Developer Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		18,395	17,863	17,250	16,552	15,766	14,888	13,915	12,841	11,664	10,379	1,682	(282)	(2,373)	(4,598)	(6,960)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	282	2,373	4,598	6,960
Net Cash		18,395	17,863	17,250	16,552	15,766	14,888	13,915	12,841	11,664	10,379	1,682	0	0	0	0
DCR		116.84%	116.36%	115.79%	115.16%	114.44%	113.63%	112.74%	111.76%	110.68%	109.50%	101.94%	99.67%	97.26%	94.69%	91.96%
Cumulative Cash Flow																
Beginning Balance		0	18,579	37,178	55,716	74,105	92,253	110,057	127,413	144,205	160,312	175,604	182,570	187,765	191,025	192,157
Deposits		18,395	17,863	17,250	16,552	15,766	14,888	13,915	12,841	11,664	10,379	1,682	0	0	0	0
Interest	2.0%	184	736	1,288	1,837	2,381	2,916	3,441	3,951	4,443	4,913	5,285	5,477	5,633	5,731	5,765
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	(282)	(2,373)	(4,598)	(6,960)
Ending Balance		18,579	37,178	55,716	74,105	92,253	110,057	127,413	144,205	160,312	175,604	182,570	187,765	191,025	192,157	190,962
Cumulative Replacement Reserves																
Beginning Balance		0	14,544	29,742	45,618	62,195	1,498	56,461	121,220	188,242	257,586	11,062	78,808	148,935	221,507	296,589
Deposits		14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Interest	2.0%	144	582	1,041	1,519	2,019	627	1,777	3,095	4,458	7,617	899	2,277	3,704	5,181	8,339
Withdrawals*		0	0	0	0	(78,000)	0	0	0	0	(78,000)	0	0	0	0	(78,000)
Ending Balance		14,544	29,742	45,618	62,195	1,498	56,461	121,220	188,242	257,586	11,062	78,808	148,935	221,507	296,589	55,877
	1,950	40	5													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		127,615	127,083	126,470	125,772	124,986	124,108	123,134	122,061	120,884	119,599	88,235	86,272	84,180	81,956	79,593
Plus Reserves		14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Less Interest Expense		128,929	129,759	130,609	131,478	132,363	133,262	134,174	135,095	136,021	136,950	99,070	99,625	100,196	100,784	101,387
Less Long Depreciation		(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)
Less Short Depreciation		(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		135,182	135,697	136,154	136,547	136,872	137,123	137,293	141,948	141,937	141,824	72,827	71,669	70,404	69,025	67,528
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(47,314)	(47,494)	(47,654)	(47,791)	(47,905)	(47,993)	(48,053)	(49,682)	(49,678)	(49,638)	(25,490)	(25,084)	(24,641)	(24,159)	(23,635)
Plus Tax Credits		275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000					
After Tax Cash Flow		227,686	227,506	227,346	227,209	227,095	227,007	226,947	225,318	225,322	225,362	(25,490)	(25,084)	(24,641)	(24,159)	(23,635)
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		227,686	227,506	227,346	227,209	227,095	227,007	226,947	225,318	225,322	225,362	(25,490)	(25,084)	(24,641)	(24,159)	(23,635)
Future Value of Cash Flows at Yr 15:		1,246,255	1,111,847	992,024	885,199	789,961	705,050	629,343	557,879	498,115	444,824	(44,921)	(39,471)	(34,619)	(30,305)	(26,471)
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	20-May-01	20-May-02	01-Sep-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	27,245	27,245	27,245	817,344	817,344	1,008,058	0	0								
Present Value of Contributions:	27,245	25,637	25,197	711,284	669,196	776,634										
Cash Flows	(2,235,193)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,684,710

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER RE: CONSTRUCTION AND PERMANENT FINANCING FOR MARKETPLACE DEVELOPMENT, SOUTH BURLINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors"), involving the new construction of four buildings containing 160 units of rental housing on Farrell Street in the City of South Burlington (the "Development"); and

WHEREAS, the Development has previously been the subject of a resolution of the Agency in November 2000; and

WHEREAS, the proposal now contemplates two first mortgage loans in the combined amount of up to $4,000,000 as long-term financing for 120 units in three buildings in the Marketplace project, from the proceeds of tax-exempt bonds, and with the interest rate to be determined by the Agency depending on the source of funds, and the loan shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing updated information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for construction financing in an amount not to exceed $10,450,000 (consisting of a tax exempt loan of up to $7,200,000 and a taxable loan of up to $3,250,000); the term of the construction loans will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Executive Director is also authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the long term financing of the Development in an amount not to exceed $5,164,000 (consisting of tax exempt loans of up to $4,000,000 and taxable loans of up to $1,164,000); the term of two long-term loans will not exceed 40 years, and the interest rate will be not more than 150 basis points above the Agency's cost of funds. The term of two other long term loans shall be 10 years from the date the loans are made, and shall be fully amortized over the period of

the loans, and the interest rate shall not exceed 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for construction loans for the construction of the Development, in an amount not to exceed $7,200,000 tax exempt and not to exceed $3,250,000 taxable for a total of $10,450,000 in construction financing; and a Commitment Letter for term loans in an amount not to exceed $1,164,000 taxable and not to exceed $4,000,000 tax exempt for a total of $5,164,000 in permanent financing. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development.

3. The Executive Director, 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 the financing.

4. All conditions precedent to the Agency's commitment and loans contained in the Agency's November 2000 resolution must still be satisfied.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: April 12, 2001

RE: Jeffersonville Housing

In June 2000 the VHFA Board approved two loans for this new construction development, a $1.1 million dollar construction loan and a $275,000 permanent loan, both using tax-exempt bond proceeds. The loan was to be secured by a first mortgage on the 22 unit senior building, which would then be eligible to receive 4% "automatic" tax credits because of the bond financing. The balance of the project (10 units of family housing in two buildings) would have no VHFA financing whatsoever, but would use 9% "allocated" tax credits.

Since that approval the project has met with some cost overruns as well as delays due to an Act 250 appeal. To pay for these increased costs (approximately $468,000, or 15% of the total cost of the entire development), the sponsor has applied for additional tax credits. If they receive these credits, the division of the project into a tax-exempt bond portion and a taxable portion needs to be eliminated (allocated "9%" tax credits cannot be used in conjunction with tax-exempt bond financing). It should be noted that the VHFA Board is in no way obligated to approve the additional credits to this development at its upcoming meeting on April 30th, and that VHFA has not yet issued a loan commitment letter pending the resolution of this issue. The increase in the amount of the project that is behind our loans serves to increase our security (the permanent loan-to-value ratio will be 18%, versus 29% at the previous loan approval - the appraised value of the entire property is $1.3 million). Whether or not additional credits are awarded, no increase in the permanent loan amount is being sought.

In the event that the additional credits are not received and the increased costs are funded in some other way, the sponsor will need an increase in the construction loan amount previously authorized, in order to achieve the 50% financing test for the 4% credits. The construction loan would need to go from $1.1 million to $1.2 million.

The Board is being asked to authorize the Executive Director to make any of the following modifications to the previous Board approval at her discretion: 1) to change the source of the loans from tax-exempt bond proceeds to taxable bond proceeds; 2) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project; 3) to change the borrower name if necessary to accommodate the change to a single partnership; and 4) to increase the amount of the construction loan from $1.1 million to $1.2 million.

Recommended Action: Approval of the attached resolution authorizing the Executive Director to execute the changes described above.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

AMENDED RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER {PRIVATE }RE: CONSTRUCTION AND PERMANENT FINANCING FOR JEFFERSONVILLE COMMUNITY HOUSING, CAMBRIDGE

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 Lamoille Housing Partnership and Housing Vermont for the turnkey purchase of three newly constructed buildings, including 22 units of elderly rental housing in one building and 10 family units in two buildings in the Town of Cambridge, some or all of which will be financed by the Agency (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency in June, 2000; and

WHEREAS, a number of changes have become necessary since the Agency last considered 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 $1,200,000 aggregate principal amount (the "Bonds") to finance a construction loan to Jeffersonville Housing Limited Partnership or some other partnership in which an affiliate of Housing Vermont is a general partner (the "Borrower") to acquire a newly-built 32-unit project (the "Project") in Cambridge, 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 $1,200,000 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 mortgage loan in an amount of up to $275,000 as long-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 Joe Erdelyi, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

The Determinations made in the Agency's June 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. 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 construction loan for acquisition and construction in an amount not to exceed $1,200,000 and a long-term loan for financing of the Development in an amount not to exceed $275,000.

2. Because of events that have transpired since June, 2000, the Executive Director is authorized, in her discretion, to modify both the terms of the Agency's previous approval and this amended approval by doing any one or more of the following:

> a) to change the source of either or both of the loans from tax-exempt bond proceeds to taxable bond proceeds;
> b) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project;
> c) to change the identity of the borrower if necessary to accommodate the change to a single partnership; and
> d) to increase the amount of the construction loan from $1.1 million to $1.2 million.

3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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. 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 150 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.

6. The Agency's June 2000 resolution is reaffirmed to the extent its terms are not incompatible with the contents of this resolution.

Vermont
Housing &
Conservation
Board

149 State Street
Montpelier
Vermont 05602

802 828 3250
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MEMORANDUM

To: Sarah Carpenter and Greg Brown

From: Gus Seelig

Date: March 26, 2001

Re: HUD Lead Paint Application and Request for Financial Assistance

As you both know, this spring VHCB will be applying for HUD Lead Housing Abatement funds if we are to continue the program after 2002. To date the program has invested in making over 900 units lead safe. When we complete the activities of this grant, more than 1050 units will be lead safe.

In December, Ron Rupp, our Program Director, attended a national conference in Atlanta. The "heads up" he received is that this round of funding will be highly competitive. Though no HUD official said it outright, the clear message was: 1) Vermont has done very well under this program; 2) the program is not viewed by HUD as an entitlement; and 3) Vermont will have a hard time competing against urban areas with many more lead poisoned children.

In order to cope with these difficulties, in addition to engaging the congressional delegation, we are seeking to make our next application as competitive as possible. As a matter of policy, we want to work with the Department of Health and with the Attorney General's Office to more rigorously enforce Vermont's lead paint laws. We also want to engage the Health Dept. in a discussion about inviting the National Center for Lead Safe Housing to Vermont for a number of evaluation and demonstration activities. The National Center views Vermont as a leader in the country and their involvement/endorsement of our application will strengthen it's competitiveness.

Finally, we want to maximize the potential for match. Because this will be a two year grant, not a three year grant, we anticipate our application will be a request for between $2-2½ million. We'd like to develop a match of 20-25%. Sarah, I'm wondering if VHFA would be up for committing $150,000, $75,000 per year, to support this effort. Greg, I'm hoping the CD program might commit $150,000 per year as match. The Consolidated Plan already lists lead activities as a priority, but it would certainly be helpful if you wanted to carve out a financial priority in this amount. If funding is available, we would also like to discuss whether a mechanism can be established to directly access such funds, perhaps through a grant enhancement of one or more of the regional rehab programs (i.e., Northeast Kingdom, Franklin County).

In addition to enhancing Vermont's competitiveness, the funds you have provided to us over the life of the program have been a benefit for affordable housing in the following ways:

1. VHFA funding helps us to reach and assist homeowners who are above the HUD guideline of 80% of median income, but below the VHFA guidelines.
2. Allows the program to provide assistance to owners of properties with project-based rental assistance (which the lead grant does not allow).
3. CDBG provides resources to address lead paint hazards in child care facilities that are not in a residential setting.
4. Provides flexibility in situations where use of HUD lead funds is restricted like in homeless shelters.
5. Gives us the extra resources needed to appropriately address serious hazards in the homes of poisoned children when the scope of work exhausts the amount allowed under the lead grant.

Finally, we want to use your support to help insure that all CDBG and other federally-funded programs are in compliance with HUD's new Lead Safe Housing Regulation. In many cases the Lead Program will be able to partner with other grantees doing work on a property. The Regulation now requires that lead paint be addressed to some degree depending on the type and amount of federal assistance a project receives. This is very similar to Vermont's EMP law (Act 165), but requires lead dust testing in many situations. VHCB has been working with various agencies to insure that the Regulation will not diminish affordable housing opportunities, especially in the Section 8 housing voucher program.

Having done hundreds of lead dust clearance tests, the VHCB Lead Paint Program is willing to oversee sampling required by the new Regulation, including providing guidance, testing supplies, forms, shipping of samples, and the cost of laboratory analysis. Unfortunately, we can only use lead funds for these items when a property is enrolled in our program, therefore, other funding sources will have to be used to support these activities. Our current plan is to use loan repayment, but this is a very limited resource. A match from your programs will indicate a strong commitment by Vermont to implement the new regulation and will strengthen our upcoming grant application tremendously.

Please let me know how you wish to proceed.

cc: Ron Rupp, Lead Program Director

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: April 12, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Attached are production reports by product and lender as of March 31, 2001. Since the new lower rates were introduced weekly reservations have averaged approximately $1.2 million. Reservations for the cash assistance option have been slow but we are still getting the word out to lenders and real estate brokers. Kelly is doing a whirlwind tour of lender offices and is on the agenda for many monthly REALTOR board meetings. We may consider doing some targeted marketing to consumers but want to wait until all lenders are trained and real estate brokers know about the option.

VHFA's 9th annual Home Buyer Fair was a tremendous success! More than 900 individuals attended. Evaluation from vendors was overwhelmingly positive. A date of March 9, 2002 has already been confirmed for the 10th annual Home Buyer Fair.

COLLECTIONS

Attached is a REO Inventory Report as of March 31, 2001. I have also attached delinquency reports for the month ending February 28, 2001, which were not available in time for the Board meeting on March 22, 2001. I plan to have delinquency reports as of March 31, 2001 as a handout at the April 19, 2001 meeting.

Please feel free to call me if you have any questions about the reports.

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,082,656	5,896,809	6,163,020	5,000,898	5,687,117	6,471,304	3,869,451	1,765,585	1,880,725				42,817,565
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,040,625	508,419	161,900	700,457				5,253,172
HOUSE	142,750	100,000	221,600	89,165	124,500	185,000	99,000	97,000	162,750				1,221,765
YESS	157,150	55,000	0	170,450	217,455	246,629	126,675	114,820					1,088,179
RURAL DEV.	139,900	43,180	57,360	10,000	39,000	26,260	86,500	28,640					430,840
Total	7,388,519	6,443,539	7,058,554	5,794,562	6,554,627	7,969,818	4,690,045	2,167,945	2,743,932	0	0	0	50,811,521

VHFA Production Report By Product FY2000

July 1, 1999 - June 30, 2000

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,124,272	5,050,851	2,983,050	10,360,896	9,377,888	5,824,798	4,920,567	3,318,996	3,256,736	3,056,844	3,290,355	6,229,550	61,794,803
MOBILE HOME	212,635	371,335	278,360	655,376	702,706	410,040	604,508	87,700	257,189	107,075	470,137	755,456	4,912,517
HOUSE	88,500	136,800	248,250	421,000	308,115	218,814	348,950	265,400	231,700	150,500	59,600	352,350	2,829,979
YESS	43,600	70,470	0	159,900	222,230	0	88,920	135,550	246,512	163,707	142,345	158,559	1,431,793
RURAL DEV.	98,180	49,505	80,350	33,200	0	66,250	33,950	26,730	74,360	45,100	15,910	160,270	683,805
Total	4,567,187	5,678,961	3,590,010	11,630,372	10,610,939	6,519,902	5,996,895	3,834,376	4,066,497	3,523,226	3,978,347	7,656,185	71,652,897

VHFA Production Report - Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900	$466,550				$11,355,741
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070	$574,000				$4,039,648
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220	$86,450				$2,582,463
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720	$297,115				$2,541,963
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$470,625	$253,500	$79,050	$56,300				$2,540,545
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0	$0				$2,383,707
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400	$390,317				$2,007,652
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000	$81,900				$1,866,132
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500	$76,800				$1,862,325
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0	$71,250				$1,701,737
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0	$73,700				$1,674,600
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$0	$0				$1,611,820
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0	$69,000				$1,503,403
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155	$72,750				$1,314,112
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0	$231,750				$1,188,475
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0	$0				$1,012,108
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0	$120,110				$920,510
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640	$0				$865,619
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0	$0				$826,297
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000	$0				$803,020
NCFCU	$159,610	$176,000	$0	$0	$178,900	$168,625	$0	$101,650	$0				$784,785
MTG FINANCIAL	$78,375	$281,000	$46,500	$72,000	$0	$237,905	$0	$0	$0				$715,780
LYNDONVILLE	$268,000	$0	$112,635	$74,690	$101,755	$53,675	$0	$0	$0				$610,755
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0	$0				$590,150
VHFA (RD)	$213,775	$43,180	$57,360	$26,640	$39,000	$26,260	$86,500	$28,640	$0				$521,355
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0	$0				$490,869
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0	$75,940				$478,460
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0	$0				$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0	$0				$423,205
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0	$0				$366,175
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0	$0				$282,250
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$0	$0	$0	$0				$270,450
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0	$0				$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0	$0				$0
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0	$0				$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0	$0				$0
TOTAL	$7,388,519	$6,443,539	$7,058,534	$5,794,562	$6,554,625	$7,969,818	$4,690,045	[illegible]	$2,742,950	$0	$0	$0	$50,811,521

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
February 28, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Connecticut River Bank	13	4	30.77%	0	0.00%	0	0.00%	0	0.00%	4	30.77%	0	0.00%
Randolph National Bank	23	0	0.00%	0	0.00%	2	8.70%	1	4.35%	3	13.04%	0	0.00%
Factory Point Nat. Bank	46	4	8.70%	1	2.17%	0	0.00%	0	0.00%	5	10.87%	0	0.00%
Charter One	367	23	6.27%	1	0.27%	3	0.82%	10	2.72%	37	10.08%	2	0.54%
Graystone Mortgage Company	1351	64	4.74%	12	0.89%	11	0.81%	13	0.96%	100	7.40%	5	0.37%
Mortgage Service Ctr. of NE	2845	122	4.29%	40	1.41%	22	0.77%	25	0.88%	209	7.35%	11	0.39%
Mascoma Savings Bank	15	1	6.67%	0	0.00%	0	0.00%	0	0.00%	1	6.67%	0	0.00%
GMAC Mortgage	46	3	6.52%	0	0.00%	0	0.00%	0	0.00%	3	6.52%	0	0.00%
Community National Bank	335	11	3.28%	2	0.60%	7	2.09%	1	0.30%	21	6.27%	0	0.00%
Wells River Savings Bank	34	0	0.00%	2	5.88%	0	0.00%	0	0.00%	2	5.88%	0	0.00%
Passumpsic Savings Bank	155	5	3.23%	2	1.29%	2	1.29%	0	0.00%	9	5.81%	0	0.00%
Vermont Development CU	158	7	4.43%	0	0.00%	2	1.27%	0	0.00%	9	5.70%	1	0.63%
Peoples Trust Co.	88	3	3.41%	0	0.00%	2	2.27%	0	0.00%	5	5.68%	0	0.00%
Union Bank	221	9	4.07%	1	0.45%	2	0.90%	0	0.00%	12	5.43%	0	0.00%
Merchants Bank	168	7	4.17%	1	0.60%	0	0.00%	1	0.60%	9	5.36%	1	0.60%
Bank of Bennington	79	2	2.53%	1	1.27%	1	1.27%	0	0.00%	4	5.06%	0	0.00%
Northfield Savings Bank	179	6	3.35%	1	0.56%	1	0.56%	1	0.56%	9	5.03%	0	0.00%
Citizens Savings Bank	125	1	0.80%	4	3.20%	1	0.80%	0	0.00%	6	4.80%	0	0.00%
Heritage Family Credit Union	38	1	2.63%	0	0.00%	0	0.00%	0	0.00%	1	2.63%	0	0.00%
Lyndonville Savings Bank	86	2	2.33%	0	0.00%	0	0.00%	0	0.00%	2	2.33%	0	0.00%
Brattleboro Savings & Loan	58	1	1.72%	0	0.00%	0	0.00%	0	0.00%	1	1.72%	0	0.00%
First Brandon Nat. Bank	13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	142	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	0.70%
Totals	**6590**	**276**	**4.19%**	**68**	**1.03%**	**56**	**0.85%**	**52**	**0.79%**	**452**	**6.86%**	**21**	**0.32%**
Totals Previous Month	6600	263	3.98%	67	1.02%	47	0.71%	55	0.83%	432	6.55%	26	0.39%
Totals Same Mo. Last Yr.	6297	307	4.88%	69	1.10%	80	1.27%	62	0.98%	518	8.23%	29	0.46%

Note: Of the loans in foreclosure, a total of 18 are performing under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM DELINQUENCY STATISTICAL REPORT BY LENDER

Lenders	Feb 2000	Mar 2000	Apr 2000	May 2000	June 2000	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001
Bank of Bennington	8.57%	7.04%	4.29%	4.29%	5.71%	4.05%	4.05%	4.05%	5.06%	5.06%	6.33%	5.06%	5.06%
Brattleboro Savings & Loan	4.65%	4.65%	4.65%	4.44%	2.13%	4.17%	6.00%	3.92%	5.88%	3.77%	3.51%	0.00%	1.72%
Charter One	9.78%	7.90%	10.68%	11.02%	9.86%	10.38%	11.99%	11.02%	9.21%	9.97%	11.11%	10.57%	10.08%
Citizens Savings Bank	7.38%	5.74%	3.28%	4.07%	2.46%	3.28%	4.07%	3.25%	2.44%	3.97%	4.76%	5.56%	4.80%
Community National Bank	7.32%	5.78%	6.63%	6.31%	6.33%	6.33%	7.55%	8.06%	7.49%	10.45%	9.52%	7.72%	6.27%
Connecticut River Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.11%	9.09%	7.69%	15.38%	30.77%
Factory Point Nat. Bank	2.94%	11.76%	11.43%	0.00%	5.71%	7.89%	12.20%	7.14%	11.63%	11.63%	13.33%	10.87%	10.87%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%
GMAC Mortgage	0.00%	5.88%	9.52%	9.29%	0.00%	3.03%	2.70%	0.00%	0.00%	4.76%	2.27%	6.52%	6.52%
Graystone Mortgage Company	10.80%	6.35%	9.60%	9.09%	8.21%	8.01%	7.49%	8.67%	8.39%	7.12%	7.65%	7.37%	7.40%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.63%
Lyndonville Savings Bank	3.95%	3.90%	6.49%	5.33%	3.95%	3.75%	2.50%	2.44%	1.20%	1.18%	3.49%	3.49%	2.33%
Mascoma Savings Bank	0.00%	0.00%	20.00%	20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%
Merchants Bank	4.48%	3.55%	6.19%	6.19%	7.85%	5.88%	8.11%	3.85%	7.26%	6.74%	8.72%	6.98%	5.36%
Mortgage Service Ctr. of NE	17.95%	14.29%	18.18%	22.08%	22.37%	18.42%	18.67%	17.81%	13.89%	15.28%	18.06%	6.55%	7.35%
New England Federal CU	0.00%	0.00%	0.00%	0.00%	2.88%	0.92%	0.91%	0.85%	0.80%	0.79%	0.74%	0.00%	0.00%
Northfield Savings Bank	5.19%	3.87%	4.55%	3.23%	6.21%	7.32%	4.85%	5.95%	8.14%	4.55%	6.18%	4.44%	5.03%
Passumpsic Savings Bank	8.64%	5.56%	7.50%	7.55%	4.46%	4.46%	5.13%	4.52%	4.49%	5.13%	10.32%	5.16%	5.81%
Peoples Trust Co.	7.89%	7.89%	9.21%	6.58%	5.13%	5.06%	3.80%	6.33%	7.50%	6.17%	4.76%	3.49%	5.68%
Randolph National Bank	3.70%	3.70%	7.69%	7.69%	11.54%	4.00%	4.00%	0.00%	0.00%	12.00%	12.50%	12.50%	13.04%
Union Bank	4.57%	5.08%	5.08%	4.55%	5.45%	4.43%	5.29%	5.26%	6.13%	7.01%	5.48%	6.79%	5.43%
Vermont Development CU	7.81%	6.30%	6.98%	6.25%	7.46%	4.38%	5.15%	5.71%	6.25%	4.67%	6.33%	3.80%	5.70%
Wells River Savings Bank	0.00%	0.00%	3.03%	3.03%	3.13%	0.00%	0.00%	2.94%	0.00%	2.78%	5.41%	5.56%	5.88%

VHFA Production Report (Number of loans) FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	27	13	27	11	20	21	16	4	7				146
NEFCU	6	1	9	8	2	9	3	4	6				48
BANKNORTH	3	4	7	4	5	8	3	1	1				36
SUMMIT	5	7	4	2	4	4	5	1	1				33
UNIVERSAL	1	12	4	2	1	2	3	4	3				32
VDCU	3	0	5	4	8	10	1	0	0				31
VT STATE ECU	2	8	0	4	2	4	4	2	1				27
VHFA (RD)	7	3	4	2	1	2	5	2	0				26
UNION	2	5	1	5	2	5	3	1	1				25
NORTHFIELD	3	1	4	6	5	3	2	0	1				25
CTX	2	2	4	4	2	0	3	2	4				23
CHARTER ONE	2	8	0	6	3	4	0	0	0				23
COMMUNITY	3	0	7	1	3	4	3	0	1				22
GMAC	6	4	3	1	2	2	2	0	1				21
PEOPLES TRUST	1	0	0	3	1	3	2	3	1				14
BRATTLEBORO	1	2	1	0	3	4	1	0	2				14
FACTORY	3	3	1	1	0	2	1	0	2				13
CITIMORTGAGE, INC	6	0	2	2	1	2	0	0	0				13
BNK OF BENN	4	0	0	5	1	1	1	1	0				13
HERITAGE FCU	1	3	0	1	3	2	2	0	0				12
NCFCU	2	2	0	0	3	2	0	1	0				10
LYNDONVILLE	4	0	2	1	2	1	0	0	0				10
KITTREDGE	3	3	1	1	1	0	0	1	0				10
MTG FINANCIAL SRV	1	3	1	1	0	3	0	0	0				9
MASCOMA	0	2	3	0	1	1	2	0	0				9
CITIZENS	1	1	3	0	3	0	0	0	0				8
PASSUMPSIC	1	0	1	1	3	0	0	0	1				7
WELLS RIVER	1	2	0	1	1	1	0	0	0				6
N.E. HOME LOAN	0	0	0	0	0	4	2	0	0				6
CT RIVER	0	0	1	1	2	2	0	0	0				6
NAT'L CITY MTG	0	0	2	1	1	0	0	0	0				4
NAT'L BNK MIDDLE	0	0	0	1	1	1	1	0	0				4
WELLS FARGO	0	0	0	0	2	1	0	0	0				3
FIRST COMMUNITY	0	0	0	0	0	0	0	0	0				0
FIRST BRANDON	0	0	0	0	0	0	0	0	0				0
BEACON MTG	0	0	0	0	0	0	0	0	0				0
TOTAL	101	89	97	80	89	108	65	27	33	0	0	0	689

HOMEOWNERSHIP DELINQUENCY REPORT
AS OF: February 28, 2001

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
Total Port	**6338**	**6382**	**6429**	**6464**	**6483**	**6522**	**6573**	**6600**	**6590**					**6487**
Total Port	**$364.1**	**$367.9**	**$371.2**	**$375.2**	**$377.3**	**$380.7**	**$386.0**	**$388.2**	**$387.8**					**$377.6**

NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	259	254	263	280	264	274	317	263	276					272
60 Days	64	56	72	65	61	60	87	67	68					67
90 Days	52	53	47	49	44	43	51	47	56					49
Foreclosur	54	55	56	58	61	57	56	55	52					56
Total Delq	**429**	**418**	**438**	**452**	**430**	**434**	**511**	**432**	**452**					**444**
Total Delq	489	500	485	481	509	512	512	535	518	403	485	455	429	486

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.09%	3.98%	4.09%	4.32%	4.07%	4.20%	4.82%	3.98%	4.19%					4.19%
60 Days	1.01%	0.88%	1.12%	1.01%	0.94%	0.92%	1.32%	1.02%	1.03%					1.03%
90 Days	0.82%	0.83%	0.73%	0.76%	0.68%	0.66%	0.78%	0.72%	0.85%					0.76%
Foreclosur	0.85%	0.86%	0.87%	0.90%	0.94%	0.87%	0.85%	0.83%	0.79%					0.86%
Total Delq	**6.77%**	**6.55%**	**6.81%**	**6.99%**	**6.63%**	**6.65%**	**7.77%**	**6.55%**	**6.86%**					**6.84%**
Total Delq	8.26%	8.45%	8.18%	8.11%	8.42%	8.33%	8.27%	8.57%	8.23%	6.43%	7.72%	7.23%	6.77%	7.92%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$14.5	$14.2	$14.8	$15.4	$14.8	$14.9	$17.6	$14.6	$15.4					$15.1
60 Days	$3.5	$2.8	$3.9	$3.7	$3.5	$3.5	$4.8	$4.0	$4.1					$3.8
90+ Days	$6.1	$6.3	$6.0	$6.2	$5.9	$5.6	$6.1	$5.6	$6.0					$6.0
Total Delq	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0	$28.5	$24.2	$25.5					$24.9
Total Delq	**$26.9**	**$27.6**	**$27.1**	**$27.0**	**$28.3**	**$28.9**	**$28.7**	**$30.5**	**$28.8**	**$22.5**	**$26.6**	**$25.3**	**$24.1**	**$28.2**

REO INVENTORY REPORT
As of March 31, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 12/31/00	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Bushey, W	1/19/98	Fairfield	$ 57,867	$ 5,686	$ 39,686	$ 17,360	$ 85,878	$ 46,203	$ 55,000	$ 60,000	10/4/00	$ 62,000	9/20/95	MH	Under Contract $55,000; Closing 4/12/01 -- Yippee!
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 24,258	$ 15,898	$ 90,041	$ 26,430	$ 60,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Was Under Contract; Buyer Still Interested; Title Issues
St. Peter	6/9/00	Starksboro	$ 20,527	$ 1,083	$ 7,539	$ 2,463	$ 26,686	$ 16,226	$ 3,500	$ 10,000	8/29/00	$ 26,000	10/24/98	MH	Sold 4/10/01
Pignone	7/12/00	Barre Town	$ 35,053	$ 3,323	$ 29,045	$ 9,570	$ 57,851	$ 27,648	$ 46,000	$ 43,000	6/20/00	$ 43,000	5/11/90	SF	Under Contract $46,000; Closing 4/13/01
Fogarty	8/15/00	Rutland City	$ 50,138	$ 4,895	$ 11,216	$ 15,041	$ 51,208	$ 16,875	$ 35,000	$ 35,000	10/9/00	$ 59,000	10/30/95	SF	
Spafford	9/25/00	Springfield	$ 79,651	$ 6,481	$ 10,611	$ 23,747	$ 72,996	$ 2,386	$ 72,500	$ 72,500	6/23/00	$ 91,000	8/2/96	SF	Under Contract $72,500; Closing 4/25/01
Genson	11/6/00	Swanton	$ 67,723	$ 10,332	$ 9,293	$ 14,908	$ 72,440	$ 20,682	$ 45,000	$ 50,000	1/23/01	$ 73,750	7/21/95	SF	Sold 4/10/01
Benham	11/7/00	Alburg	$ 78,465	$ 6,870	$ 11,560	$ 14,796	$ 82,099	$ 10,000	$ 55,000	$ 70,000	11/13/00	$ 80,500	12/20/93	SF	Sold 4/5/01
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 4,626	$ 6,764	$ 44,821	$ -	$ 55,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Just Listed; Occupants Vacated on 2/20/01
Gresham	12/15/00	Rutland City	$ 53,059	$ 5,692	$ 5,655	$ 12,000	$ 52,406	$ -	$ 20,000	$ 29,000	1/24/01	$ 65,000	1/13/93	MH	Under Contract $20,000
Gomez	12/22/00	Chester	$ 45,159	$ 4,182	$ 7,625	$ 13,538	$ 43,428	$ -	$ -	$ -		$ 49,000	6/2/95	MH	Was Occupied until recently; waiting for appraisal
Baldwin	12/28/00	Fairfax	$ 88,172	$ 12,097	$ 11,133	$ 19,400	$ 92,002	$ -	$ 87,500	$ 88,500	1/26/01	$ 98,000	2/10/95	SF	Offer Pending
Chamberlin	1/16/01	Huntington	$ 70,891	$ 4,013	$ 6,925	$ 17,000	$ 64,829	$ -	$ 70,500	$ 80,000	12/4/00	$ 86,000	7/31/89	MH	Under Contract $70,500; Closing 4/27/01
Bushey, K	1/29/01	Fairfax	$ 58,620	$ 5,619	$ 4,906	$ 1,433	$ 67,712	$ -	$ -	$ -		$ 85,000	9/23/97	SF	Previous Owner must remove all possessions by 4/20
Vanderwerf	2/14/01	Morristown	$ 70,671	$ 8,993	$ 13,472	$ 14,396	$ 78,740	$ -	$ 80,000	$ 80,000	11/8/00	$ 79,000	5/11/95	SF	Title Issues; Resolution Pending
Sorrentino	2/5/01	Castleton	$ 59,853	$ 12,069	$ 6,380	$ 14,000	$ 64,302	$ -	$ 35,000	$ 35,000	2/12/01	$ 71,000	3/16/89	SF	Property is in very poor condition
Paini	2/12/01	Barre Town	$ 63,780	$ 4,182	$ 6,465	$ -	$ 74,427	$ -	$ 67,000	$ 61,000	10/24/00	$ 70,000	2/19/96	SF	RD Guaranteed; Under Contract $67,000
Dudley	3/9/01	Newport City	$ 62,473	$ 3,849	$ 2,231	$ -	$ 68,553	$ -	$ -	$ -		$ 65,500	5/5/95	SF	RD Guaranteed; Tenant has until 4/20/01 to vacate
Pimgree	3/19/01	Randolph	$ 77,153	$ 12,471	$ 16,655	$ 5,801	$ 100,478	$ -	$ 82,500	$ 72,500	1/2/01	$ 79,000	6/18/96	SF	RD Guaranteed; Offer Pending
Gaboriault	3/20/01	Essex	$ 57,969	$ 4,360	$ 4,375	$ 5,975	$ 60,729	$ -	$ -	$ -		$ 74,000	3/8/95	Condo	Vacant as of 4/11/01; Obtaining Values
20			$ 1,212,150	$ 129,911	$ 233,656	$ 224,090	$ 1,351,626	$ 166,450	$ 869,500	$ 901,500		$ 1,388,250			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: April 12, 2001

RE: VDCU HomeDollars Program

At the February Board meeting staff submitted a recommendation to provide $30,000 in IORTA funds (Interest on Real Estate Trust Accounts) for an Individual Development Account (IDA) Program operated by Vermont Development Credit Union (VDCU). Funds would be used by VDCU to assist IDA program participants with down payment and closing costs. The Board deferred a decision until additional information was available about the program and expressed a desire that funds be used on a statewide basis. The following is a summary of VDCU's current program called HomeDollars and how they anticipate using IORTA funds to expand this program statewide.

VDCU HomeDollars Program

VDCU's program is currently operating in partnership with the Burlington Housing Authority and Winooski Housing Authority to assist 15 Family Self-Sufficiency Program participants to use their Section 8 voucher for homeownership. Family Self-Sufficiency works with residents who have Section 8 vouchers or live in public housing to become self-sufficient of other public assistance. A participant who has a goal of becoming a homeowner works with VDCU and the Housing Authority on a plan to achieve their goal. As part of the plan, the household sets up a targeted savings account. At such time as the household has reached their savings goal and is ready to purchase a home, the funds saved by the household are matched 4:1 by the HomeDollars Program. The matching funds are currently being provided by grant funds awarded through the Federal Home Loan Bank's Affordable Housing Program. To date, five households have completed the program and have purchased a home.

The IORTA funds would be used by VDCU to expand the program to assist Family Self-Sufficiency participants on a statewide basis. VDCU is hopeful that they can assist an additional 20 to 30 participants. IORTA funds would be used to leverage additional grant funds from the Federal Home Loan Bank's Affordable Housing Program.

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Board Action Requested

Staff request approval to provide $30,000 in IORTA funds to VDCU's HomeDollars Program to assist Family Self-Sufficiency participants on a statewide basis. The funds would be used to match funds saved by the household for down payment and/or closing costs.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

RE: **TEMPLETON COURT APARTMENTS**

DT: April 9, 2001

This memorandum is to inform the VHFA Board of Commissioners about serious issues surrounding Templeton Court Apartments in White River Junction. The project has significant physical, social and economic problems that reflect a potential and substantial loss to VHFA. The staff has prepared this project overview and has attempted to provide an analysis of each of three major options, their respective benefits, pit-falls and financial implications.

The Vermont State Housing Authority (VSHA) and the Housing Foundation, Inc. (HFI, the project sponsor and manager since 1991) have provided numerous proposals, but ultimately feel the solution is to substantially demolish the project and redevelop it as a 28 unit Townhouse style project. This is shown as Option III: A,B and C. HFI is simultaneously planning to build 18 new units of housing in nearby Wilder to be funded through Rural Development's Section 515 program. The Wilder project would absorb some of the displaced families from Templeton with the reduction in units, but will also tend to be competition for Templeton if Templeton is not redeveloped.

The attached spreadsheet summarizes each of the major options, listing the impact on the current funding agencies, total development cost, and use of public funds.

TEMPLETON COURT APARTMENTS
OPTION SUMMARIES

OPTION DESCRIPTION	VHFA Exposure	VHCB Exposure	Other Funding Needed	Tax Credits Used	Loss/Unit or TDC/Unit
I: VHFA foreclosure and ultimate sale of the property.	$830,000 write-off	$228,000 write-off		0	VHFA $23,056/unit VHCB $6,333/unit
II: Perform minimum rehab needed to bring project into compliance w HUD HQS allowing the project to remain in service until the current VHFA debt service is retired in July 2019.	$597,700 HAP not renewed in 2006. $0 HAP renews	$228,000 HAP not renewed. $0 HAP renews	$1,000,000 repairs not recovered in either scenairo		$50,714 HAP Expires $27,778 HAP renews
III - A: Redevelop as 28 units using 9% tax credits.	$230,000 0% deferred from GF	$228,000 deferred	$241,200 HOME $128,000 various	$362,000 9% credits	VHFA $8,214/unit loss TDC $166,579/unit
III - B: Redevelop as 28 units using 9% & 4% tax credits.	$591,000 (could be 0% funds)	$228,000 deferred	$332,000 VHCB def. $161,000 various	$227,415 9% credits $49,430 4% credits	VHFA $21,107/unit VHCB $8,143 TDC $166,857/unit
III - C: Redevelop as 28 units using 4% tax credits.	$560,000 0% deferred	$228,000 deferred	$332,000 VHCB $128,000 various $900,000 GAP	184,948 4% credits	VHFA $20,000/unit loss VHCB $ 8,142/unit loss TDC $166,857/unit

It should be noted that current debt owed to VHFA at $1,431,000 and VHCB at $228,000 contribute an imbedded cost per unit of $46,000 @ 36 units, or $59,000/unit @ 28 units.

Project Overview:
Templeton Court Apartments is a 36 unit multi-family housing project located in White River Junction. The project was acquired in 1991 by The Housing Foundation, Inc. (HFI) and has project based Section 8 rental assistance on all units which expires in June 2006. Project rents are targeted to households at 30% of area median income Total Development Cost in 1991 were $1,911,750 ($55,000 per unit) and were financed as follows:

VHFA first mortgage:	$1,650,000	
VHCB loan	$ 261,750	
Total Acquisition & Rehab	$1,911,750	($53,104 cost per unit)

Templeton has been plagued with financial, social and structural problems from the time it was acquired by HFI. Vacancies have run high until the recent housing shortage in the Upper Valley. Templeton has been considered the "housing of last resort" in the area because of its difficult social problems, physical condition and reputation in the Community. Templeton contains a significant number of three and four bedroom units and has over 100 children residing in the project.

The project has a $29,275 per year operating deficit that is currently being funded by deferred VHCB debt and VHFA zero percent loan funds. Rent levels are at the maximum HUD fair market rent levels and can not be raised. Increasingly high maintenance and utility expenses are some of the driving reasons behind the operating deficit. Discontinued use of one of the 4 bedroom units as community space and not funding of the on-site Americore Program would reduce this deficit to $7,600/year. Templeton will require substantial repair, financial re-structuring and strong ongoing management to return the project to economic viability.

HFI and the Vermont State Housing Authority have recommended substantial demolition of the buildings and redevelopment with a reduction in the number of units from 36 to 28. The intent of their proposal is to rebuild the buildings according to current codes and building standards, while reducing the density of families in the project, with provisions for more parking, recreation and community space.

Physical problems with the buildings in the project are essentially the same problems identified when the buildings were acquired in 1991 and which remain uncured to date. These are enumerated in a report provided by Vermont Architects Collaborative on November 8th, 2000. This report was followed up with an on-site inspection by staff and further reviewed at the request of VHFA by David Anderson on November 22nd. David Anderson is a construction consultant hired frequently by VHFA on construction/rehab projects.

Physical issues include:

- **Code Violations:** Boiler Rooms, Insufficient egress through windows and doors, and shared entrances which are not fire rated.
- **Site:** Inadequate grading is prevented by significant ledge outcropping causing significant damage and deterioration to foundations and basement areas. Inadequate parking, lighting and recreational spaces.

- **Structural Issues:**
  - Carrying beams and floor joists are undersized for span and load. Significant bowing and wall movement is evident.
  - The roof system is prone to failure, leaks and inadequately insulated or vented.
  - Existing chimneys are failing
  - Windows and doors are failing both from moisture and building movement
  - The brick veneer was applied without airspace allowing moisture to wick through to the sheathing. Evidence of rot is apparent.
- **Mechanical & Electrical:**
  - Boiler rooms are not fire protected and contain 4 fuel storage tanks (more than code allows.
  - Electrical work done over the years has been performed in a minimal manner and is highly suspect relative to current code.
  - Plumbing needs thorough review by a master plumber.

Estimates provided by VSHA/HFI in their report of November 8th, for complete renovation of the 36 unit project were estimated at $3.2 million dollars, and $2.5 million dollars for redevelopment with a reduced number of units to 26 units. In the redevelopment proposal, the reduction in the number of units reduces the project value available to support its outstanding debts along with reducing the number of units we are able to spread the cost over.

VHFA has an outstanding mortgage balance approximating $1.4 million dollars. It is questionable that the project will be able to remain in service for the entire remaining term of our loan (2019) in terms of its physical needs and historical vacancy levels. (Should the housing market in the White River area return to normal levels, we would assume that Templeton will continue to gravitate back to "Housing of Last Resort") An appraisal of the project was recently completed by Kurt Kaffenburger, MAI of Keller, Navin and O'Brien and Kaffenburger at the request of VHFA and VSHA. The appraised value of the project in "as is" condition is reported at $975,000. The appraised value of the project if redeveloped as a 28 unit Townhouse style project is $1,350,000. The staff considers the "as is" appraisal to be on the high side of reality and doubts there are buyers in the market who would make an offer at this level.

VHFA needs to consider all options to be proactive in managing its risk of loss in Templeton, in addition to meeting its mission responsibilities to promote and finance safe and decent housing for the families in the project. In the following analysis we need to balance the following elements:

- **Potential loss to VHFA**
- **Overall use and commitment of public funds (Cost per unit)**
- **Responsibility to families in the project**

The following analyses are in no order of priority or desirability. They are intended to simply present the financial results of each option in a manner that helps to facilitate the best decision possible given the wide number of variables and complexities associated with Templeton.

Option I: Foreclose and sell the project:

VHFA forecloses on the property and takes a loss on its investment equal to the difference between the outstanding balance on our mortgage and the net of foreclosure proceeds.

Option benefits:

1. VHFA can quantify its exposure to loss and limits both staff and financial resources that need to be committed.
2. Eliminates ongoing risk if additional investments are made which may or may not cure the project's physical problems, internal social challenges, and community stigma.

Option pit-falls:

1. It is questionable as to whether or not the project is in "technical default" of the terms of our loan and regulatory agreements. A legal process would be required to demonstrate this.
2. VSHA has indicated that they are not inclined to agree to a voluntary foreclosure. Legal fees and an investment of time will be required.
3. The impact of a foreclosure and resale of the project on the current residents would be significant and most likely adverse from loss of units out of affordable inventory.
4. There is a significant question under this scenario as to finding a willing buyer and what price they would pay. Staff opinion varies widely ranging from 50% to 70% of the appraised value.

Financial Implications:

VHFA Outstanding Balance:	$1,430,000
Sale price assumed at 60% of $975,000 appraised value:	($ 600,000)
Potential loss to VHFA	**$ 830,000**

Option II: Perform minimal repairs.

VHFA funds the minimal level of repairs needed to make the units comply with all codes and also any work needed to ensure the safety of the residents. Under this scenario, the project continues to operate "as-is", with the same unit count and configuration. The existing VHFA mortgage debt continues. There is some concern as to whether or not HAP contracts would be renewed at the time of their expiration in 2006. David Anderson is in the process of reviewing the most recent architectural and engineering reports to estimate what "minimal repairs" entails and the related costs. Preliminary estimates are approximately $500,000 immediately, with an additional $200,000 over time.

Option benefits:

1) Minimal displacement of current residents.
2) This option will require the least amount of other public resources.
3) No loss of affordable housing units. (All 36 units remain in place)
4) If the project does stay in service until the original debt is retired, then there will be options to fix the project that don't exist with it's current debt load.

Option pit-falls:

1) There is continued risk that the property will continue to deteriorate and require other unforeseen substantial repairs beyond what is estimated here.
2) There will be no material change in the stigma attached to Templeton as "housing of last resort"
3) If at some time the housing market in the White River area returns to a more balanced level of supply and demand, Templeton could return to its historically high levels of vacancy given the likelihood of continued social challenges associated with high density of families with children in the project.
4) HAP contract renewal in 2006 is not a 'definite".
5) Quality of life for the residents remains poor.

Financial implications:

Cost of immediate improvements (preliminary report by Dave Anderson)	$ 500,000
Cost of ongoing additional improvement and repairs	$ 500,000
Remaining existing VHFA loan balance at time of HAP contract exp.	$1,197,704
Total investment:	$1,897,704
VHFA outstanding balance in June 2006	$1,197,704
Projected appraised value as HAP Contract Exp. (06-2006) Assumes no appreciation from current appraisal and a sale at 60% of value.	$ 600,000
Projected loss to VHFA in June 2006 if HAP contracts are not renewed	**$ 597,704**

IF HAP CONTRACTS ARE RENEWED **$1,000,000***

*A loss in 2019 may be something less than the $1,000,000 investment in repairs assuming there is some residual value in the project. HAP contract renewals are at the discretion of the VSHA, and could be problematic based on whether or not the project met HUD Housing Quality Standards (HQS) at the time. Meeting the HQS is a minimal requirement for HAP contract renewal.

OPTION III: A 9% Allocated Tax Credits with substantial redevelopment.

The Housing Foundation, Inc. has submitted an application for 9% credits for this allocation round. This proposal includes a reduction in the number of units from 36 to 28 and substantial reconfiguration of the existing buildings. The buildings would be demolished to down to the first or second floor deck and rebuilt. The existing wall and floor framing will be reused where possible and strengthened with additional members. The roofs will be reconstructed with trusses to reduce loads on the central beam. Building reconfiguration will be smaller allowing for redesign of the site to improve drainage and create recreation spaces and improved parking.

HFI is requesting a write-down of debt from VHCB and VHFA. The VHFA write-down would have to come from Agency general funds. The proposal from HFI includes a developer's fees of $90,000 in the construction budget to stay in basis for tax credit purposes. Of this $40,000 is deferred, and $50,000 would be put in operating reserves.

Option benefits:

1) Project gets rebuilt essentially as new condition with permanent cures to structural, site and financial problems.
2) The project reconfigured as 28 units will reduce the concentration of families with children and has a higher likelihood of positive impact on social issues currently challenging the project.
3) VHFA additional investment is the minimal of all options with $230,000 zero percent, deferred loan. (These funds must be from general funds if used in conjunction with 9% credits)
4) No debt from either VHFA or VHFA is written down.

Option Pit-falls:

1) Overall cost per unit is high at $166,579. Reflects no write-down of existing debts owed to VHFA or VHCB. Actual construction cost per unit net of VHFA debt that would otherwise be written off ($830,000 from Option I) is $136,936/unit).
2) Submission of this project in the Tax Credit Allocation round creates a dilemma for the Tax Credit Committee regarding conflicts of interest. (VHFA and VHCB are the current lenders in Templeton, and VSHA is associated with the project sponsor, DCA could be a potential source of funding if credits are not awarded – see letter Richard Williams to TC Committee dated March 30, 2001, attachment #1)
3) The tax credit application for 9% credits includes a request for $230,000 in VHFA zero percent funds. VHFA counsel advises that zero percent loans can not be used in-conjunction with 9% credits. These funds would have to be provided by VHFA from "general funds".

Financial Implications:

See Attachment IIIA Sources and Uses 9% Credits

VHFA existing debt is paid down to $975,000 by new taxable debt, tax credit equity and other soft funding: Marginal losses are as follows:

Loss to VHFA limited to zero percent deferred general fund loans:	**$230,000**
Loss to VHCB limited to deferred existing debt	**$228,000**

9% CREDITS

10-Apr-01 **Templeton Court** — **With 9% LIHTC**

No debt reduced

Total Residential Units:	28	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,664,200	Expense increase:	3.00%
Total Development Cost per Unit:	166,579	Vacancy Rate:	4%
Total Development Cost Per SF:	157	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	363,447	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	362,000	Sponsor's Estimated Yield:	81.25%

LIHTC - 9%	8.23%	February-01
LIHTC - 4%	3.53%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA	925,000	19.83%	7.50%	30	25
VHFA deferred	230,000	4.93%	3.00%	20	deferred
VHCB existing	228,000	4.89%	0.00%	25	deferred
HOME	241,200	5.17%	6.50%	20	int. only
REEP Grant (GP Cap Contrib)	18,000	0.39%	0.00%	30	
Project Reserves (GP Cap Contrib)	50,000	1.07%			
GP Loan deferred	40,000	0.86%			
HUD Drug elimination funds	20,000	0.43%			deferred
Tax Credit Equity (LP Cap Contrib	2,912,000	62.43%	N/A	N/A	
TOTAL SOURCES	4,664,200	100.00%			

USES

Acquisition	1,678,500	35.99%
Construction Hard Costs	2,328,000	49.91%
Soft Costs	657,700	14.10%
TOTAL USES	4,664,200	100%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	5	450,700
2 Br	95,890	10	958,900
3 Br	101,637	9	914,733
4 Br	107,390	4	429,560
Maximum cost allowed under the per unit cost limits			2,753,893
Projected total cost, excluding cash accounts			4,617,200
(over)/under			(1,863,307)

Cost Overage % 60%

General Partner's Capital Contribution	29,414	1.00%
Limited Partner's Capital Contribution	2,912,000	99.00%
Total Equity	2,941,414	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	29,740
Total Residential Square Footage	29,740
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

Option III: B 9% / 4% allocated credit with substantial redevelopment.

The scope of work in this option is the same as is Option III above. The difference between these options is a reduction in the 9% (allocated credits) from $362,000 in Option III to $227,415 and 4% (non-allocated)credits at $49,430. The existing loan to VHFA is written down or deferred by $579,500, along with $228,000 owed to VHCB. These amounts are assumed to be forgiven and not included in basis or cost per unit. Net of these write downs, the cost per unit is shown as $137,607/unit for the 28 units. Including these write-downs the cost per unit remains high at $ 166,446/unit.

HFI is requesting a write-down of debt from VHCB and VHFA. The VHFA write-down could be avoided if we use 0% funds. The proposal from HFI includes a developer's fees of $90,000 in the construction budget to stay in basis for tax credit purposes. Of this $40,000 is deferred, and $50,000 would be put in operating reserves.

Option benefits:

1) Project gets rebuilt essentially as new condition with permanent cures to structural, site and financial problems.
2) The project reconfigured as 28 units will reduce the concentration of families with children and has a higher likelihood of positive impact on social issues currently challenging the project.

Option Pit-falls:

1) Although cost per unit on "Sources and Uses" schedule is shown as $137,607, this excludes the assumed write-off of VHFA and VHCB debts. (VHFA at $591,00 and VHCB at $228,000 would add $819,000 to Total Development Cost and raises cost per unit to $166,857.)
2) VHFA and VHCB are making up the funding gap by writing off higher amounts as noted above.

Financial Implications:

See Attachment IIIB: Sources and Uses – 9% and 4% Credits

VHFA write-off difference of $1,431,000 and $840,000 HFI offer price:	$591,000
VHCB write-off balance of existing loan:	$228.000
Total proposed losses:	**$819,000**

VHCB is also requested to provide $332,000 in new deferred debt.

09-Apr-01 **Templeton Court** 7% AND 4% CREDITS III 10

Bond Project & Allocated Project

SALE PRICE @ $840,000

Total Residential Units:	28	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	3,853,000	Expense increase:	3.00%
Total Development Cost per Unit:	137,607	Vacancy Rate:	5%
Total Development Cost Per SF:	130	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Allocated Credit	227,415	Short Depreciation Schedule:	7 years
Max Non-Allocated Credit	49,430	Sponsor's Estimated Yield:	87.02%
Total Amount of Credit	276,845		
LIHTC - 9%	8.24%	March-01	
LIHTC - 4%	3.55%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA new loan	975,000	25.30%	7.00%	30	20
VHFA deferred (0%)	0	0.00%	0.00%	20	deferred
VHCB existing	0	0.00%	0.00%	25	deferred
VHCB (new)	332,000	8.62%	3.00%	20	deferred
REEP Grant (GP Cap Contrib)	21,000	0.55%	0.00%	30	
Project Reserves (GP Cap Contrib)	70,000	1.82%			
GP Loan deferred	40,000	1.04%			
HUD Drug elimination funds	30,000	0.78%			Grant
Tax Credit Equity (LP Cap Contrib)	2,385,000	61.90%	N/A	N/A	
TOTAL SOURCES	3,853,000	100.00%			

USES

Acquisition	850,500	22.07%
Construction Hard Costs	2,328,000	60.42%
Soft Costs	674,500	17.51%
TOTAL USES	3,853,000	100%

Gap 0

Option III: C 4% non-allocated credits with substantial redevelopment.

Option III: C assumes that 9% credits are not awarded. All other proposed work remains the same, with Total Cost of Development slightly higher at $4,681,000. This scenario requires significant additional capital investment to fund a financing gap.

Option benefits:

1) Project gets rebuilt essentially as new condition with permanent cures to structural, site and financial problems.
2) The project reconfigured as 28 units will reduce the concentration of families with children and has a higher likelihood of positive impact on social issues currently challenging the project.
3) Project does not use up 9% credits which can be used to fund other projects and resolves conflict of interest concerns.

Option Pit-falls:

1) Overall cost per unit is high at $167,179.
2) There is a $900,000 funding gap in addition to requests for deferred debt of $560,000 from VHFA and $228,000 from VHCB.

Financial Implications:

See Attachment IIIC: Sources and Uses 4% credits

Loss/Deferred Debt to VHFA	**$ 560,000**
Loss/Deferred Debt to VHCB	**$ 228,000**
Unresolved Funding Gap	**$ 900,000**
Total potential loss/deferred debt/gap	**$1,688,000**

4% CREDITS

12-Apr-01 **Templeton Court**

All Bond Project

Total Residential Units:	28	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,681,000	Expense increase:	3.00%
Total Development Cost per Unit:	167,179	Vacancy Rate:	4%
Total Development Cost Per SF:	157	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max **Allocated** Credit	**0**	Short Depreciation Schedule:	7 years
Max **Non-Allocated** Credit	**184,948**	Sponsor's Estimated Yield:	87.60%
Total Amount of Credit	184,948		
LIHTC - 4%	3.53%	March-01	
LIHTC - 4%	3.53%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA new loan	975,000	20.83%	7.00%	30	25
VHFA deferred (0%)	560,000	11.96%	0.00%	20	deferred
VHCB existing	228,000	4.87%	0.00%	25	deferred
HOME or VHCB (new)	330,000	7.05%	6.50%	20	deferred
REEP Grant (GP Cap Contrib)	18,000	0.38%	0.00%	30	
Project Reserves (GP Cap Contrib)	50,000	1.07%			
GP Loan deferred	40,000	0.85%			
HUD Drug elimination funds	20,000	0.43%			Grant
Tax Credit Equity (LP Cap Contrib)	1,560,000	33.33%	N/A	N/A	
TOTAL SOURCES	3,781,000	80.77%			

USES

Acquisition	1,678,500	35.86%
Construction Hard Costs	2,328,000	49.73%
Soft Costs	674,500	14.41%
TOTAL USES	4,681,000	100%

Gap **900,000**

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake EMD

RE: Changes in Position Titles of Authorized Officers

DATE: April 11, 2001

To update the designated Authorized Officers that are specified in previous resolutions and agreements, the attached resolution confirms the Board's intention to convey the authority to the current employee position titles. This applies specifically to the Chief Financial Officer (formerly Director of Finance) and the Chief of Program Operations (formerly Director of Operations).

Requested Board Action: Adoption of attached resolution

RESOLUTION RE: AUTHORIZED OFFICERS

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has reorganized and changed its employee positions and their titles over the years; and

WHEREAS, the Agency has from time to time authorized various position titles to act on behalf of the Agency;

WHEREAS, the Agency desires to change all prior references to "Director of Finance" to "Chief Financial Officer"; and

WHEREAS, the Agency desires to change all prior references to "Director of Operations" to "Chief of Program Operations":

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency hereby directs that any and all prior references to "Director of Finance" are hereby changed to read "Chief Financial Officer."

2. The Agency hereby directs that any and all prior references to "Director of Operations" are hereby changed to read "Chief of Program Operations."

RESOLUTION RE: ALLOCATION OF 2001 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board; and

WHEREAS, the Agency desires to elect to utilize $ 20 million dollars of the 2001 private activity bond volume cap for qualified mortgage bonds and mortgage credit certificates and $ 20 million for exempt facility bonds;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate $20 million of its 2001 private activity bond volume cap pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates and $20 million of its 2001 private activity bond volume cap allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

vhfa

Vermont Housing Finance Agency

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**

DATE: **APRIL 13, 2001**

RE: **SINGLE FAMILY BOND FINANCING**

Attached to this memorandum is a copy of the Preliminary Official Statement (P.O.S.) that was distributed to potential bondholders, drafts (copies from Series 13) of the Reimbursement Agreements with Financial Security Assurance Inc. (bond insurer), a draft of the purchase contract(s) with the underwriters and a draft copy of the Eighteenth Supplemental Single Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. The provisions in Section 2.01 mandate the limits of the financing, i.e. a bond financing of $31,635,000 and note financing not exceeding $35 million. Section 2.05 requires a yield calculation that would result in a no point mortgage rate of no more than 7.50%, and bonds maturing no later than May 1, 2033. The Series Resolution also authorizes entering into the purchase contract with the Underwriters (section 2.05) and authorizes the Reimbursement Agreement terms and conditions with the bond insurer.

This financing will provide us with $30.5 million of mortgage proceeds. The current projected rate on the Series 14 mortgage funds is a "standard" mortgage at 6.50% and a cash assistance option mortgage at 6.95% with no points. We again received an excellent bid from FSA for bond insurance, which will increase our rating to AAA. A new feature in this financing that we discussed at an earlier meeting is a premium PAC (planned amortization class) bond which dedicates prepayments in a range to specific bondholders at reduced rates that helps reduce the mortgage rate and provides the pool of funds to provide the cash assistance payments. As we did for the last single family issue our POS is available electronically at www.imagemaster.com, follow the directions for new issues. We expect to have final pricing numbers and an analysis of the transaction prepared by Al Hans and associates of U.S. Bancorp Piper Jaffray available at the Board meeting. This is also predicated on successful pricing early next week.

If the Board concurs in approving the financing, the closing of the bonds would occur on April 26, 2001. If you have questions on the documents enclosed or the financing in general, please call me at 652-3436 at your convenience.

Recommended Action

Approval of the Eighteenth Supplemental Single Family Housing Bond Resolution.

KUTAK ROCK LLP
DRAFT 04/11/01

VERMONT HOUSING FINANCE AGENCY

EIGHTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

Adopted April 19, 2001

04-85758.01

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MUNICIPAL BOND INSURANCE POLICY

EIGHTEENTH 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

Section 1.01. Short Title. This resolution is hereinafter sometimes referred to as the "Eighteenth Supplemental Resolution."

Section 1.02. 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 Eighteenth 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 2.03(a)(iv) hereof.

"*Adjusted Rate Bonds*" means all Series 14A Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 14A 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 14A Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

"*Adjustment Option Period*" means the period commencing on November 1, 2001 and ending on May 1, 2004, inclusive.

"*Adjustment Rating Certificate*" means (i) 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 14A 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 2.03(a)(vi) hereof, accompanied by (ii) 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 14A 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 14A 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 14 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 14A Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 14 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 14 Obligations, means the Trustee.

"*Beneficial Owner*" means the person or entity that is considered to be the beneficial owner of any Series 14 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"*Bond Counsel*" means Kutak Rock LLP, 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 2.02 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 September 30; provided that the initial Bond Year shall commence on the date of issuance of the Series 14 Obligations and end on September 30, 2001.

"*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 15 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 14 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 14A Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) 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 (iv) 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, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) 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 (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 14 Loan Loss Claim Fund.

"*Loan Loss Claim Fund Withdrawals*" means amounts withdrawn from the Series 14 Loan Loss Claim Fund pursuant to Section 3.06(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 scheduled payment when due of the principal of and interest on the Series 14A 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 30 days prior to the Adjustment Date.

"*Official Statement*" means the Official Statement of the Agency describing the Series 14 Obligations, in preliminary form dated April 2, 2001, and in final form dated the date of execution of the Purchase Contracts.

"*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 14 Obligation, the stated principal amount thereof.

"*Pro-Forma Adjusted Interest Rate*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Pro-Forma Tender Bonds*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Purchase Contracts*" means, collectively, the Series 14 Bond Purchase Contract and the Series 14 Note Purchase Contract.

"*Record Date*" with respect to the payment of interest on a Series 14 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 14 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 14 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 14 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, UBS PaineWebber Inc., Salomon Smith Barney Inc. 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 14A Bonds by the Agency and the Remarketing Agent, or any other remarketing agreement pertaining to the Series 14A 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 2.03(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 2.03(a)(v) hereof.

"*Representation Letter*" means, with respect to the Series 14 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 Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 14 Obligations which Series Certificate shall establish certain terms of the Series 14 Obligations as provided herein.

"*Series 14A Bonds*" means the Series 14A Bonds of the Agency authorized by this Eighteenth Supplemental Resolution.

"*Series 14A Bond Purchase Contract*" means the Purchase Contract by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 14A Bonds, if any, providing for the terms and conditions of the sale of the Series 14A Bonds in substantially the form presented at this meeting and included in the minutes hereof.

"*Series 14 Bond Reserve Requirement*" means an amount with respect to the Series 14 Obligations at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 14A Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 14A Bonds.

"*Series 14 Contingency Account*" means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

"*Series 14 Contingency Account Deposits*" means the Series 14 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 14 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: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 14 Contingency Account.

"*Series 14 Contingency Account Surety Bond*" means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 14 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

"*Series 14 Contingency Account Deposit Provider*" means Financial Security Assurance Inc., as provider of the Series 14 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 14 Contingency Account Deposit.

"*Series 14 Cost of Issuance Account*" means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

"*Series 14 Funded Loan Loss Claim Fund Requirement*" means, at any date of computation, an amount equal to the Series 14 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 14 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 14 Loan Loss Claim Fund.

"*Series 14 Loan Loss Claim Fund*" means the fund so designated and created pursuant to Section 3.01(a) hereof.

"*Series 14 Loan Loss Claim Fund Deposit Provider*" means Financial Security Assurance Inc., as provider of the Series 14 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 14 Loan Loss Claim Fund Deposit.

"*Series 14 Loan Loss Claim Fund Deposits*" means the Series 14 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 14 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: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 14 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Series 14 Loan Loss Claim Fund Requirement*" means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 14A Program Account plus (2) the aggregate amount, if any, then held in the Series 14A Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 14 Loan Loss Claim Fund, or (ii) 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 14 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 14 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

"*Series 14 Notes*" means the Series 14B Notes and the Series 14C Notes of the Agency authorized by this Eighteenth Supplemental Resolution.

"*Series 14 Note Purchase Contract*" means the Purchase Contract by and between the Agency and PaineWebber Incorporated providing for the terms and conditions of the sale of the Series 14 Notes in substantially the form presented at this meeting and included in the minutes hereof.

"*Series 14 Obligations*" means, collectively, the Series 14A Bonds, the Series 14B Notes and the Series 14C Notes.

"*Series 14 Rebate Account*" means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

"*Series 14 Rebate Requirement*" with respect to the Series 14 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 3.05 hereof.

"*Series 14 Reimbursement Agreements*" means, as applicable, (i) the agreement by and between the Agency and the Series 14 Loan Loss Claim Fund Deposit Provider in connection with the Series 14 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 14 Contingency Account Deposit Provider in connection with the Series 14 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

"*Series 14A Tender Bonds*" means the Series 14A Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"*Series 14A Tender Bonds Proceeds Subaccount*" means the Series 14A Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

"*Series 14A Program Account*" means the Series 14A Program Account established pursuant to Section 3.01(b) hereof.

"*Series 14B Program Account*" means the Series 14B Program Account established pursuant to Section 3.01(b) hereof.

"*Series 14C Program Account*" means the Series 14C Program Account established pursuant to Section 3.01(b) hereof.

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

"*Underwriters*" means, collectively, UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., as underwriters of the Series 14A Bonds and UBS PaineWebber Inc. as underwriter of the Series 14 Notes.

"*Yield*" means the yield on the Series 14 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 14 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 Eighteenth Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 14A Bonds, May 1 and November 1 of each year commencing on November 1, 2001, any redemption date of any Series 14A Bonds and any other date on which interest on the Series 14A Bonds is required or permitted by the Resolution to be paid, (ii) with respect to the Series 14C Notes, May 1 and November 1 of each year commencing on November 1, 2001 and on the maturity date thereof, and (iii) with respect to the Series 14B Notes, the maturity date thereof.

Section 1.03. Authority. This Eighteenth 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 14 OBLIGATIONS

Section 2.01. Series 14 Obligations; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one Series of Bonds to be designated "Single Family Housing Bonds, Series 14A" in an aggregate Principal Amount not to exceed $31,635,000. In addition, the Agency hereby authorizes the issuance of two Series of Notes to be designated "Single Family Housing Notes, Series 14B" and "Single Family Housing Notes, Series 14C" in aggregate Principal Amounts not to exceed $17,500,000 and $17,500,000, respectively. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 14 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 14 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 14 Obligations as provided herein and from the investment of the proceeds of the Series 14 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 14 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 14 Obligations are being issued. For purposes of Section 204(B) of the Resolution, all Series 14 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 203(B) of the Resolution and all Series 14A Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

(b) The Series 14A 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 14A Program Account, the Series 14 Cost of Issuance Account, the Series 14 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 14 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series 14B Program Account and the Series 14C 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 14 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" or "RC", as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 14A Bonds shall be dated April 15, 2001. The Series 14A 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 15, 2001, or if the date of authentication of any Series 14A 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 14A Bond shall be payable on November 1, 2001 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Subject to Section 2.03 hereof, the Series 14A 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 14A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 14A Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 14A Bonds be later than May 1, 2033.

(e) The Series 14 Notes shall be dated the date of their initial authentication and delivery. The Series 14 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 14 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 14C Notes shall be payable on November 1, 2001 and semiannually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Interest is payable on the Series 14B Notes upon maturity. The Series 14 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 14B Notes mature later than April 25, 2003 nor may the Series 14C Notes mature later than April 25, 2004.

(f) The Principal Amount and Redemption Price of the Series 14 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 14 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 14 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 14 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 14 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 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 14 Obligations of any registered owner of Series 14 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 14 Obligations on account of which such payment is made.

(g) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 14 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 14 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.

Section 2.02. 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 14 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 14 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 14 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 14 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 14 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 14 Obligations, (ii) 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 14 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 14 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 14 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 14 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 14 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 Eighteenth 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 14 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 14 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 14 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 14 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 14 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 14 Obligations.

(d) Notwithstanding any other provision of this Eighteenth Supplemental Resolution to the contrary, so long as any Series 14 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.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 14A 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 14A 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 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 14A Bonds remains on deposit in the Series 14A Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 14A Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) 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 (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 14A 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 14A Bonds (not in excess of the amount then on deposit in the Series 14A 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 (A) 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 14A Bonds (calculated as of the original date of authentication and delivery of the Series 14A Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 14A 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 14A Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 14A 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 (D) 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 14A 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 with 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 33 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 14A 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 14A Bonds (hereinafter refereed to as "Series 14A Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 14A Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 14A Bonds are to be tendered, Series 14A 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 14A Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 14A Bonds of all maturities Outstanding. If less than all Series 14A Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 14A 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 14A 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 14A 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 14A 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 14A 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 14A Tender Bonds for which they were exchanged;

(C) that the Holders of Series 14A Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 14A 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 14A 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 14A 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 facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 14A 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 14A Tender Bonds in accordance with Section 2.03(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 14A 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 14A Tender Bonds, all of such Series 14A 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 14A 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, facsimile 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 14A 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 (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 14 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 14 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 14A 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 14A 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 14A Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 14A 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 14A 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 14A 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 14A 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 14 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 14 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 14A Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 14A Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 14 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 14 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 14 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) 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 (B) either (1) 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 (2) 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 (3) 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 14A 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 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 14A Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 14A 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 (including any initial issue premium paid with respect to the Series 14A Bonds maturing on November 1, 2027) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 14A Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 14A 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 14A Tender Bonds issued in exchange for or upon the transfer of Series 14A 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 14A 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 14A 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 14A 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 14A 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 14A 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 14A Tender Bonds who has received notice that such Holder's Series 14A Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile 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 14A 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 14A 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 14A Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 14A Tender Bonds tendered for exchange and of the same maturity as the Series 14A Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 14A Tender Bonds for Adjusted Rate Bonds in the case of Series 14A 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 Fifteenth (15th) 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 14A 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 14A Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 14A 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 14A 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 14A Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 14A Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 14A 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.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 14A Tender Bonds (which increased amount reflects the unamortized premium paid with respect to the Series 14A Tender Bonds maturing November 1, 2027) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 14 Obligation.

Section 2.04. Redemption Provisions.

(a) The Series 14A Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 14A 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) The Series 14A Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 14A 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 14A 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 14A Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 14A 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 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 14A Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 14A Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Series 14A 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 14A Bond or any defect therein shall not affect the redemption of any other Series 14A 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 14A 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 14A Bonds on the redemption date therefor). If any Series 14A Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 14A Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 14A Bonds on the redemption date therefor.

(f) The Series 14 Notes are not subject to redemption prior to maturity.

Section 2.05. Sale of Series 14 Obligations.

(a) The Series 14 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 14 Obligations on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contracts are hereby approved, subject to such changes, additions and deletions as may be approved by the Chair, Vice-Chairman or the Executive Director, and the execution and delivery thereof on behalf of the Agency by the Chair, Vice-Chairman or Executive Director of each Purchase Contract is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 14A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 14A Bonds in excess of 7.50% per annum nor may any Series 14 Obligation mature later than May 1, 2033.

(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 14 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under the Purchase Contracts 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 related Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 14 OBLIGATIONS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 14 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 14 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 14A Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 14 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 14 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Eighteenth Supplemental Resolution.

(b) There are hereby established in the Program Fund separate accounts designated the "Series 14A Program Account," the "Series 14B Program Account," the "Series 14C Program Account" and the "Series 14A Premium Account" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Eighteenth Supplemental Resolution. There is also hereby established in the Series 14A Program Account a separate subaccount designated the "Series 14A 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 14A Tender Bonds Proceeds Subaccount shall be considered for all proposes of the Resolution as on deposit in the Series 14A Program Account.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 14 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 14 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 14 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Eighteenth Supplemental Resolution. The Series 14 Contingency Account shall be deemed to be Additional Security for the Series 14A Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 14 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Eighteenth Supplemental Resolution.

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 14 Obligations, the proceeds of sale of the Series 14 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 14 Obligations, the Agency shall deliver to the Trustee cash, the Series 14 Loan Loss Claim Fund Surety Bond or Series 14 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 14 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 14 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 14A Bonds, the Agency shall deliver cash, the Series 14 Contingency Account Surety Bond or Series 14 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 14 Contingency Account Deposit is other than cash, the Series 14 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 14 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 14 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided, amounts deposited in the Series 14A 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 504 of the Resolution. Amounts deposited in the Series 14A 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 701 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 14 Obligations in accordance with Section 207 of the Resolution.

Notwithstanding anything herein to the contrary, on the date of issuance of the Series 14 Obligations, the Trustee shall apply funds on deposit in the Series 14A 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 14A 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 14A Program Account shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. 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 14 Obligations.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on (i) July 24, 2003, (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 12C Bonds which are being refunded with the proceeds of the Series 14A Bonds remains on deposit in the Series 14A Program Account, other than amounts deposited therein pursuant to Section 506(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 14 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 14A Bonds in accordance with Section 2.04(c) hereof on or before August 24, 2003, (or on such date prior thereto as the Agency in its discretion may direct the Trustee) and (ii) September 26, 2004, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing the new money proceeds of the Series 14A Bonds remains on deposit in the Series 14A Program Account, other than moneys deposited therein pursuant to Section 506 (B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 14 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 14A Bonds in accordance with Section 2.04(c) hereof on or before October 26, 2004, (or 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 14A Program Account allocable to such amounts on such dates 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 July 24, 2003 and September 26, 2004, as applicable, to retain in the Series 14A Program Account all or any portion of the amount then held therein allocable to the new money proceeds of the Series 12C Bonds being refunded with proceeds of the Series 14A Bonds or the new money proceeds of the Series 14A Bonds, as applicable as aforesaid to such later date or dates as shall be specified in such certificate if such certificate is accompanied by (i) 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 (ii) 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 14 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 14A Program Account, any amount remaining on deposit in the Series 14A Program Account on the date or dates specified in such certificate shall be transferred by the Trustee on such date to the Series 14 Special Redemption Account and shall be applied to the redemption of

Series 14A 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 14A Program Account allocable to the new money proceeds of the Series 12C Bonds being refunded with proceeds of the Series 14A Bonds shall be deemed to be spent for the purchase of Loans prior to the new money proceeds of the Series 14A Bonds and the new money proceeds of the Series 14A Bonds shall be deemed to be spent for the purchase of Loans prior to the "transferred proceeds" allocable to the remainder of the refunding portion of the Series 14A Bonds.

(d) Amounts on deposit in the Series 14B Program Account and the Series 14C Program Account shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 14 Notes.

(e) Amounts of deposit in the Series 14A Premium Account of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in the Series 14A Premium Account to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 14A Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 14A Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 14A Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 14A Premium Account allocable to the initial issue premium paid with respect to the Series 14A Bonds maturing November 1, 2027, shall be transferred to the Series 14A Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 14A Bonds maturing on November 1, 2027.

Section 3.04. Application of Series 14A Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 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 14A Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Series 14A Program Account and deposit in the Series 14A Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 14A Bonds so certified and (ii) from the Series 14A Premium Account and deposit in the Series 14A Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to the

Series 14A Tender Bonds maturing November 1, 2027. 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 504 of the 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 14A Tender Bonds Proceeds Subaccount to the Series 14 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 14A Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 14A Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 14A 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 14A Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 14A Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 14A Tender Bonds maturing November 1, 2027 not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 14A 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 return the entire balance then remaining in the Series 14A Tender Bonds Proceeds Subaccount to the Series 14A Program Account and the Series 14A Premium Account, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 14 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 509(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 509(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 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 14 Contingency Account Surety Bond or the Series 14 Contingency Account Deposit, as applicable, for the credit of the Series 14 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 509(G) of the Resolution upon any redemption of

Series 14A 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 14 Contingency Account Deposit, with the prior approval of the Series 14 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 14 Contingency Account or to give notice to the Series 14 Contingency Account Deposit Provider and to draw upon the Series 14 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 14 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 14 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 509(G) of the Resolution with respect to the purchase or redemption of Series 14A 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 14 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 14 Contingency Account Deposit is held under the Resolution for the account of the Series 14A Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 14 Contingency Account Deposit and return it to the Series 14 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 14 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 14 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 14 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 14 Contingency Account Deposit Provider pursuant to the Series 14 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 14 Reimbursement Agreement and the Series 14 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 14 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 14 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 14 Contingency

Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 14 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 14 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 14 Contingency Account Deposit the Trustee shall draw upon the Series 14 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 14 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 14 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 14 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 14 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 14 Contingency Account and *second*, from amounts drawn on any Series 14 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 14 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 14 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 14 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 14 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 14 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 14 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 14 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 14 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Eighteenth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 14 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 14 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 14 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(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 14A Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 14 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 14 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 14 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 14 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 14 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 14 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 14 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 14 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 14 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 14 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 14 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 14 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 14 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Eighteenth Supplemental Resolution shall obligate the Agency to deposit in the Series 14 Loan Loss Claim Fund an amount which would cause the balance in the Series 14 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 14 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 (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 14A Program

Account plus (B) the aggregate amount, if any, then held in the Series 14A Program Account which may be applied to the purchase of such Loans, or (ii) 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 14 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 14 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 14 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 14 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 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 14 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 14 Loan Loss Claim Fund exceeds the Series 14 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 14 Loan Loss Claim Fund exceeds the Series 14 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit exceeds the Series 14 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 14 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 14 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 14 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 14 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 14 Loan Loss Claim Fund Deposit Provider pursuant to the Series 14 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 14 Reimbursement Agreement and the Series 14 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 14 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 14 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 14 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 14 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 14 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 14 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 14 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 14 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 14 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 14 Loan Loss Claim Fund Deposit and deposit in the Series 14 Loan Loss Claim Fund an amount sufficient to cause the Series 14 Funded Loan Loss Claim Fund Requirement to equal the Series 14 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 14 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 14 Loan Loss Claim Fund Requirement shall be reduced to zero 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 14A Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 14A 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 14 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 14 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 14 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 14 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 14 Rebate Requirement.

(b) Within 30 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 14 Rebate Requirement for such Bond Year.

(c) Within 60 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 14 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 60 days after the Series 14 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 14 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, 1600 W. 1200 S., Ogden, UT 84201 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 14 Rebate Requirement, the amount in the Series 14 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 14 Obligations the amount on deposit in the Series 14 Rebate Account exceeds the Series 14 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 3.07, 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 3.07. 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 14 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.

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 14 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 14A Bonds to the Series 14 Loan Loss Claim Fund to the extent the amount therein is less than the Series 14 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 14 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) $10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 14 Loan Loss Claim Fund Deposit Provider in connection with the Series 14 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 14 Contingency Account Deposit Provider in connection with the Series 14 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy 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 unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 14 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 14 Loan Loss Claim Fund Deposit Provider or the Series 14 Contingency Account Deposit Provider under either of the Series 14 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(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 14 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 14 Obligations, other than amounts held in the Rebate Fund, the Series 14 Contingency Account and the Series 14 Loan Loss Claim Fund and the amounts attributable to the Series 14 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 14 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 14 Reimbursement Agreements constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 14 OBLIGATIONS

Section 4.01. Form of Series 14 Obligations.

(a) All Series 14 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 Eighteenth Supplemental Resolution, as the Chair, 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 14 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 Eighteenth Supplemental Resolution, as the Chair, 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

Section 5.01. Authorization of Officers. The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Director of Finance, Director of Homeownership Programs 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 Eighteenth Supplemental Resolution, the Resolution, the Purchase Contracts, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

Section 5.02. Series Certificate. The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Director of Finance are hereby authorized to execute the Series 14 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 14 Loan Loss Claim Fund Deposit Provider and the Series 14 Contingency Account Deposit Provider, as applicable.

Section 5.04. Purchase Contracts; Remarketing Agreement. The Purchase Contracts and the Remarketing Agreement are hereby approved in substantially the forms presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chair, 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 Contracts and the Remarketing Agreement and, upon such execution, to deliver it to the underwriters of the Bonds and the Remarketing Agent, respectively.

Section 5.05. 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.

Section 5.06. 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 Chair, 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.

Section 5.07. Amendment of Resolution. Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 1012 of the Resolution by adding to the end of such Section 1012 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 1002 and 1010.

This amendment to Section 1012 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 and any direct institutional purchaser of the Series 14 Obligations, as initial beneficial owners of the Series 14 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed $20,000,000 in connection with the issuance of the Series 14 Obligations.

Section 5.09. Effective Date. This Eighteenth Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 14 Obligations.

Section 6.02. 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) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 14A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 14A Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 14A Bonds and the amount required to pay principal of the Series 14A Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 14A Bonds a new Series 14A Bond or Series 14A Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 14A Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 14A Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 14A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 14A Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 14A Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 14A Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 14 Policy Payments Account of the Debt Service Fund (which Series 14 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 14A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 14A Bonds referred to herein as the "Series 14 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 14A Bonds and shall deposit any such amount in the Series 14 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 14A Bonds in the same manner as principal and interest payments are to be made with respect to the Series 14A Bonds under the sections hereof regarding payment of Series 14A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 14 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 14 Policy Payments Account following a payment date with respect to the Series 14A Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 14A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. 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 14A Bonds, including, without limitation, notice of any redemption of or defeasance of Series 14A Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 14A Bonds;

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

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 14A Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 14A Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with issuance of the Series 14A Bonds;

(xii) all reports, notices and correspondence with respect to the Series 14A Bonds to be delivered under the terms of the Resolution, the

Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director — Surveillance; Re: Policy No. [_______], Telephone: (212) 826-0100; Facsimile: (212) 339-3529. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(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 14A 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 14A 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 30 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 14A 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 14A Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 14A Bonds.

Section 6.04. Consent of the Bond Insurer. No modification, amendment or supplement to the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the Series 14A Bonds that requires the consent of the owners of the Series 14A Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Eighteenth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 14A Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the Series 14A Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. 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 Series 14A Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 14A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 14A Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 14A Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 14A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 14A Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 14A Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 14A Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 14A 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 14A 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.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 14A Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 14A Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 14A Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 14A Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses. Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 14A 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 Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds; (b) the pursuit of any remedies under the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 14A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 14A Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 6.10. Additional Bonds. No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution);

provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

Section 6.11. The Bond Insurer as Beneficiary Hereof. To the extent that this Eighteenth 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.

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Eighteenth 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 14 Obligations, any right, remedy or claim under or by reason of this Eighteenth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Eighteenth 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 14 Obligations.

Notwithstanding anything in the Resolution or this Eighteenth Supplemental Resolution to the contrary, any reference in the Resolution or the Eighteenth Supplemental Resolution with respect to the ratings maintained in the Series 14 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 14 Obligations.

[Remainder of page intentionally left blank]

EXHIBIT A

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 14A Tender Bonds Selected
For Tender on [______________]

The Howard Bank, N.A.
Burlington, VT 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 14A Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 14A 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

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Eighteenth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 14A 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

VERMONT HOUSING FINANCE AGENCY

$17,500,000 Single Family Housing Notes, Series 14B
$17,500,000 Single Family Housing Notes, Series 14C

PURCHASE CONTRACT

April __, 2001

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned, UBS PaineWebber Inc. (the "Underwriter"), hereby offers to enter into this Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriter. If this offer is not so accepted, it is subject to withdrawal by the Underwriter upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract relates to the sale of all (but not less than all) of $17,500,000 aggregate principal amount of your Single Family Housing Notes, Series 14B (the "Series 14B Notes"), and $17,500,000 aggregate principal amount of your Single Family Housing Notes, Series 14C (the "Series 14C Notes" and, together with the Series 14B Notes, the "Series 14 Notes"), all as more fully described in the Official Statement dated April __, 2001 (the "Official Statement") of the Agency relating to the Series 14 Notes and the Agency's $31,635,000 Single Family Housing Bonds, Series 14A (the "Series 14A Bonds"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Agency and the Agency agrees to sell to the Underwriter all (but not less than all) of the Series 14 Notes at a purchase price equal to the aggregate principal amount thereof, $35,000,000, payable in immediately available funds. The aggregate principal amount of the Series 14 Notes, the date of the Series 14 Notes upon initial issuance, the dates on which and years in which the Series 14 Notes mature, the principal amount of the Series 14 Notes due on each interest payment date, the interest rate for the Series 14 Notes due on each maturity date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

The Series 14 Notes shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September

20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Eighteenth Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Series 14 Notes, adopted by the Agency on April __, 2001 [(as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution")]. The Underwriter agrees to make a bona fide public offering of the Series 14 Notes at not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriter deems necessary in connection with the offering of the Series 14 Notes. The Underwriter also reserves the right to overallot or effect transactions that stabilize or maintain the market price of the Series 14 Notes at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. [RESERVED]

3. As security for the performance by the Underwriter of its obligation to accept and pay for the Series 14 Notes at the Closing in accordance with the provisions of this Purchase Contract, the Underwriter herewith delivers to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of $350,000 (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Series 14 Notes at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Series 14 Notes. If the Agency does not accept this offer, or fails to deliver the Series 14 Notes at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract (unless waived by the Underwriter), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriter, and thereupon all claims and rights hereunder of the Underwriter against the Agency shall be fully released and discharged. If the Underwriter fails (other than for a reason permitted under this Purchase Contract) to accept and pay for the Series 14 Notes at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter, and thereupon all your claims and rights hereunder against the Underwriter shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriter for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriter within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated April __, 2001 with respect to the Series 14 Notes, substantially in the form of the Preliminary Official Statement of the Agency dated April 2, 2000 with respect to the Series 14 Notes (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriter, signed on your behalf

by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriter's approval between the date thereof and the respective dates upon which the Series 14 Notes are delivered to the Underwriter, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriter shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Series 14 Notes and ratifies the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with the public offering of the Series 14 Notes.

5. The Agency represents to and agrees with the Underwriter that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 14 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriter and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 14 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriter, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;

(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;

(e) when delivered to and paid for by the Underwriter at Closing in accordance with the provisions of this Purchase Contract, the respective Series 14 Notes will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Application, Commitment and Purchase Agreements (the "Commitment Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 14 Notes (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter thereof, and (ii) if in the reasonable opinion of the Underwriter, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriter and its counsel. The Agency will furnish to the Underwriter such number of copies of the Official Statement, as so amended or such supplement, as the Underwriter may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from KPMG LLP a letter substantially in the form set forth in Exhibit A hereto.

7. At 10:00 a.m. New York time on April 26, 2001, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Series 14 Notes to the Underwriter's accounts at the Depository Trust Company, New York, New York ("DTC"), and the other documents hereinafter mentioned to be delivered to the Underwriter at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriter may mutually agree, provided that the Series 14 Notes shall be available to the Underwriter at DTC for checking at least 24 hours prior to the Closing. The Underwriter will accept delivery of the Series 14 Notes at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. The Series 14 Notes shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 14 Notes (one instrument for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 14 Notes for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriter under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 14 Notes shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriter shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Series 14 Notes, if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the

Agency or by any similar body, or upon interest on obligations of the general character of the Series 14 Notes, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriter, affects materially and adversely the market for, or sale of, the Series 14 Notes by the Underwriter at the contemplated offering prices or yields; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Series 14 Notes or; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 14 Notes or any securities of the general character of the Series 14 Notes (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriter would materially and adversely affect the market price of the Series 14 Notes or the marketability of the Series 14 Notes which in the Underwriter's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Series 14 Notes; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 14 Notes or any securities of the general character of the Series 14 Notes subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriter's judgment makes it impractical for the Underwriter to market the Series 14 Notes;

(c) at or prior to the Closing, the Underwriter shall receive the following documents:

(i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency and to the Underwriter, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 14 Notes, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Offered Securities," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 14 Notes and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 14 Notes conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 14 Notes may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 14 Notes in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 14 Notes from the gross income of the holders thereof.

(ii) the opinion of Carroll & Scribner, Burlington, Vermont, counsel to the Agency, dated the date of the Closing and addressed to the Agency and the Underwriter, with respect to the Series 14 Notes, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency in accordance with their terms; (iv) this Purchase Contract, the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Commitment Agreements and the Servicing Agreements is correct and does not omit any statement that, in its opinion, should be included or referred to therein, and the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that it has made as counsel to the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to its attention that would lead it to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which it need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel to the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 14 Notes and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of its knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 14 Notes, the Mortgage Loans, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 14 Notes, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of its knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel to the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 14 Notes under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

(iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel to the Underwriter, dated the date of the Closing, and addressed to the Underwriter, to the effect that (i) under existing laws, the Series 14 Notes are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriter and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriter in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriter is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 14 Notes, FSA, MBIA, AMBAC or DTC;

(iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Underwriter, to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of Closing; (ii) the Commitment Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 14 Notes or the making of loans with the proceeds of the Series 14 Notes, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 14 Notes, any proceedings of the Agency taken with respect to the issuance or sale of the Series 14 Notes, the pledge or application of any money or security provided for the payment of the Series 14 Notes or the validity of the Resolution, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(v) a letter of KPMG LLP, dated the date of the Closing and addressed to the Agency and the Underwriter, to the effect that such accountants confirm with respect to the final Official Statement, as of a date not more than five business days prior to the Closing, the statements made in the letter furnished by such accountants pursuant to paragraph 6 hereof;

(vi) two copies of the General Resolution and the Supplemental Resolution;

(vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;

(viii) a letter of Bond Counsel, dated the date of the Closing and addressed to PaineWebber on behalf of the Underwriter to the effect that their final approving opinion on the Series 14 Notes may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter;

(ix) [RESERVED];

(x) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;

(xi) a letter from Standard & Poor's Ratings Group to the effect that it has assigned a rating of "SP-1+" to the Series 14 Notes;

(xii) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of "MIG 1/A1" to the Series 14 Notes;

(xiii) a copy of the Representation Letter;

(xiv) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement;

(xv) a specimen copy of the municipal bond insurance policy and surety bonds issued by [Financial Security Assurance, Inc. ("FSA") together with an opinion of counsel to FSA] in form and substance satisfactory to the Underwriter; and

(xvi) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) [the Agency shall have simultaneously sold to the Federal National Mortgage Association ("Fannie Mae") and to UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., and Fannie Mae and UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc. shall have purchased, all (but not less than all) of the Series 14A Bonds.]

If the Agency shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract with respect to the Series 14 Notes or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to us and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Series 14 Notes, the Underwriter will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by the Underwriter. On or before the date of the Closing, the Underwriter shall furnish to you a certificate acceptable to Bond Counsel signed by the Underwriter to the effect that (i) all of the Series 14 Notes have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriter's records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Series 14 Notes was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriter shall pay: (i) all advertising expenses in connection with the public offering of the Series 14 Notes; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Series 14 Notes, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriter for the Series 14 Notes.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter, Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; and such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to UBS PaineWebber Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley.

12. This Purchase Contract is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of any of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 14 Notes. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriter on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Series 14 Notes has occurred under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriter from time to time, and the Underwriter shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Series 14 Notes has occurred under the Rule with respect to the unsold balances of the Series 14 Notes that are held by the Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Series 14 Notes for sale to the public within the meaning of the Rule, then the Underwriter shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Series 14 Notes under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Series 14 Notes, the date specified by the Underwriter in such notification.

UBS PAINEWEBBER INC.

By:______________________________
Managing Director

Accepted by the
VERMONT HOUSING FINANCE AGENCY

By: ______________________________
Executive Director

Draft 4/2/01

VERMONT HOUSING FINANCE AGENCY

$31,635,000 Single Family Housing Bonds, Series 14A

COMPOSITE PURCHASE CONTRACT

April __, 2001

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned UBS PaineWebber Inc., Salomon Smith Barney Inc. and A.G. Edwards & Sons, Inc. (collectively, the "Underwriters"), hereby offer to enter into this Composite Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriters. If this offer is not so accepted, it is subject to withdrawal by the Underwriters upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

The undersigned Federal National Mortgage Association ("Fannie Mae") hereby offers to enter into this Purchase Contract with you, the Agency, on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and Fannie Mae. If this offer is not so accepted, it is subject to withdrawal by Fannie Mae upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract shall be deemed to consist of separate purchase contracts between the Underwriters and the Agency and between Fannie Mae and the Agency and the same are set forth in composite form for the convenience of such parties and create no obligations or confer any rights as between Fannie Mae and the Underwriters.

1. This Purchase Contract relates to the sale of all (but not less than all) of $31,635,000 aggregate principal amount of your Single Family Housing Bonds, Series 14A (AMT) (the "Series 14 Bonds"), as more fully described in the Official Statement dated April __, 2001 (the "Official Statement") of the Agency relating to the Series 14 Bonds, the $17,500,000 Single Family Housing Notes, Series 14B (AMT) (the "Series 14B Notes"), and the $17,500,000 Single Family Housing Notes, Series 14C (AMT) (the "Series 14C Notes" and, together with the Series 14B Notes, the "Series 14 Notes"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

(a) Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the Agency and the Agency agrees to sell to the Underwriters the Series 14 Bonds other than those maturing [November 1, 2031], at a purchase price of $____________ (which price includes a premium of $____________ with respect to the Series 14 Bonds maturing November 1, 2027) plus accrued interest from the date of the same to the Closing, to which reference is made in Section 7 hereof, payable in immediately available funds. [A portion of the discount on the Series 14 Bonds in the amount of $__________ represents the underwriting fee due UBS PaineWebber Inc. with respect to the Series 14 Notes.] The Series 14 Bonds purchased by the Underwriters are referred to herein as the "Underwritten Bonds." The aggregate principal amount of the Series 14 Bonds, the date of the Series 14 Bonds upon initial issuance, the dates on which and years in which the Series 14 Bonds mature, the principal amount of the Series 14 Bonds due on each maturity date, the initial interest rate for the Series 14 Bonds due on each interest payment date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

(b) Upon the terms and conditions and upon the basis of the representations herein set forth, Fannie Mae hereby agrees to purchase from the Agency and the Agency agrees to sell to Fannie Mae, all (but not less than all) of the Series 14 Bonds bearing interest at _____% per annum and maturing [November 1, 2031], at a price of $__________ plus accrued interest from the date of the same to the Closing, payable in immediately available funds at the Closing. The Series 14 Bonds purchased by Fannie Mae are referred to herein as the "Placed Bonds." UBS PaineWebber Inc. has acted as placement agent (the "Placement Agent") with respect to the Placed Bonds.

The Series 14 Bonds shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September 20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Eighteenth Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Series 14 Bonds, adopted by the Agency on April __, 2001 (as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution"). The Underwriters agree to make a bona fide public offering of the Underwritten Bonds at not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriters deem necessary in connection with the offering of the Underwritten Bonds. The Underwriters also reserve the right to overallot or effect transactions that stabilize or maintain the market price of the Underwritten Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. Fannie Mae represents that it is duly authorized to execute this Purchase Contract. UBS PaineWebber Inc. ("PaineWebber") represents that it is authorized on behalf of the Underwriters to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. The Agency and the Underwriters agree that any authority, discretion or other

power conferred upon the Underwriters under any of the provisions of this Purchase Contract may be exercised by PaineWebber, and payment for, acceptance of, and delivery and execution of any receipt for the Underwritten Bonds and any other instruments upon or in connection with the Closing executed solely by PaineWebber on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon each of the Underwriters. No such action by PaineWebber shall impose any obligation or liability upon it or any other Underwriter, other than as may arise as expressly set forth in this Purchase Contract.

3. As security for the performance by the Underwriters of their obligation to accept and pay for the Underwritten Bonds at the Closing in accordance with the provisions of this Purchase Contract, the Underwriters herewith deliver to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of $316,350 (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Underwritten Bonds at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Underwritten Bonds. If the Agency does not accept this offer, or fails to deliver the Underwritten Bonds at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract (unless waived by the Underwriters), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriters, and thereupon all claims and rights hereunder of the Underwriters against the Agency shall be fully released and discharged. If the Underwriters fail (other than for a reason permitted under this Purchase Contract) to accept and pay for the Underwritten Bonds at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and thereupon all your claims and rights hereunder against the Underwriters shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriters for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriters and Fannie Mae within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated April __, 2001 with respect to the Series 14 Bonds, substantially in the form of the Preliminary Official Statement of the Agency dated April 2, 2001 with respect to the Series 14 Bonds (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriters, signed on your behalf by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriters' approval between the date thereof and the respective dates upon which the Underwritten Bonds are delivered to the Underwriters, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriters shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Underwritten Bonds and the placement of the Placed Bonds, and ratifies the use by the Underwriters and the Placement Agent, prior to the date

hereof, of the Preliminary Official Statement in connection with the public offering of the Underwritten Bonds and the placement of the Placed Bonds.

5. The Agency represents to and agrees with the Underwriters and Fannie Mae that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 14 Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriters and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 14 Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriters, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;

(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;

(e) when delivered to and paid for by the Underwriters or Fannie Mae, as applicable, at Closing in accordance with the provisions of this Purchase Contract, the respective Series 14 Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Application, Commitment and Purchase Agreements (the "Commitment Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, and the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 14 Bonds (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriters and their counsel. The Agency will furnish to the Underwriters such number of copies of the Official Statement, as so amended or such supplement, as the Underwriters may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from KPMG LLP a letter substantially in the form set forth in Exhibit A hereto.

7. At 10:00 a.m. New York time on April __, 2001, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Underwritten Bonds to the Underwriters' accounts at the Depository Trust Company, New York, New York ("DTC") and the Placed

Bonds to Fannie Mae's representative's account at DTC, and the other documents hereinafter mentioned to be delivered to the Underwriters and Fannie Mae at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriters and Fannie Mae may mutually agree, provided that the Underwritten Bonds shall be available to the Underwriters at DTC for checking at least 24 hours prior to the Closing. The Underwriters will accept delivery of the Underwritten Bonds at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. Fannie Mae will accept delivery of the Placed Bonds at the Closing and pay the purchase price thereof by wire transfer payable in immediately available funds to the order of the Agency. The Series 14 Bonds shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 14 Bonds (one Bond for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 14 Bonds for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriters and Fannie Mae have entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriters and Fannie Mae under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 14 Bonds shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriters shall have the right pursuant to written notice given to the Agency to cancel their obligations to purchase the Underwritten Bonds, and Fannie Mae shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Placed Bonds if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Series 14 Bonds, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriters (with respect to their obligation to purchase the Underwritten Bonds), affects materially and adversely the market for, or sale of, the Underwritten Bonds by the Underwriters at the contemplated offering prices or yields or in the reasonable opinion of Fannie Mae (with respect to its obligation to purchase the Placed Bonds), would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriters or in the reasonable opinion of Fannie Mae, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriters, would affect materially and adversely the ability of the Underwriters to market the Underwritten Bonds; or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 14 Bonds or any securities of the general character of the Series 14 Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriters would materially and adversely affect the market price of the Underwritten Bonds or the marketability of the Underwritten Bonds which in the Underwriters' judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Underwritten Bonds or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 14 Bonds or any securities of the general character of the Series 14 Bonds subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriters' judgment makes it impractical for the Underwriters to market the Underwritten Bonds; or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds;

(c) at or prior to the Closing, the Underwriters and Fannie Mae shall receive the following documents:

(i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency, and to the Underwriters and Fannie Mae, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 14 Bonds, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Offered Securities," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 14 Bonds and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 14 Bonds conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 14 Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 14 Bonds in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 14 Bonds from the gross income of the holders thereof.

(ii) the opinion of Carroll & Scribner, Burlington, Vermont, counsel of the Agency, dated the date of the Closing and addressed to the Agency, the Underwriters and Fannie Mae, with respect to the Series 14 Bonds, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency in accordance with their terms; (iv) this Purchase Contract, the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Commitment Agreements and the Servicing Agreements is correct and does not omit any statement that, in their opinion, should be included or referred to therein, and the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that they have made as counsel for the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead then to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which they need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel for the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 14 Bonds and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of their knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 14 Bonds, the Mortgage Loans, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 14 Bonds, the Commitment Agreements, the Servicing Agreements, the Remarketing Agreement, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of their knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel of the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 14 Bonds under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

(iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel for the Underwriters, dated the date of the Closing, and addressed to the Underwriters and the Placement Agent to the effect that (i) under existing laws, the Series 14 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriters and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriters in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriters is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 14 Bonds, FSA, MBIA, AMBAC or DTC;

(iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Underwriters and Fannie Mae to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of

Closing; (ii) the Commitment Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 14 Bonds or the making of loans with the proceeds of the Series 14 Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 14 Bonds, any proceedings of the Agency taken with respect to the issuance or sale of the Series 14 Bonds, the pledge or application of any money or security provided for the payment of the Series 14 Bonds or the validity of the Resolution, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(v) a letter of KPMG LLP, dated the date of the Closing and addressed to the Agency and the Underwriters, to the effect that such accountants confirm with respect to the final Official Statement, as of a date not more than five business days prior to the Closing, the statements made in the letter furnished by such accountants pursuant to paragraph 6 hereof;

(vi) two copies of the General Resolution and the Supplemental Resolution;

(vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;

(viii) a letter of Bond Counsel, dated the date of the Closing and addressed to PaineWebber on behalf of the Underwriters and to Fannie Mae to the effect that their final approving opinion on the Series 14 Bonds may be relied upon by the Underwriters and Fannie Mae to the same extent as if such opinion was addressed to the Underwriters and Fannie Mae;

(ix) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;

(x) a letter from Standard & Poor's Ratings Services to the effect that it has assigned a rating of "AAA" to the Series 14 Bonds;

(xi) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of "Aaa" to the Series 14 Bonds;

(xii) a copy of the Representation Letter;

(xiii) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement;

(xiv) [a specimen copy of the municipal bond insurance policy and surety bonds issued by Financial Security Assurance, Inc. ("FSA") together with an opinion of counsel to FSA in form and substance satisfactory to the Underwriters and Fannie Mae;] and

(xv) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters, Fannie Mae or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) the Agency shall have simultaneously sold to UBS PaineWebber Inc. and UBS PaineWebber Inc. shall have purchased all (but not less than all) of the Series 14 Notes.

If the Agency shall be unable to satisfy the conditions to the Underwriters' or Fannie Mae's obligations contained in this Purchase Contract with respect to the Series 14 Bonds or if the Underwriters' or Fannie Mae's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor Fannie Mae nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to PaineWebber and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Underwritten Bonds, the Underwriters will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by PaineWebber on behalf of the Underwriters. At the Closing, contemporaneously with the receipt of the Placed Bonds, Fannie Mae will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by an authorized officer of Fannie Mae. On or before the date of the Closing, the Underwriters shall deliver to the Agency a certificate acceptable to Bond Counsel signed by PaineWebber on behalf of the Underwriters to

the effect that (i) all of the Underwritten Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriters' records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Underwritten Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriters shall pay: (i) all advertising expenses in connection with the public offering of the Underwritten Bonds; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Underwritten Bonds, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriters for the Underwritten Bonds. Fannie Mae shall pay all expenses incurred by it in connection with this financing.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter, Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to UBS PaineWebber Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley; such notice or communication to be given to Fannie Mae may be given by delivering the same in writing to Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016-2899, Attention: Public Finance Department.

12. This Purchase Contract is made solely for the benefit of the Agency, the Underwriters and Fannie Mae (including the successors or assigns of any of the Underwriters and Fannie Mae) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters or Fannie Mae and shall survive the delivery of and payment for the Series 14 Bonds. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriters on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Underwritten Bonds has occurred under Rule

15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriters from time to time, and the Underwriters shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Underwritten Bonds has occurred under the Rule with respect to the unsold balances of the Underwritten Bonds that are held by any Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Underwritten Bonds for sale to the public within the meaning of the Rule, then the Underwriters shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Underwritten Bonds under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Underwritten Bonds, the date specified by the Underwriters in such notification.

14. The approval of the Underwriters when required hereunder shall be in writing signed by PaineWebber and delivered to you.

UBS PAINEWEBBER INC.
SALOMON SMITH BARNEY INC.
A.G. EDWARDS & SONS, INC.

By: UBS PaineWebber Inc.

By:______________________________
Managing Director

FANNIE MAE

By: ______________________________
Authorized Officer

Accepted by the
VERMONT HOUSING FINANCE AGENCY

By: ______________________________
Executive Director

REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of August 1, 2000 by and between VERMONT HOUSING FINANCE AGENCY, a public body corporate organized and existing under the laws of the State of Vermont (the issuer, as "Obligor') and Financial Security Assurance Inc. ("FSA"), a New York stock insurance company.

WITNESSETH:

WHEREAS, the Obligor will issue its Single Family Housing Bonds, Series 13A (AMT) (the "Obligations"), pursuant to the terms of the Resolution; and

WHEREAS, FSA will issue its Financial Guaranty Insurance Policy No. 50973S1-N (the "Contingency Insurance Policy"), substantially in the form set forth in Annex A to this Agreement guaranteeing certain payments by the Obligor subject to the terms and limitations of the Contingency Insurance Policy; and

WHEREAS, to induce FSA to issue the Contingency Insurance Policy, the Obligor has agreed to pay the premium for the insurance policy relating to the Obligations and to reimburse FSA for payments made by FSA under the Contingency Insurance Policy from Legally Available Funds, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that FSA expressly requires the delivery of this Agreement as part of the consideration for the execution by FSA of the Contingency Insurance Policy.

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Contingency Insurance Policy, the Obligor and FSA agree as follows:

ARTICLE I

DEFINITIONS; CONTINGENCY INSURANCE POLICY

Section 1.01. Definitions. Except as otherwise expressly provided herein or unless the context otherwise requires, the terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Contingency Insurance Policy.

(a) FSA will issue the Contingency Insurance Policy in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of FSA under the Contingency Insurance Policy and the coverage and term thereof shall be subject to and limited by the Contingency Insurance Policy Coverage and the terms and conditions of the Contingency Insurance Policy.

(c) Payments made under the Contingency Insurance Policy will reduce the Contingency Insurance Policy Coverage to the extent of such payment.

Section 1.03. Certain Other Expenses. The Obligor will pay all reasonable fees and disbursements of FSA's counsel related to any amendment, modification or supplement of this Agreement or the Contingency Insurance Policy requested by the Obligor.

ARTICLE II

REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Contingency Insurance Policy and Expenses.

(a) The Obligor will reimburse FSA, from Legally Available Funds, within the Reimbursement Period, without demand or notice by FSA to the Obligor or any other person, to the extent of each Contingency Insurance Policy Payment with interest on each Contingency Insurance Policy Payment from and including the date made to the date of the reimbursement by the Obligor at the Effective Interest Rate. Unless sooner repaid, the Obligor agrees that it shall make monthly level principal repayments for each Contingency Insurance Policy Payment during the Reimbursement Period. Interest on each Contingency Insurance Policy Payment shall be paid monthly during the Reimbursement Period. To the extent that interest payments due hereunder are not paid on a monthly basis, or are not paid as each principal repayment is made, interest shall accrue on such unpaid amounts at a rate equal to the Effective Interest Rate.

(b) The Obligor also agrees to reimburse FSA, from Legally Available Funds, immediately and unconditionally upon demand for all reasonable expenses incurred by FSA in connection with the Contingency Insurance Policy and the enforcement by FSA of the Obligor's obligations under this Agreement together with interest on all such expenses incurred from and including the date which is 30 days from the date a statement for such expenses is received by the Obligor to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

Section 2.02. Allocation of Payments. FSA and the Obligor hereby agree that each payment received by FSA from and on behalf of the Obligor as a reimbursement to FSA as required by Section 2.01 hereof shall be applied by FSA, first, to payment of any unpaid premium, second to repayment of the aggregate Contingency Insurance Policy Payments made by FSA and not yet repaid and third, to other amounts, including, without limitation, any interest payable with respect to any Contingency Insurance Policy Payments, then due to FSA.

Section 2.03. Unconditional Obligation. The obligations of the Obligor to pay all amounts due hereunder shall be a general obligation of the Obligor for which its full faith and credit are pledged. The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to, the Resolution or the Obligations;

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder;

(c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the Obligations; or

(d) whether or not such Obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.04.

(a) All cash and investments in the Contingency Fund established for the Obligations shall be transferred to the debt service fund for payment of debt service on Obligations before any drawing may be made on the Contingency Insurance Policy or any other credit facility credited to the Contingency Fund in lieu of cash. Payment of any Contingency Insurance Policy Payments plus interest thereon shall be made prior to replenishment of any such cash amounts. Draws on all credit facilities (including the Contingency Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Contingency Fund. Payment of Contingency Insurance Policy Payments plus interest thereon and reimbursement of amounts with respect to other credit facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Contingency Fund.

(b) The Resolution shall not be discharged until all Contingency Insurance Policy Payments plus interest thereon owing to Financial Security shall have been paid in full. The Obligor's obligation to pay such amounts shall expressly survive payment in full of the Obligations.

(c) The obligation of the Obligor to pay all Contingency Insurance Policy Payments plus interest thereon shall be absolute and unconditional and a general obligation of the Obligor for which its full faith and credit are pledged.

(d) The Resolution shall require the Trustee to ascertain the necessity for a claim upon the Contingency Insurance Policy and to provide notice to Financial Security in accordance with the terms of the Contingency Insurance Policy at least five business days prior to each date upon which interest or principal is due on the Obligations.

ARTICLE III

EVENTS OF DEFAULT; REMEDIES

Section 3.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Obligor shall fail to pay to FSA any amount payable under Sections 1.03 or 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period;

(b) Any material representation or warranty made by the Obligor hereunder or under the Resolution or any statement in the application for the Contingency Insurance Policy or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Contingency Insurance Policy or herewith shall have been materially false, at the time when made;

(c) Except as otherwise provided in this Section 3.01, the Obligor shall fail to perform any of its other obligations hereunder, provided that such failure continues for more than thirty (30) days after receipt by the Obligor of notice of such failure to perform;

(d) The Obligor shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days.

Section 3.02. Remedies. If an Event of Default shall occur and be continuing, FSA may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or any related instrument and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that under this Agreement, FSA may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of FSA under this Section 3.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE IV

SETTLEMENT

FSA shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against FSA, the Obligor or any other party on the Contingency Insurance Policy shall or shall not be paid, compromised, resisted, defended, tried or appealed, and FSA's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of expenses incurred by FSA, certified by an officer of FSA, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to reimburse FSA pursuant to subsection (b) of Section 2.01 hereof, upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by FSA at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE V

MISCELLANEOUS

Section 5.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 5.02. Exercise of Rights. No failure or delay on the part of FSA to exercise any right, power or privilege under this Agreement and no course of dealing between FSA and the Obligor or any other party shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which FSA would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 5.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and FSA. The Obligor hereby agrees that upon the written request of the Paying Agent, FSA may make or consent to issue any substitute for the Contingency Insurance Policy to cure any ambiguity or formal defect or omission in the Contingency Insurance Policy which does not materially change the terms of the Contingency Insurance Policy nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted Contingency Insurance Policy. FSA agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted Contingency Insurance Policy.

Section 5.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and FSA and their respective successors and assigns, so long as the conditions in the Resolution are satisfied; provided that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of FSA.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 5.05. Other Sureties. If FSA shall procure any other surety to reinsure the Contingency Insurance Policy, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement and "FSA," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 5.06. Signature on Bond. The Obligor's liability shall not be affected by its failure to sign the Contingency Insurance Policy nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 5.07. Waiver. The Obligor waives any defense that this Agreement was executed subsequent to the date of the Contingency Insurance Policy, admitting and covenanting that such Contingency Insurance Policy was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

Section 5.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto or the Paying Agent may hereafter specify in writing to the others:

If to the Obligor: Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634
Attention: Finance Director
Telephone: (802) 652-3463
Fax: (802) 863-5422

If to the Trustee: The Howard Bank, N.A.
111 Main Street
Burlington, Vermont 05401
Attention: Corporate Trust Department
Telephone: (802) 658-1010

If to FSA: Financial Security Assurance Inc.
350 Park Avenue
New York, New York 10022
Attention: Managing Director - Surveillance
Telephone: (212) 826-0100
Fax: (212) 339-3518

Section 5.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Contingency Insurance Policy.

Section 5. 10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 5.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and FSA.

Section 5.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By: ______________________
Authorized Officer

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________
Authorized Officer

ANNEX B

DEFINITIONS

For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meanings as set out below.

"Agreement" means this Reimbursement Agreement.

"Commitment" means the FSA Commitment for Contingency Insurance Policy in the form delivered to the Obligor.

"Contingency Fund" means the Series 13A Contingency Fund established under the Resolution.

"Contingency Fund Payments" means the Contingency Fund withdrawals required to be made by or on behalf of the Obligor from the Contingency Fund, which will be applied to the payment of principal of and interest on the Obligations.

"Contingency Insurance Policy" means the financial guaranty insurance policy issued by FSA substantially in the form attached to this Agreement as Annex A.

"Contingency Insurance Policy Coverage" means the amount available at any particular time to be paid to the Trustee under the terms of the Contingency Insurance Policy, which amount shall not exceed $603,321.

"Contingency Insurance Policy Payment" means an amount equal to the Contingency Fund Payment required to be made by the Obligor under the Resolution less (i) that portion of the Contingency Fund Payment paid by or on behalf of the Obligor, and (ii) other funds legally available to the Trustee for such purpose, all as certified by the Trustee in a demand for payment tendered pursuant to the terms of the Contingency Insurance Policy.

"Effective Interest Rate" means the lesser of (i) the Reimbursement Rate and (ii) the maximum rate of interest permitted by then applicable law; provided, however, that the Effective Interest Rate shall in no event be less than the interest rate on the Obligations.

"Event of Default" shall mean those events of default set forth in Section 3.01 of this Agreement.

"FSA" has the same meaning as set forth in the first paragraph of this Agreement.

"Legally Available Funds" means any moneys legally available to the Obligor for the payment of its obligations under this Agreement, including any moneys that may be subject to and secured by the full faith and credit and general obligation of the Obligor.

"Obligations" has the same meaning as set forth in the second paragraph of this Agreement.

"Obligor" has the same meaning as set forth in the first paragraph of this Agreement.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

"Reimbursement Period" means, with respect to a particular Contingency Insurance Policy Payment, the period commencing on the date of such Contingency Insurance Policy Payment and ending 12 months following the date of such Contingency Insurance Policy Payment.

"Reimbursement Rate" means the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by The Chase Manhattan Bank) plus 3%. The Reimbursement Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event The Chase Manhattan Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as FSA shall specify.

"Resolution" means the Obligor's Single Family Housing Bond Resolution adopted September 20, 1990, as supplemented by the Issuer's Seventeenth Supplemental Single Family Housing Bond Resolution adopted August 10, 2000, and as further amended and supplemented from time to time with the consent of FSA.

"State" means the State of Vermont.

"Trustee" means The Howard Bank, N.A., or successor.

REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of August 1, 2000 by and between VERMONT HOUSING FINANCE AGENCY, a public body corporate organized and existing under the laws of the State of Vermont (the issuer, as "Obligor') and Financial Security Assurance Inc. ("FSA"), a New York stock insurance company.

WITNESSETH:

WHEREAS, the Obligor will issue its Single Family Housing Bonds, Series 13A (AMT) (the "Obligations"), pursuant to the terms of the Resolution; and

WHEREAS, FSA will issue its Financial Guaranty Insurance Policy No. 50973S2-N (the "Loan Insurance Policy"), substantially in the form set forth in Annex A to this Agreement guaranteeing certain payments by the Obligor subject to the terms and limitations of the Loan Insurance Policy; and

WHEREAS, to induce FSA to issue the Loan Insurance Policy, the Obligor has agreed to pay the premium for the insurance policy relating to the Obligations and to reimburse FSA for payments made by FSA under the Loan Insurance Policy from Legally Available Funds, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that FSA expressly requires the delivery of this Agreement as part of the consideration for the execution by FSA of the Loan Insurance Policy.

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Loan Insurance Policy, the Obligor and FSA agree as follows:

ARTICLE I

DEFINITIONS; LOAN INSURANCE POLICY

Section 1.01. Definitions. Except as otherwise expressly provided herein or unless the context otherwise requires, the terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Loan Insurance Policy.

(a) FSA will issue the Loan Insurance Policy in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of FSA under the Loan Insurance Policy and the coverage and term thereof shall be subject to and limited by the Loan Insurance Policy Coverage and the terms and conditions of the Loan Insurance Policy.

(c) Payments made under the Loan Insurance Policy will reduce the Loan Insurance Policy Coverage to the extent of such payment.

Section 1.03. Certain Other Expenses. The Obligor will pay all reasonable fees and disbursements of FSA's counsel related to any amendment, modification or supplement of this Agreement or the Loan Insurance Policy requested by the Obligor.

ARTICLE II

REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Loan Insurance Policy and Expenses.

(a) The Obligor will reimburse FSA, from Legally Available Funds, within the Reimbursement Period, without demand or notice by FSA to the Obligor or any other person, to the extent of each Loan Insurance Policy Payment with interest on each Loan Insurance Policy Payment from and including the date made to the date of the reimbursement by the Obligor at the Effective Interest Rate. Unless sooner repaid, the Obligor agrees that it shall make monthly level principal repayments for each Loan Insurance Policy Payment during the Reimbursement Period. Interest on each Loan Insurance Policy Payment shall be paid monthly during the Reimbursement Period. To the extent that interest payments due hereunder are not paid on a monthly basis, or are not paid as each principal repayment is made, interest shall accrue on such unpaid amounts at a rate equal to the Effective Interest Rate.

(b) The Obligor also agrees to reimburse FSA, from Legally Available Funds, immediately and unconditionally upon demand for all reasonable expenses incurred by FSA in connection with the Loan Insurance Policy and the enforcement by FSA of the Obligor's obligations under this Agreement together with interest on all such expenses incurred from and including the date which is 30 days from the date a statement for such expenses is received by the Obligor to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

Section 2.02. Allocation of Payments. FSA and the Obligor hereby agree that each payment received by FSA from and on behalf of the Obligor as a reimbursement to FSA as required by Section 2.01 hereof shall be applied by FSA, first, to payment of any unpaid premium, second to repayment of the aggregate Loan Insurance Policy Payments made by FSA and not yet repaid and third, to other amounts, including, without limitation, any interest payable with respect to any Loan Insurance Policy Payments, then due to FSA.

Section 2.03. Unconditional Obligation. The obligations of the Obligor to pay all amounts due hereunder shall be a general obligation of the Obligor for which its full faith and credit are pledged. The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to, the Resolution or the Obligations;

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder;

(c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the Obligations; or

(d) whether or not such Obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.04.

(a) All cash and investments in the Loan Insurance Fund established for the Obligations shall be transferred to the debt service fund for payment of debt service on Obligations before any drawing may be made on the Loan Insurance Policy or any other credit facility credited to the Loan

Insurance Fund in lieu of cash. Payment of any Loan Insurance Policy Payments plus interest thereon shall be made prior to replenishment of any such cash amounts. Draws on all credit facilities (including the Loan Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Loan Insurance Fund. Payment of Loan Insurance Policy Payments plus interest thereon and reimbursement of amounts with respect to other credit facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Loan Insurance Fund.

(b) The Resolution shall not be discharged until all Loan Insurance Policy Payments plus interest thereon owing to Financial Security shall have been paid in full. The Obligor's obligation to pay such amounts shall expressly survive payment in full of the Obligations.

(c) The obligation of the Obligor to pay all Loan Insurance Policy Payments plus interest thereon shall be absolute and unconditional and a general obligation of the Obligor for which its full faith and credit are pledged.

(d) The Resolution shall require the Trustee to ascertain the necessity for a claim upon the Loan Insurance Policy and to provide notice to Financial Security in accordance with the terms of the Loan Insurance Policy at least five business days prior to each date upon which interest or principal is due on the Obligations.

ARTICLE III

EVENTS OF DEFAULT; REMEDIES

Section 3.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Obligor shall fail to pay to FSA any amount payable under Sections 1.03 or 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period;

(b) Any material representation or warranty made by the Obligor hereunder or under the Resolution or any statement in the application for the Loan Insurance Policy or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Loan Insurance Policy or herewith shall have been materially false, at the time when made;

(c) Except as otherwise provided in this Section 3.01, the Obligor shall fail to perform any of its other obligations hereunder, provided that such failure continues for more than thirty (30) days after receipt by the Obligor of notice of such failure to perform;

(d) The Obligor shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days.

Section 3.02. Remedies. If an Event of Default shall occur and be continuing, FSA may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or any related instrument and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that under this Agreement, FSA may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of FSA under this Section 3.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE IV

SETTLEMENT

FSA shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against FSA, the Obligor or any other party on the Loan Insurance Policy shall or shall not be paid, compromised, resisted, defended, tried or appealed, and FSA's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of expenses incurred by FSA, certified by an officer of FSA, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to reimburse FSA pursuant to subsection (b) of Section 2.01 hereof, upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by FSA at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE V

MISCELLANEOUS

Section 5.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 5.02. Exercise of Rights. No failure or delay on the part of FSA to exercise any right, power or privilege under this Agreement and no course of dealing between FSA and the Obligor or any other party shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which FSA would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 5.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and FSA. The Obligor hereby agrees that upon the written request of the Paying Agent, FSA may make or consent to issue any substitute for the Loan Insurance Policy to cure any ambiguity or formal defect or omission in the Loan Insurance Policy which does not materially change the terms of the Loan Insurance Policy nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted Loan Insurance Policy. FSA agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted Loan Insurance Policy.

Section 5.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and FSA and their respective successors and assigns, so long as the conditions in the Resolution are satisfied; provided that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of FSA.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 5.05. Other Sureties. If FSA shall procure any other surety to reinsure the Loan Insurance Policy, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement and "FSA," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 5.06. Signature on Bond. The Obligor's liability shall not be affected by its failure to sign the Loan Insurance Policy nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 5.07. Waiver. The Obligor waives any defense that this Agreement was executed subsequent to the date of the Loan Insurance Policy, admitting and covenanting that such Loan Insurance Policy was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

Section 5.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto or the Paying Agent may hereafter specify in writing to the others:

If to the Obligor:

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634
Attention: Finance Director
Telephone: (802) 652-3463
Fax: (802) 863-5422

If to the Trustee:

The Howard Bank, N.A.
111 Main Street
Burlington, Vermont 05401
Attention: Corporate Trust Department
Telephone: (802) 658-1010

If to FSA:

Financial Security Assurance Inc.
350 Park Avenue
New York, New York 10022
Attention: Managing Director - Surveillance
Telephone: (212) 826-0100
Fax: (212) 339-3518

Section 5.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Loan Insurance Policy.

Section 5. 10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 5.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and FSA.

Section 5.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By: ______________________
Authorized Officer

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________
Authorized Officer

ANNEX B

DEFINITIONS

For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meanings as set out below.

"Agreement" means this Reimbursement Agreement.

"Commitment" means the FSA Commitment for Loan Insurance Policy in the form delivered to the Obligor.

"Effective Interest Rate" means the lesser of (i) the Reimbursement Rate and (ii) the maximum rate of interest permitted by then applicable law; provided, however, that the Effective Interest Rate shall in no event be less than the interest rate on the Obligations.

"Event of Default" shall mean those events of default set forth in Section 3.01 of this Agreement.

"FSA" has the same meaning as set forth in the first paragraph of this Agreement.

"Legally Available Funds" means any moneys legally available to the Obligor for the payment of its obligations under this Agreement, including any moneys that may be subject to and secured by the full faith and credit and general obligation of the Obligor.

"Loan Insurance Fund" means the Series 13A Loan Loss Claim Fund established under the Resolution.

"Loan Insurance Fund Payments" means the Loan Insurance Fund withdrawals required to be made by or on behalf of the Obligor from the Loan Insurance Fund, which will be applied to the payment of principal of and interest on the Obligations.

"Loan Insurance Policy" means the financial guaranty insurance policy issued by FSA substantially in the form attached to this Agreement as Annex A.

"Loan Insurance Policy Coverage" means the amount available at any particular time to be paid to the Trustee under the terms of the Loan Insurance Policy, which amount shall not exceed $624,137.

"Loan Insurance Policy Payment" means an amount equal to the Loan Insurance Fund Payment required to be made by the Obligor under the Resolution less (i) that portion of the Loan Insurance Fund Payment paid by or on behalf of the Obligor, and (ii) other funds legally available to the Trustee for such purpose, all as certified by the Trustee in a demand for payment tendered pursuant to the terms of the Loan Insurance Policy.

"Obligations" has the same meaning as set forth in the second paragraph of this Agreement.

"Obligor" has the same meaning as set forth in the first paragraph of this Agreement.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

"Reimbursement Period" means, with respect to a particular Loan Insurance Policy Payment, the period commencing on the date of such Loan Insurance Policy Payment and ending 12 months following the date of such Loan Insurance Policy Payment.

"Reimbursement Rate" means the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by The Chase Manhattan Bank) plus 3%. The Reimbursement Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event The Chase Manhattan Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as FSA shall specify.

"Resolution" means the Obligor's Single Family Housing Bond Resolution adopted September 20, 1990, as supplemented by the Issuer's Seventeenth Supplemental Single Family Housing Bond Resolution adopted August 10, 2000, and as further amended and supplemented from time to time with the consent of FSA.

"State" means the State of Vermont.

"Trustee" means The Howard Bank, N.A., or successor.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: April 13, 2001

RE: **EXECUTIVE DIRECTOR'S REPORT**

ADMINISTRATION

We have just received word from the Governor's office that Karen Moran Lafayette has been appointed as a new Commissioner to VHFA. As many of you know, Karen served in the Vermont Legislature for many years. She served as the Chair of the Joint Housing Committee and has been a big champion for affordable housing.

Issues related to state legislation have slowed a little. We are hopeful that most of VHCB's appropriation from the one time money remains intact. Increased funding for services in assisted living is not doing as well, but we hope there will be some proposed increases from the Senate. Proposals for permit reform are still being reviewed. I do hope that a proposal to create a blue ribbon committee to review the local planning statutes and related permit issues gets passed.

On the Federal level, I am pleased to say that Senator Jeffords is an original co-sponsor of S677. This bill was put forward by NCSHA to allow more recycling of the single family bond cap, a simpler process for determining purchase price limits, and a change in housing credit incomes that will allow more flexibility in rural areas. I have spoken with Senator Leahy and Congressman Sanders staff and I am optimistic they will co-sponsor after they have had a chance to review the bill.

I have also been speaking to the congressional office about a proposal to create a homeownership development credit. The current proposed targeting requirements do not work for Vermont. I have been advocating that a process similar to the rental credit allocation plan be adopted, rather than targets for census tracts, which will favor urban areas. There are several new production bills being introduced. One bill being co-sponsored by

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EQUAL HOUSING OPPORTUNITY

Senators Leahy and Jeffords would provide more grant resources to Rural Development for affordable housing that is matched with state funds. We also are hopeful a broader housing production will get some attention.

DEVELOPMENT

The Gardens at Williamstown Square and Crystal Lake in Barton recently had permanent closings and repaid their construction loans. Anderson Parkway in South Burlington and Franklin Assisted Living will close within a month.

Staff is working diligently on the tax credit underwriting, and have requests from our borrowers to close on many construction loans in the near future: one in April, six in May, and three in June (this schedule may be affected by the tax credit awards on April 30th). These include some intricate deals such as Westgate, and the largest project VHFA has ever financed in aggregate loan dollars, Farrell Street/ Marketplace. Unfortunately, we just heard today that there may an appeal filed on Farrell Street, literally at the last hour of appeal. We will update you at the Board meeting.

MULTIFAMILY

Staff has negotiated an expansion of our role with the Performance Based Contract Administration we are sharing with VSHA. VHFA will now handle the majority of tasks under this HUD initiative on seven projects for which the Agency already has loans and tax credit compliance monitoring responsibility . We agreed on a fee split for this work, but more importantly, owners and managers will not be burdened with monitoring requirements imposed by multiple agencies. We want you to be aware of this issue going forward. HUD wishes to have only one performance based contract administrator in each state. Right now VSHA is taking the lead. As Section 8 contracts expires, this may leave us in the position of having to negotiate with VSHA for administration of projects we now exclusively oversee and the projects we now split with them. There is the obvious issue of fee income as well as the broader state policy issues of not having two state agencies monitor one project. In our role as mortgagee and tax credit compliance monitor, VHFA is required to oversee many aspects of a project. In most states contract administration functions and asset management and monitoring are in one agency, so there is not the problem of overlapping responsibilities. We have worked this out with VSHA and certainly plan to in the future.

Preservation Agreements were closed on two Burlington properties owned by Jim Pizzagalli and we expect to close on another with Housing Foundations Inc. for their 40 unit Welden Villa property located in St. Albans this month.

Staff has completed the review of 2000 audited financial statements for 40% of the portfolio and audit review letters have been sent to owners advising them of findings and authorizing annual distributions. Audit statements were due at VHFA by March 1st although some properties have been granted extensions.

Finally, we would like to acknowledge training milestones for MF Management Officers John Burczy and Ann Marie Plank who have recently passed both the Certified Housing Manager and Housing Credit Compliance Certifications.

HOMEOWNERSHIP

Business continues to be steady although the new purchase assistance program has been slow. Staff feels this is because originators have been so busy with refinances that they haven't taken the time to learn about the program. Kelly will be meeting individually with all the banks, and we expect to do more advertising in conjunction with the upcoming bond issue.

Staff put on an extremely successful Homebuyer Fair on March 24th. We had staff working from all departments, and had almost 1,000 attendees. The feedback from all the vendors was very positive. We held it at the Sheraton, which worked out great, except for setting off the fire alarm with the popcorn machine! Staff already has ideas for improvements for next year. They really should be congratulated for all their hard work.

FINANCE

Most of our attention has been on preparations for the upcoming single family bond issue and a multifamily issue soon to follow. Several weeks ago we received notice that Al Hans, our financial advisor, and his two associates from the Evensen Dodge housing group had left to work with Piper Jaffray-US Bancorp. Piper Jaffray is also a Minneapolis based company. They provide a wide variety of financial advisory services, as well as, underwriting more predominately in the western states. We currently do not have a contract with Evensen Dodge, and it took them over a week after Al told us he was leaving for them to get in touch. They have hired some replacements for the housing group and we are familiar with new head of the group through previous work he did at A.G. Edwards, however we do not feel that Evensen has the capacity we need at this point. (We also have been told that almost 50% of the Evensen Dodge staff have turned over in the last 12-18 months.) We plan on using Piper Jaffray for this bond issue and have asked Al to assist us in negotiating a split of the fee for any services rendered by Evensen Dodge. It is our understanding fee splits between financial advisory services and the numbers analysis for a bond issuance is not unusual. After the completion of these current bond issues we will more broadly review proposals for financial advisors.

OTHER

Roger, Pat Loller and myself will be attending the NCSHA spring meeting in Tampa, Florida May 5 – 8. I have been asked to serve on an NCSHA task force looking at the HFA's relations with the GSE's (Fannie Mae, Freddie Mac, Federal Home loan Bank).

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: April 13, 2000

RE: **Strategic Plan Summary**

As we discussed during the March Board meeting, Lisa, Pat Loller and I met to further refine the strategic planning documents presented at the March meeting. Enclosed is a Strategic Planning Summary, which will be discussed at the April Board meeting.

The summary's focus was to identify the overall scope and key elements of the plan. Going forward, staff will identify specific initiatives associated with the various key elements, as well as determine viability for implementation.

VHFA Strategic Planning Summary
April 13, 2001

Overview
The Board and staff met in November 2000 for a strategic planning retreat. The focus of the day was to discuss and confirm future directions for the Agency. Two activities were undertaken. One was the development of the vision statement – "***VHFA opens doors so that every Vermonter can have a home they can afford, which is the corner stone for building healthy communities***".

The other activity was to identify strategic initiatives the Agency should undertake to advance our vision and mission. This focused on the question "How does VHFA help alleviate the housing crisis in Vermont over the next few years"? Listed below are key elements identified during and subsequent to the Board retreat in November. These initiatives were discussed within the context of continuing and refining our current operational programs.

Alleviating Vermont's Housing Crisis
Statement:

VHFA will further develop its leadership position within the state to pursue initiatives that will help alleviate Vermont's housing crisis.

Key Elements:

Public Awareness Campaign
- The goal would be to educate the public and overcome resistance so that they will be receptive to proposed solutions
- In conjunction with other Vermont housing organizations and partners, identify affordable housing barriers to be addressed
- Partner with Maine and New Hampshire to campaign on more generic affordable housing issues

Legislative Participation
- Pursue an active leadership role on various legislative initiatives:
    - Joint Housing Committee bill
    - Barriers to housing production
    - Advocate for new production resources
    - Section 8 Program "Exit Tax"
    - New Alternatives to establishing MRB purchase price limits
    - Repeal of Ten-Year Rule for MRB programs

Demonstration project
- Consider taking the lead role in a demonstration project, highlighting special affordable housing development within a community.
    - Research the viability of a demonstration project

Next Steps
VHFA staff will continue to identify, develop and implement initiatives that support alleviating Vermont's housing crisis. Status reports will be given to the Board on a quarterly basis.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director of Multifamily Programs

DATE: April 4, 2001

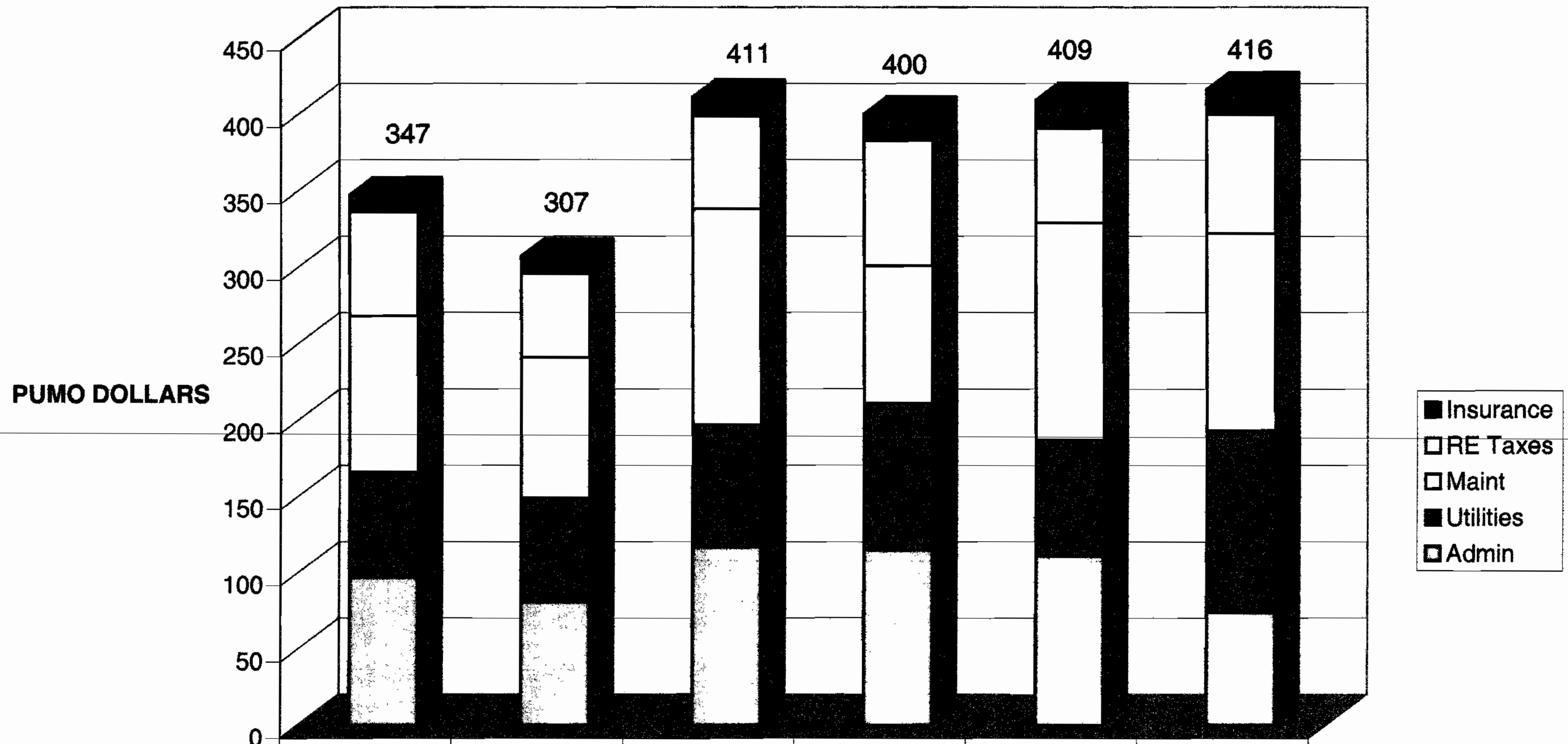
RE: **HFA Operating Expense Survey - Follow Up**

At our last Board Meeting, Kathy Beyer asked if we could present a graph showing an operating expense comparison of the six New England states. We have combined all categories of project data that was submitted and produced the attached graph.

These numbers are based on a straight average of operating expenses as reported in each of the five major expense categories. The projects include assisted and unassisted units as well as Elderly, Family and Combined Elderly/Family developments.

Average project size in Vermont, New Hampshire and Maine is in the 30-unit range and in Massachusetts, Connecticut and Rhode Island the number is closer to 100 units. These differences may correlate to greater efficiencies in certain expense categories although, as a whole, the six-state region is comparable in many respects. Those states with a higher percentage of urban projects in their portfolios may also need to provide on-site security, an expense that here in Vermont is almost never incurred by properties.

New England Regional Operating Expense Survey - All Projects



	VT	ME	MA	NH	CONN	RI
Insurance	11	11	12	17	18	16
RE Taxes	68	55	61	82	62	78
Maint	102	92	141	90	142	129
Utilities	69	68	80	96	76	119
Admin	97	81	117	115	111	74

Vermont Housing Finance Agency

UNDERWRITING GUIDELINES **MULTIFAMILY DEVELOPMENT**

Approved: March 22, 2001

Purpose: This policy outlines the underwriting guidelines which are to be followed to evaluate applications for both construction and permanent loans for multifamily housing.

Procedure: At the direction of the Executive Director, Multifamily Development staff in conjunction with Multifamily Management staff where appropriate will apply these guidelines consistently to each application for the financing of multifamily housing developments. Authority to issue a Letter of Interest and/or a Letter of Commitment for a particular project requires formal action by the Board of Commissioners. Based on the application of the underwriting guidelines, conditions for loan commitment and/or closing, loan terms and source of funds that maintain the financial viability of the project will be determined by the Multifamily Development staff and the Loan Review Committee with the concurrence of the Executive Director or his or her designee. Any significant changes (as described in these Guidelines) will require reconsideration by the Board of Commissioners. All loans are subject to the requirements of the source of funds to be used, such as, bond proceeds. The Loan Review Committee will submit a cumulative fiscal year report of the loans made or to be made and their terms to the Board of Commissioners quarterly, indicating the newest additions to the report.

Interpretation: Executive Director

Types of Projects to be Financed	New construction; acquisition and/or rehabilitation; mobile home parks; tenant cooperatives; transitional housing; SROs; congregate care; residential care; group homes
Affordability/Income Targeting	75% of housing must be occupied by households of low or moderate income as established by the Agency from time to time; may be waived to "more than half" by the Board of Commissioners LIHTC allocation and/or use of bond proceeds may dictate additional affordability requirements
Loan to Value	For-Profits: Up to 95% of appraised value or cost, whichever is less Non-profits: Up to 100% of appraised value or cost, whichever is less
Term	Based on source of funds and financial needs of project, but in no event shall the term exceed forty (40) years
Interest Rate	As determined by the VHFA Policy on Rates and Fees as amended from time to time
Debt Coverage Ratio	Generally requires 1.15 to 1; may be lowered if justified by mitigating circumstances Use of bond proceeds may require a higher ratio

Property Analysis	Appraisal required; Level I Environmental Assessment, including lead and asbestos abatement where necessary
Market Study	Sponsor must demonstrate need for housing to support staff recommendation to Board of Commissioners
Development Budget	Staff approval by line item based on Agency experience, comparables and industry benchmarks
Building Plans & Specifications	Staff approval with outside evaluation when needed; For existing projects, including mobile home parks, plans must address the results of a capital needs assessment
Management Capability	Proposed management plan and management agent requires Multifamily Management approval
Operating Budget	First year plus cash flow projections for the term of loan
Income and Expense Projections	Burlington MSA: 1.5% per year for income and 3% per year for expenses Outside Burlington MSA: 1% per year for income and 2.5% per year for expenses
Vacancy Rate Projection	Not less than 5% at stabilized occupancy unless supported by compensating circumstances at Agency's discretion; may require a higher rate based on market study
Replacement Reserve Account	Rental: minimum $350/unit/year Mobile Home Parks: Based on capital needs assessment
Working Capital	Two (2) months' operating expenses, including debt service and replacement reserves; at least 50% in cash
Deficit Escrow	Amount determined at permanent closing to cover expenses during rent-up period; released after six (6) months of sustained breakeven operation on an annualized basis
Minimum Equity	Local or State agency; Non-profit: None Others: 5% in cash or land or combination
Regulatory Agreement	Must include rent limits, operating account requirements, replacement reserve, working capital, tenant income monitoring, VHFA rights in case of default Requires Multifamily Management approval

Significant Changes. The following parameters will be applied to determine whether a project requires reconsideration by the Board of Commissioners:

1. **Change in Loan Amount**: VHFA construction or permanent loan amount increases by the greater of $50,000 or 10% over the Board-approved loan amount
2. **Change in or Additional Loan Type**: Applicant has amended application to change originally approved loan type (construction or permanent) or add a new loan type (construction or permanent)
3. **Change in Project Type**: Applicant has amended application to change originally proposed resident profile

4. **Change in Borrower**: Original applicant is no longer part of ultimate ownership structure or new entity has been added to ownership structure or profit structure of Borrower has changed. (This may require a new application.)
5. **Change in Development Location**
6. **Change in Amount of 0% Loan**: Applicant has requested any change in the amount of an approved 0% loan which is greater than $100,000 or the amount of the 0% loan will exceed $100,000 after the requested change is applied
7. **Other Changes**: The Executive Director will evaluate other unexpected changes and when appropriate, will discuss the change with the Chairperson to determine whether the change is "significant" and requires the Board's reconsideration.

Meeting of the Joint Committee on Tax Credits and the VHFA Board of Commissioners
April 30, 2001
AGC Building, Montpelier
9:00 AM – 4:00 PM

AGENDA

Approval of Minutes, 1/17/01 and 2/21/01

Staff Presentation of Projects

Question & Answer Session

Lunch Break

Committee/Board Deliberations

Adjournment

VERMONT HOUSING FINANCE AGENCY

RESOLUTION REGARDING HOUSING TAX CREDIT
RESERVATIONS FOR 2001 ROUND ONE

April 30, 2001

WHEREAS, as the designated Issuing Authority under a certain Memorandum of Understanding between the Agency of Development and Community Affairs [sic] and Vermont Housing Finance Agency (the "Agency") dated April 17, 1987, the Agency has prepared and presented recommendations on applications for reservations of housing tax credits to the Joint Committee on Tax Credits (the "JCTC");

WHEREAS, a total of $ 1,638,760 in housing tax credits is available to the State of Vermont for calendar year 2001;

WHEREAS, the JCTC has met and considered the recommendations for reservations of 2001 housing tax credits for 15 proposed projects;

WHEREAS, with the advice of the JCTC, the Board of Commissioners of the Agency (the "Board") wishes to approve housing tax credit reservations for 2001 Round One;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered, with the advice of the JCTC, the applications for reservations of housing tax credits for 2001 Round One.

2. Subject to the payment of applicable reservation fees, and appropriate conditions as determined by Agency staff, the Board hereby approves housing tax credit reservations for 2001 Round One for the projects and in the amounts shown on Attachment A: 2001 Round One Housing Tax Credit Reservations which is attached to this Resolution and incorporated herein by this reference.

3. A total of $ 1,070,175 of housing tax credits is hereby reserved in the 2001 Round One with an additional $130,000 of housing tax credits conditionally reserved as indicated on Attachment A. The Agency staff may increase or decrease the individual housing tax credit reservations for one or more of the approved projects by up to five percent (5%), if appropriate, based upon changes in housing 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 Montpelier, Vermont on April 30, 2001.

Sarah E. Carpenter

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

Attachment A: 2001 Round One Housing Tax Credit Reservations

Project Name	Sponsor	Location	Awarded Credits	Number of Units
Arlington Village Center	Regional Affordable Housing Corp.	Arlington	168,734	31
Jeffersonville	Housing Vermont (HVT) and Lamoille Housing Partnership	Jeffersonville	34,000	22
Limekiln	HVT and Lake Champlain Housing Development Corp.	South Burlington	150,000	24
Ruggles House	HVT and Cathedral Square Corp.	Burlington	58,000	15
Upper Valley Transitional Housing	HVT and Twin Pines Housing Trust	White River Jct.	81,198	13
Victoria's Apartments	Bove Brothers, Inc.	Burlington	327,243	34
Western Ave Apartments	Brattleboro Area Community Land Trust (BACLT)	Brattleboro	74,000	13
Westgate	HVT, Westgate Tenants, Inc., BACLT and Westgate Housing, Inc.	Brattleboro	177,000	74
			$1,070,175	226
64 School Street	RCCLT	Rutland	130,000[1]	12
			$1,200,175	238

[1] - Award conditional pending other financing commitments

vhfa
Vermont Housing Finance Agency

May 8, 2001

Ms. Mary Moore
Vermont Department of Libraries
109 State Street
Montpelier, VT 05609

Dear Ms. Moore:

The Vermont Housing Finance Agency Board of Commissioners will have its regular meeting on Thursday, May 17, 2001 at 12:00 p.m. at Highgate Apartments, 73 Highgate Drive, Barre, Vermont.

If you have any questions, please do not hesitate to contact me at 652-3413.

Sincerely,

Kari Caragher

Kari A. Caragher
Executive/HR Assistant

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 11, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on May 17, 2001, at 12:00 p.m. at Highgate Apartments, 73 Highgate Drive, Barre, Vermont. *Lunch will be provided.*

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Barre on May 17th!

Directions to Highgate Apartments: Take Exit 7 off Interstate 89. Proceed straight on Route 62. Once you go past 3 traffic lights, continue to proceed down the hill on Route 62 (do not bear to the right, as you will end up in Montpelier). At the bottom of the hill you will come to another traffic light. Take a right at the light onto Berlin Street. Go up Berlin Street and take your second right onto Highgate Drive. Then, bear to your left at the Highgate Apartments sign and proceed up the hill towards the Visitors Lot. The Community Center is on the right, which is where the meeting will be held.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

vhfa

Vermont Housing Finance Agency

BOARD AGENDA
Highgate Apartments
73 Highgate Drive
Barre, Vermont

Thursday, May 17, 2001 at noon

1. Approval of the minutes from April 19, 2001.

2. **DEVELOPMENT**

A.	Multifamily Construction & Permanent Loans for Lime Kiln Bond, South Burlington	{Reid/Enclosure}
B.	Multifamily Construction & Permanent Loans for Lime Kiln Allocated, South Burlington	{Reid/Enclosure}
C.	Westgate	{Erdelyi/Enclosure}
D.	Allocation of State Housing Tax Credits	{Erdelyi/Handout}
E.	Minutes of the April 30, 2001 Joint Committee on Tax Credits and VHFA Board meeting.	{Erdelyi/Handout}

3. **HOMEOWNERSHIP**

A.	Revisions to Income and Purchase Price Limits Under MRB Program	{Adams/Black-Plumeau/Enclosure}
B.	Summary of Homeownership Activity	{Adams/Enclosure}

4. **MULTIFAMILY**

A.	Highgate 0% Loan Request	{Discussion}
B.	Multifamily Director's Report	{Falzone/Enclosure}

5. **FINANCE**

A.	March 31, 2001 Financial Reports	{Schoenbeck/Handout}
B.	Excess Yield Analysis	{Schoenbeck/Handout}

6. **ADMINISTRATION**

A.	Executive Director's Report	{Carpenter/Enclosure}

7. Any other business to come before the Board.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

VHFA BOARD MINUTES

Office of the Associated General Contractors
148 State Street
Montpelier, Vermont

Thursday, April 19, 2001 at noon

PRESENT: Chairperson Randall, Commissioners Canney, Beyer (designee of Lambert), Candon (designee of Costle), Lafayette, Seelig, Douglas
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Reid, Ms. Crady, Mr. Schoenbeck, Mr. Adams, Mr. Falzone
Other: Ms. Owens (Housing Vermont), Mr. Williams (VSHA), Ms. Kuegel (VSHA), Mr. Kantor (Development Consultant), Mr. Anderson (VHFA Construction Consultant), Ms. Stewart (VDCU), Mr. Momaney (VSHA), Mr. Usher (Vermont Architects Collaborative), Mr. Rupp (VHCB)

Chairperson Randall called the meeting to order at 12:15 p.m. Chairperson Randall welcomed Ms. Lafayette as the newest member of the VHFA Board and asked that attendees spend a few minutes to introduce themselves.

MINUTES

Ms. Beyer made a motion to approve the minutes of March 22, 2001. The motion carried unanimously after being seconded by Mr. Seelig.

MULTIFAMILY

Templeton Court Apartments, located in White River Junction, was discussed next. Mr. Adams alerted the Board to the significant physical, social and financial problems being encountered at Templeton. Additional and more detailed information was presented by staff from the Vermont State Housing Authority, along with VHFA's construction consultant David Anderson. Three scenarios were reviewed as following showing the financial implications to VHFA and the additional funding needed for under each scenario:

Option I: Foreclosure and sale of the project: While this option allows VHFA to quantify and limit its financial loss and minimize the commitment of staff resources, the loss projection could range anywhere from $600,000 to $900,000. There is significant concern by staff regarding the very limited number of potential buyers, making the loss projection a wide variable. This option also may result in the displacement of all 35 families, and potential loss of existing HAP contracts.

Option II: Perform minimal repairs to allow the project to remain in service until the original debt was retired: The cost of the repairs as supported by construction cost estimates provided by David Anderson total $1.2 million. Staff made the assumption that under this scenario no loss of the original loan would be incurred if the HAP contracts were renewed in 2006, but that the project had only marginal value at the end of the term of the loan. The projected loss to VHFA under this scenario is estimated to be around $600,000 in 2019, reflecting a loss of the $1.2 million investment in repairs less whatever residual value the project at the end of the term of the loan.

Option III: Involved substantial demolition and redevelopment of the site with a reduction in the number of units from 36 to 28 as proposed by VSHA. This option was further examined under three funding scenarios including the use of allocated (9%) credits, a combination of allocated credits and non-allocated (4%) credits, and using only 4% credits. The three funding scenarios had wide ranging financial implications on VHFA with significant reliance on outside funding sources, non of which were committed at the time of this meeting. The details of each funding option were detailed and reviewed.

Significant discussion was held with questions regarding the physical condition and social environment in the project. Ms. Beyer indicated that she had visited the project and noted that she was concerned about the proposed site work. Due to the ledges that the structures are built on, she expressed concern whether anything should or could be built on the site in such a way as to avoid structural problems over the long term.

Mr. Adams indicated that the staff was not requesting any formal action at this time. The staff intentions were to alert the Board to the potential loss, present several options and to seek some direction from the board. Mr. Adams specifically asked if any of the options stood out as being unacceptable. There was general agreement from the Board that a Foreclosure Option appeared to be the least desirable.

Several Board members indicated that before making a decision, they would like to visit the property. The Board agreed, and Chairperson Randall suggested that if any Board member was interested in visiting the project, they should contact Mr. Adams.

Mr. Rupp of VHCB was present at the Board meeting to discuss the VHCB Lead Paint Program. Mr. Rupp indicated that VHCB is requesting that VHFA continue to support the VHCB Lead Paint Program and commit $150,000 over a two-year period.

Mr. Rupp noted that the funds received from VHFA in the past have been a true benefit to affordable housing. Ms. Beyer asked how VHCB would interface with private landlords. Mr. Rupp replied that VHCB would work closely with housing authorities. Mr. Rupp added that VHCB is willing to provide assistance to private landlords to ensure they comply with the law. Mr. Rupp indicated that VHCB would like continued support from VHFA to ensure that all CDBG and other federally funded programs are in compliance with HUD's new Lead Safe Housing Regulation.

Ms. Canney made a motion to allocate $150,000 over a two-year period to the VHCB Lead Paint Program. The motion carried after being seconded by Ms. Lafayette. Mr. Seelig abstained.

FINANCE

Mr. Schoenbeck reviewed the single family bond financing. Mr. Andrew Gurley and Mr. Drew Gurley of PaineWebber, Mr. David Amsden of Kutak Rock, Mr. Cory Hoeppner and Mr. Al Hans of U.S. Bancorp Piper Jaffray joined this discussion by conference call. Mr. Andrew Gurley began the discussion by stating the Feds surprised everyone by cutting rates by one half point yesterday, but noted that the bond market hasn't reacted dramatically. There is a fairly large supply of new housing bond issue volume with five or six issues this week. Mr. Schoenbeck said, unfortunately, VHFA has notes due next week, which makes a postponement of sale very difficult. VHFA received guaranteed investment contract bids before the rate dropped which improved the Agency's position. VHFA had verbally approved both bond sale prices and investment bids.

FannieMae bought the long-term bonds at a slightly lower rate than its purchases from other HFA's. Mr. Hans indicated that the rates received by Vermont were favorable.

In the term market, Vermont has excellent rates and was among the lowest of all the states. Down payment assistance mortgages will be at 7% and standard mortgages will be at 6.5%. The down payment assistance option provides a payment of three points for down payment and closing costs. Mr. Schoenbeck reported that VHFA could maintain current program rates of 6.5% and 7%, which is about 5 basis points below our full spread rate.

Mr. Seelig asked where VHFA is compared to conventional rates. Mr. Schoenbeck replied that VHFA doesn't know what the impact is yet of the Fed rate drop. Ms. Crady added that rates change almost every day and that VHFA hasn't seen many rates under 7%. Mr. Schoenbeck mentioned that it seems like a reasonable spread to what the market is now charging and Ms. Carpenter concurred.

Mr. Amsden indicated that the Board is being asked to approve the Eighteenth Supplemental Single Family Housing Bond Resolution, which in reference adopts all the related documents. This authorizes the series of certificates that will include the detailed versions of the bonds. Mr. Amsden added that VHFA is in compliance with all the required parameters.

Mr. Seelig made a motion to accept the Eighteenth Supplemental Single Family Housing Bond Resolution. The motion carried unanimously after being seconded by Ms. Canney.

Mr. Schoenbeck briefly reviewed the recommended changes in position titles of Authorized Officers. In order to update the Authorized Officers that are specified in previous resolutions and agreements, staff is recommending the approval of a resolution to change the position titles to Chief Financial Officer (formerly Director of Finance) and the Chief of Program Operations (formerly the Director of Operations).

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Re: Authorized Officers." The motion carried unanimously after being seconded by Mr. Candon.

Next, Mr. Schoenbeck stated that staff is recommending the Board's approval to allocate $20 million of the 2001 private activity bond volume cap for qualified mortgage bonds and credit certificates and $20 million for exempt facility bonds. With no further discussion, Mr. Candon made a motion to approve the "Resolution Re: Allocation of 2001 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Mr. Seelig.

DEVELOPMENT

Ms. Reid stated that Housing Vermont is seeking a $1,628,000 tax-exempt construction loan in order to obtain 4% housing credits to acquire and refurbish Green Mountain Seminary in Waterbury. The project has received all the necessary permits and has received the Act 250 permit. The plans and specs have been completed and the sponsors hope to begin construction in May. With no further discussion, Mr. Candon made a motion to approve the Resolution Re: Construction Financing For Green Mountain Seminary, Waterbury, and to authorize the issuance of a Letter of Interest and a Commitment Letter to finance this development. The motion carried unanimously after being seconded by Mr. Seelig.

Next, the Marketplace Bond Project was reviewed. Ms. Reid indicated that Housing Vermont is requesting an increase in the permanent loan due to higher than anticipated construction costs. Ms. Reid stated that an appeal was made to the Act 250 permit, and at this time, it is not clear what will happen with the appeal. Ms. Reid stated that the level of permanent debt is contingent upon the borrower obtaining a commitment of 40 Section 8 project based vouchers; currently there are only 25 set aside, leaving it contingent on receiving 15 more vouchers from Burlington Housing Authority. Ms. Beyer asked if Section 8 rent is higher than tax credit rent. Ms. Reid responded that Section 8 rent is higher.

Lastly, Mr. Anderson, the construction consultant, is reviewing the plans. VHFA has talked with him about his concerns but he has not completed his review yet. The loan is contingent on plans and specifications being satisfactory to VHFA. This request is for the tax-exempt bond piece for three buildings. Mr. Candon made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Construction and Permanent Financing For Marketplace Development, South Burlington" and to authorize the Executive Director or her designee to issue a Commitment Letter to finance this development. The motion carried unanimously after being seconded by Ms. Beyer.

Mr. Adams discussed Jeffersonville Housing next. Mr. Adams reported that because of the Act 250 appeal, as well as some cost increases, the sponsor has applied for additional tax credits. VHFA is proposing that the Board approve an increase in the construction loan from $1.1 million to $1.2 million, in order to align it with tax credits. The sponsor has reconfigured their 9% tax application and the units in the project will secure it.

Ms. Carpenter asked what the status would be if the project doesn't receive the 9% credit. Ms. Owens answered that there would be a big gap in funding

VHFA staff is also recommending that the Executive Director be given the authority to: 1) change the source of funds from tax-exempt to taxable bond proceeds; 2) change the security of the VHFA loan to a first mortgage on the entire 32 unit project; and/or 3) change the borrower name if needed.

Ms. Canney made a motion to approve the amended "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Construction and Permanent Financing for Jeffersonville Community Housing, Cambridge." The motion carried unanimously after being seconded by Mr. Seelig.

HOMEOWNERSHIP

Ms. Crady reviewed the Vermont Development Credit Union (VDCU) HomeDollars Program. At the February Board meeting, staff proposed that VHFA provide $30,000 in IORTA funds (Interest on Real Estate Trust Accounts) for an Individual Development Account (IDA) Program, controlled by VDCU. These funds would be used to assist IDA participants with down payment and closing costs. At the February Board meeting this topic was tabled until further information was gathered. The Board wanted to confirm that this program would be available statewide.

Since February, VHFA staff has worked with VDCU staff to ensure that these funds are utilized statewide. Currently, VDCU is working collaboratively with Burlington Housing Authority and Winooski Housing Authority to assist future homeowners with purchasing homes. Mr. Seelig inquired how this program would be utilized throughout the state. Ms. Stewart, VDCU Executive Director, stated that currently VDCU is working with Vermont State Housing Authority (VSHA) to ensure that these funds are distributed to future homeowners statewide.

Ms. Stewart indicated that although this program is still in development, VDCU staff will continue to work with people across the state to make this program as fair as possible. Ms. Canney expressed concern, indicating that these funds need to be readily available in all communities in Vermont. Ms. Stewart assured Ms. Canney that VDCU would make sure that this happens. With no further discussion, Ms. Canney made a motion to approve the funding of VDCU HomeDollars Program. The motion carried unanimously after being seconded by Ms. Beyer.

Ms. Crady briefly summarized the monthly Homeownership activity. Ms. Crady indicated that the March figures are typical for this time of year, as many of the borrowers use their tax refunds to get caught up on their payments. Ms. Crady stated that VHFA is enjoying a slower delinquency rate, while watching production steadily increase.

VHFA has been doing a great deal of outreach. Kelly Deforge, VHFA Outreach Coordinator, was on the agenda for the Rutland Board of Realtors, giving VHFA exposure in the southern part of Vermont. Ms. Deforge is visiting lenders and realtor boards to assess their training needs.

Ms. Crady reported that the Home Buyer Fair was tremendously successful. VHFA had to limit the number of vendors this year, due to the amount of room available, but next year VHFA will utilize the entire first floor section of the Sheraton to allow more vendors. Ms. Canney asked what VHFA's marketing plan will be for this year. Ms. Crady responded that VHFA is going to look at cooperative advertising with our lending partners.

Ms. Crady noted that the spring buying season was delayed a bit this year because of the weather, but as soon as property hits the market, they are going under contract relatively quickly. Ms. Crady stated that staff is beginning to look at VHFA's purchase price limits.

ADMINISTRATION

Ms. Carpenter indicated that Al Hans, formerly of Evensen Dodge, has left Evensen Dodge, and has begun working at Piper Jaffrey. Because Mr. Hans has been involved with this bond issue from the beginning, VHFA will commence using Piper Jaffrey to complete the current single family bond issue and will utilize them for the upcoming multifamily issue as well. Before the end of the fiscal year, staff will solicit information from other financial consultants to ensure we are getting the best service for the best price.

Ms. Carpenter updated the Board on federal legislation, indicating that Senator Jeffords is an original co-sponsor of the S.677 bill. This bill will allow more recycling of the single family bond cap, which will change housing credit incomes allowing more flexibility in rural areas and will provide an easier process for determining purchase price limits. Ms. Carpenter is optimistic that both Senator Leahy and Congressman Sanders will also co-sponsor this bill.

Ms. Carpenter indicated that, prior to this meeting, the Board's HR Committee met. The HR Committee approved staffs' recommendation to move Ms. Mullikin Drake to permanent employment status, as VHFA's general counsel. As General Counsel, Ms. Drake will oversee and manage the Agency's legal services.

With no further discussion, Mr. Candon made a motion to approve Ms. Mullikin Drake as VHFA's General Counsel. The motion carried unanimously after being seconded by Ms. Canney. Mr. Seelig asked if the hiring of Ms. Mullikin Drake needed to go through a public process. Ms. Carpenter indicated this had been researched previously and that it did not need to.

STRATEGIC PLANNING

Ms. Carpenter noted that Ms. Loller, Chairperson Randall and herself met in the beginning of April to focus on what VHFA staff and Board members need to focus on as a result of the November 2000 Retreat. In summary, within the next year, VHFA needs to adopt some initiatives that will proactively help alleviate Vermont's housing crisis. The three steps identified to get VHFA there are: (1) a public awareness campaign; (2) continuing participation surrounding legislation initiatives; and (3) developing a demonstration project.

Ms. Canney noted that she believes the word "crisis" is too strong of a word. Ms. Canney indicated that there are parts of the state that do not have a housing crisis at all and that VHFA shouldn't insinuate that the entire state is in a housing crisis. Mr. Seelig stated that the word "crisis" isn't as important as what VHFA wants to encourage people to do to get through this situation. Ms. Carpenter indicated that VHFA staff and Board members must work on strategies, and decide what positive actions VHFA would like taken to address this situation.

Ms. Carpenter stated that it is staffs' intention to get concurrence from the Board on the items listed in her memo, to ensure that the items listed are still the priorities of both VHFA and the Board. The Board concurred. Ms. Carpenter added that staff would bring tasks that need to be completed to the Board once they are compiled.

OTHER

Ms. Carpenter stated that Housing Vermont has a vacancy on their Board and that the VHFA Board is responsible for approving a replacement. Housing Vermont staff is recommending that Fred Kenney be appointed to their Board. With no further discussion, Mr. Seelig made a motion to approve Fred Kenney to the Housing Vermont Board. The motion carried unanimously after being seconded by Ms. Canney.

Chairperson Randall asked Mr. Seelig, Ms. Beyer, and Ms. Lafayette to review the budget with Mr. Schoenbeck. Chairperson Randall then asked Mr. Schoenbeck to coordinate a meeting with them.

Ms. Carpenter gave a quick reminder to the Board regarding the upcoming Joint Committee on Tax Credits and VHFA Board meeting. The meeting will be held on April 30, at the Associated General Contractors Building and a time has not yet been determined. Ms. Carpenter stated that it would be a full day meeting, with a public hearing in the morning, a working lunch, and then convening in the afternoon with recommendations from the JCTC to the VHFA Board for tax credit allocation approvals. Ms. Carpenter indicated that Ms. Reid and Mr. Erdelyi are preparing summaries on each project for the Board's review, which will be mailed out within a few days.

With no further business, the meeting adjourned at 4:05 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: May 10, 2001

RE: Multifamily Construction & Permanent Loans for Lime Kiln Bond, South Burlington

Name:	LimeKiln Bond	**Location:**	South Burlington
Housing Type:	Family	**Unit Type:**	Flats (elevator)
Total Units:	24	**Unit Sizes:**	7 1-Br, 722 sf; 17 2-Br 925 sf
Total Cost:	$3,088,918	**Per S.F. Devel Cost:**	$148.66
Loan Requested:	$1,643,000 construction; $787,000 permanent	**Housing Credits:**	$88,062
Other Funding:	VHCB, VCDP, HOME, Housing Credits (4%)		
Sponsors:	Housing Vermont & Lake Champlain Housing Development Corporation		

Housing Vermont is seeking $1,643,000 in tax exempt construction financing and $787,000 in permanent debt for a 24 unit building in South Burlington. This building is part of a larger two-building project totaling 48 units. The project will utilize 4% Housing Credits. Burlington Housing Authority has set aside six project based Section 8 vouchers for this development. The permanent debt is structured with a 30 year piece of $712,000, and a shorter 10 year piece of $75,000 which mirrors the additional income from Section 8 rental assistance. Of the 24 units, six will be affordable to households at 30% of median income; two to households at 50% of median income; 13 to households at 60% of median income; and three units will be unrestricted. Four units will be handicapped accessible. The building has three stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the property once it's completed. Occupancy is estimated for February 2002. All other funding is committed; the project has all its permits, has construction bids in hand and anticipates beginning construction in early June. An as-completed appraisal values the property with 48 units at $3,500,000 (pro-rated to 24 units is $1,750,000); the loan to value ratio for 24 units is 45%. A Phase I Environmental Site Assessment was completed and the site has no environmentally hazardous conditions. The budget is attached.

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 or her designee to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

10-May-01 **Lime Kiln Bond**

Total Residential Units:	24	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	21	Increase in Income from Other Sources:	3.00%
Percent Restricted:	87.50%	Increase in Income from Commercial:	3.00%
Total Development Cost:	3,088,918	Expense increase:	3.00%
Total Development Cost per Unit:	128,705	Vacancy Rate:	5%
Total Development Cost Per SF:	149	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	88,062	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	88,062	Sponsor's Estimated Yield:	84.31%

LIHTC - 9%	8.19%	(May 2001)
LIHTC - 4%	3.51%	

SOURCES

	Amount	% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	712,000	23.05%	7.00%	30	20	114.79%
First Mortgage	75,000	2.43%	7.00%	10	10	
VHCB	1,037,209	33.58%	0.00%	30	30	
VCDP	276,408	8.95%	0.00%	30	30	
HOME	128,300	4.15%	0.00%	30	30	
Tax Credit Equity	860,000	27.84%	N/A	N/A		
TOTAL SOURCES	3,088,917	100.00%				
Construction Loan Amount	1,643,000	53.19%		670,700		

USES		787,001.00
Acquisition	158,250	5.12%
Construction Hard Costs	2,155,554	69.78%
Soft Costs	775,114	25.09%
TOTAL USES	3,088,918	100.00%
Gap	1	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	7	630,980		
2 Br	95,890	17	1,630,130		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			2,261,110		
Projected total cost, excluding cash accounts			3,062,198	Cost Overage %	74%
		(over)/under	(801,088)		

General Partner's Capital Contribution	7,424	1.00%
Limited Partner's Capital Contribution	735,025	99.00%
Total Equity	742,449	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	21
Total Units	24
Unit Fraction	87.50%
Tax Credit Square Footage	18,207
Total Residential Square Footage	20,779
Square Footage Fraction	87.62%
Applicable Fraction	87.50%

10-May-01 **Lime Kiln Bond**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	150,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,250			2,250		
5	Legal - Title and Recording	6,000			6,000		
	Subtotal - Acquisition	158,250					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	2,031,062		2,031,062	2,031,062		
8	Accessory Buildings	0					
9	Sitework	0					
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	102,892		102,892	102,892		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	21,600		21,600			
20	Other (__________________)	0					
	Subtotal - Hard Costs	2,155,554					
	SOFT COSTS						
21	Architectural	206,065		206,065	206,065		
22	Engineering	0					
23	Legal/Accounting	19,150		19,150	19,150		
24	Relocation	3,250		3,250	3,250		
25	Environmental Assessment	2,340		2,340	2,340		
26	Energy Assessment	0					
27	Permits/Fees	162,785		162,785	162,785		
28	Independent Market Study	0					
29	Construction Period Insurance	6,000		6,000	6,000		
30	Construction Interest	36,968		36,968	36,968		
31	Construction Loan Origination Fee	0					
32	Taxes During Construction	0					
33	Clerk of the Works	10,400		10,400	10,400		
34	Marketing	2,000			2,000		
35	Tax Credit Fees	1,925		1,925	1,925		
36	Soft Cost Contingency	5,366		5,366	5,366		
37	Permanent Loan Origination Fee	34,645					
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	HVT Developer Fee	80,000		80,000	80,000		
45	LCHDC Developer Fee	80,000		80,000	80,000		
46	Consultant Fees	97,500		97,500	97,500		
	RESERVES						
47	Working Capital	26,720					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	775,114					
	TOTALS	3,088,918	0	2,867,303	2,855,953	0	
	LESS: Amount of Non-qualified Financing						
	LESS: Adjustment for per unit cost limits	1					
	LESS: Historic tax Credit (Residential Portion)			0	0		
	Total Eligible Basis		0	2,867,303			
	TIMES: Adjusted for QCT/DDA	100.00%		2,867,303			
	TIMES: Applicable Fraction	87.50%	0	2,508,890			
	Total Qualified Basis		0	2,508,890			
	TIMES: Applicable Percentage		3.51%	3.51%			
	Total Annual Credit Qualified		0	88,062			

2,855,953	Long Term Depreciable Basis
27.5	Depreciation Schedule
103,853	Annual Depreciation
21,600	Short Term Depreciable Basis
7	Depreciation Schedule
3,086	Annual Depreciation

Total Tax Credits Requested	88,062
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	860,000
Estimated Yield - Housing Credit Syndication	98.64%
Equity Gap	860,001
Credits Needed to fill Equity Gap	88,062

	Check all Applicable									A					C								

Bond Buildi

Building	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-paid Utilities	Gross Rent (Rent + Tenant-paid Utilities) <30%	AFFORDABLE TO: Units affordable to residents at: 30%	50%	60%	65%	80%	100%+		Section 8 Rent	
Bond	25	X		x	X		X			2	925	544	47	591		x					47%	788	244
Bond	26	X		x	X			X		2	925	544	47	591		x					47%	788	244
Bond	27	X		x	X		X			1	722	452	38	490		x					47%	611	159
Bond	28				X			X		2	925	625	47	672			x				54%		
Bond	29				X		X			2	925	625	47	672			x				54%		
Bond	30				X			X		1	722	552	38	590			x				57%		
Bond	31				X			X		1	722	552	38	590			x				57%		
Bond	32				X		X			2	925	625	47	672			x				54%		
Bond	33	X		x	X			X		2	925	544	47	591		x					47%	788	244
Bond	34	X		x	X			X		2	925	544	47	591		x					47%		
Bond	35	X			X			X		1	722	452	38	490		x					47%	611	159
Bond	36				X			X		2	925	625	47	672			x				54%		
Bond	37				X			X		2	925	625	47	672			x				54%		
Bond	38				X			X		1	722	552	38	590			x				57%		
Bond	39				X			X		2	925	625	47	672			x				54%		
Bond	40				X			X		2	925	625	47	672			x				54%		
Bond	41	X		x	X			X		2	925	544	47	591		x					47%	788	244
Bond	42							X	X	2	925	739	47	786			x				63%		
Bond	43				X			X		1	722	552	38	590			x				57%		
Bond	44				X			X		2	925	625	47	672			x				54%		
Bond	45	X			X			X		2	925	544	47	591		x					47%		
Bond	46							X	X	1	722	614	38	652					x		63%		
Bond	47				X			X		2	925	625	47	672			x				54%		
Bond	48							X	X	2	925	739	47	786					x		63%		
		8	0	6	21	0	4	24	3			14,093			0	8	14	0	2	0	24		1,294 monthly
												144,012											15,528 annual
												28,468								51	9	50	8
												341,616								##	4	60	14
																						>60	3

form revision date: 2/27/97

10-May-01 **Lime Kiln Bond**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,960	1,080	45	
Admin Salaries/Benefits	1,440	120	5	
Audit/Accounting	3,168	264	11	
Legal	1,440	120	5	
Compliance Monitoring	1,152	96	4	
Marketing	0	0	0	
Other	2,304	192	8	
TOTAL ADMINISTRATIVE	22,464	1,872	78	
Utilities				
Electricity	1,440	120	5	
Fuel - Oil	10,080	840	35	
Water and Sewer	5,760	480	20	
Fire Alarm / Emergency	576	48	2	
Other	0	0	0	
TOTAL UTILITIES	17,856	1,488	62	
Maintenance				
Maintenance / Janitor Payroll	8,640	720	30	
Janitor Supplies	1,440	120	5	
Exterminating	576	48	2	
Trash Removal	4,320	360	15	
Snow Removal	2,304	192	8	
Grounds	2,304	192	8	
Repairs Material		0	0	
Repairs Contract	0	0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	1,440	120	5	
Painting and Decorating	2,016	168	7	
Other	0	0	0	
TOTAL MAINTENANCE	23,040	1,920	80	
Real Estate Taxes	25,920	2,160	90	
Property Insurance	3,744	312	13	
Replacement Reserves	8,640	720	30	pum less repl res & ds
Primary Debt Service	56,843	4,737	197	323
Other "must pay" debt service	10,450	871	36	
Other		0	0	
Total	168,957	14,080	587	
		28,160		

10-May-01	Lime Kiln Bond															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		169,116	171,653	174,228	176,841	179,494	182,186	184,919	187,693	190,508	193,366	196,266	199,210	202,198	205,231	208,310
Other Income		3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567	4,704	4,845	4,990	5,140	5,294
Section 8 Income		15,528	15,761	15,997	16,237	16,481	16,728	16,979	17,234	17,492	17,755					
Vacancy and other losses		(9,232)	(8,583)	(8,711)	(8,842)	(8,975)	(9,109)	(9,246)	(9,385)	(9,525)	(9,668)	(9,813)	(9,961)	(10,110)	(10,262)	(10,415)
Total Operating Income		178,912	182,436	185,227	188,061	190,939	193,862	196,831	199,846	202,908	206,019	191,156	194,094	197,078	200,109	203,188
Operating Expenses																
Total Expenses (excl. Reserves)		93,024	95,815	98,689	101,650	104,699	107,840	111,076	114,408	117,840	121,375	125,016	128,767	132,630	136,609	140,707
Reserves		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Total Operating Expense		101,664	104,584	107,590	110,684	113,870	117,148	120,523	123,997	127,573	131,254	135,044	138,944	142,960	147,094	151,350
Net Operating Income		77,248	77,852	77,636	77,376	77,070	76,714	76,308	75,849	75,335	74,764	56,113	55,150	54,118	53,015	51,839
Less Primary Debt Service		56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843
Less Secondary Debt Service		10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	0	0	0	0	0
Annual Cash Flow		9,955	10,558	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	(731)	(1,694)	(2,725)	(3,828)	(5,005)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	731	1,694	2,725	3,828	5,005
Net Cash		9,955	10,558	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	0	0	0	0	0
DCR		114.79%	115.69%	115.37%	114.98%	114.53%	114.00%	113.40%	112.71%	111.95%	111.10%	98.71%	97.02%	95.21%	93.27%	91.20%
Cumulative Cash Flow																
Beginning Balance		0	10,054	21,020	32,097	43,244	54,415	65,563	76,635	87,575	98,325	108,821	111,355	113,002	113,667	113,249
Deposits		9,955	10,558	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	0	0	0	0	0
Interest	2.0%	100	407	734	1,064	1,395	1,727	2,057	2,385	2,708	3,024	3,265	3,341	3,390	3,410	3,397
Withdrawals		0	0	0	0	0	0	0	0	0	0	(731)	(1,694)	(2,725)	(3,828)	(5,005)
Ending Balance		10,054	21,020	32,097	43,244	54,415	65,563	76,635	87,575	98,325	108,821	111,355	113,002	113,667	113,249	111,642
Cumulative Replacement Reserves																
Beginning Balance		0	8,726	17,845	27,371	37,317	3,299	12,798	22,724	33,091	43,914	10,809	21,260	32,177	43,576	55,473
Deposits		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Interest	2.0%	86	349	624	911	1,211	192	478	778	1,090	1,416	425	740	1,069	1,412	1,771
Withdrawals		0	0	0	0	(44,400)	0	0	0	0	(44,400)	0	0	0	0	(44,400)
Ending Balance		8,726	17,845	27,371	37,317	3,299	12,798	22,724	33,091	43,914	10,809	21,260	32,177	43,576	55,473	23,486
		* assumes $1850 per unit is used every 5 years														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		77,248	77,852	77,636	77,376	77,070	76,714	76,308	75,849	75,335	74,764	56,113	55,150	54,118	53,015	51,839
Plus Reserves		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Less Interest Expense		(54,691)	(53,780)	(52,803)	(51,755)	(50,632)	(49,428)	(48,136)	(46,751)	(45,266)	(43,674)	(42,308)	(41,258)	(40,131)	(38,923)	(37,627)
Less Long Depreciation		(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)
Less Short Depreciation		(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(75,742)	(74,097)	(73,204)	(72,283)	(71,331)	(70,344)	(69,319)	(65,166)	(64,051)	(62,884)	(80,021)	(79,783)	(79,535)	(79,275)	(78,999)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		26,510	25,934	25,621	25,299	24,966	24,621	24,262	22,808	22,418	22,009	28,007	27,924	27,837	27,746	27,650
Plus Tax Credits		88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062					
After Tax Cash Flow		114,572	113,996	113,683	113,361	113,028	112,683	112,324	110,870	110,480	110,071	28,007	27,924	27,837	27,746	27,650
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		114,572	113,996	113,683	113,361	113,028	112,683	112,324	110,870	110,480	110,071	28,007	27,924	27,837	27,746	27,650
Future Value of Cash Flows at Yr 15:		627,115	557,111	496,057	441,652	393,173	349,975	311,483	274,510	244,236	217,261	49,359	43,939	39,110	34,805	30,968
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-May-01	01-Apr-02	30-Jul-02	01-Apr-03	01-Apr-04	01-Apr-05										
Amount of Capital Contribution:	10,065	50,326	50,326	301,958	301,958	291,893	0	0								
Present Value of Contributions:	10,065	47,824	46,877	270,011	254,034	231,074										
Cash Flows	(859,886)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,110,753
IRR:	10.99%															
Equity Yield:	98.63%															

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: May 10, 2001

RE: Multifamily Permanent Loan for Lime Kiln Allocated, South Burlington

Name:	LimeKiln Allocated	**Location:**	South Burlington
Housing Type:	Family	**Unit Type:**	Flats (elevator)
Total Units:	24	**Unit Sizes:**	7 1-Br, 722 sf; 17 2-Br 925 sf
Total Cost:	$2,923,917	**Per S.F. Devel Cost:**	$140.72
Loan Requested:	$710,063 permanent	**Housing Credits:**	$150,000
Other Funding:	VHCB, VCDP, Developer Loan, Housing Credits (9%)		
Sponsors:	Housing Vermont & Lake Champlain Housing Development Corporation		

Housing Vermont is seeking up to $710,063 in permanent taxable debt to finance a 24 unit building in South Burlington. This building is part of a larger two-building project totaling 48 units. Burlington Housing Authority has set aside six project based Section 8 vouchers for this development. The permanent debt is structured with a 30 year piece of $635,063, and a shorter 10 year piece of $75,000 which mirrors the additional income from Section 8 rental assistance. Of the 24 units, six will be affordable to households at 30% of median income; two to a household at 50% of median income; nine to households at or below 60% of median income; and seven units will be unrestricted. Four units will be handicapped accessible. The building has three stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the property once it's completed. Occupancy is estimated for February 2002. All other funding is committed; the project has all its permits, has construction bids in hand and anticipates beginning construction in early June. An as-completed appraisal values the entire property of 48 units (two buildings each with 24 units) at $3,500,000 (pro-rated to 24 units is $1,750,000); the loan to value ratio for 24 units is 41%. A Phase I Environmental Site Assessment was completed and the site has no environmentally hazardous conditions. The budget is attached.

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 or her designee to issue a Letter of Interest and/or 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 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

10-May-01 **Lime Kiln Allocated**

Total Residential Units:	24	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	1.50%
Percent Restricted:	70.83%	Increase in Income from Commercial:	1.50%
Total Development Cost:	3,088,918	Expense increase:	3.00%
Total Development Cost per Unit:	128,705	Vacancy Rate:	5%
Total Development Cost Per SF:	149	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	157,588	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	150,000	Sponsor's Estimated Yield:	84.31%

LIHTC - 9%	8.19%	(May 2001)
LIHTC - 4%	3.51%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	635,063	21.72%	8.50%	30	20	116.74%
First Mortgage	75,000	2.57%	8.50%	10	10	
VHCB	547,561	18.73%	0.00%	30	30	
VHCB Additional	0	0.00%	0.00%	30	30	
VCDP	394,292	13.49%	0.00%	30	30	
Developer Loan	20,000	0.68%	6.00%	10	10	
Tax Credit Equity	1,252,000	42.82%	N/A	N/A		
TOTAL SOURCES	2,923,916	100.00%				
Construction Loan	0					
				941,853		

USES

			1,671,916	56.33%
Acquisition	158,250	5.41%		
Construction Hard Costs	1,998,017	68.33%		
Soft Costs	767,650	26.25%		
TOTAL USES	2,923,917	100.00%		
Gap	1			

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	7	630,980		
2 Br	95,890	17	1,630,130		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			2,261,110		
Projected total cost, excluding cash accounts			2,893,077	Cost Overage %	78%
		(over)/under	(631,967)		

General Partner's Capital Contribution	12,646	1.00%
Limited Partner's Capital Contribution	1,252,000	99.00%
Total Equity	1,264,646	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	17
Total Units	24
Unit Fraction	70.83%
Tax Credit Square Footage	14,913
Total Residential Square Footage	20,779
Square Footage Fraction	71.77%
Applicable Fraction	70.83%

10-May-01 **Lime Kiln Allocated**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	150,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,250			2,250		
5	Legal - Title and Recording	6,000			6,000		
	Subtotal - Acquisition	158,250					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	1,881,344		1,881,344	1,881,344		
8	Accessory Buildings	0					
9	Sitework	0					
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	95,073		95,073	95,073		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	21,600		21,600	21,600		
20	Other (________________)	0					
	Subtotal - Hard Costs	1,998,017					
	SOFT COSTS						
21	Architectural	190,214		190,214	190,214		
22	Engineering	0		0	0		
23	Legal/Accounting	19,150		19,150	19,150		
24	Relocation	3,250		3,250	3,250		
25	Environmental Assessment	2,160		2,160	2,160		
26	Energy Assessment	0		0	0		
27	Permits/Fees	162,785		162,785	162,785		
28	Independent Market Study	0		0	0		
29	Construction Period Insurance	6,000		6,000	6,000		
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	0		0	0		
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	9,600		9,600	9,600		
34	Marketing	2,000			2,000		
35	Tax Credit Fees	1,925		1,925	1,925		
36	Soft Cost Contingency	5,855		5,855	5,855		
37	Permanent Loan Origination Fee	19,621					
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	HVT Developer Fee	80,000		80,000	80,000		
45	LCHDC Developer Fee	80,000		80,000	80,000		
46	Consultant Fees	97,500		97,500	97,500		
	RESERVES						
47	Working Capital	27,590					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	767,650					
	TOTALS	2,923,917	0	2,716,456	2,705,106	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits			2,716,456			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	0		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.0%		2,716,456			
TIMES:	Applicable Fraction	70.83%	0	1,924,156			
	Total Qualified Basis		0	1,924,156	2,705,106 Long Term Depreciable Basis		
TIMES:	Applicable Percentage		3.51%	8.19%	27.5 Depreciation Schedule		
	Total Annual Credit Qualified		0	157,588	98,367 Annual Depreciation		

Total Tax Credits Requested	150,000
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	1,252,000
Estimated Yield - Housing Credit Syndication	84.31%
Equity Gap	1,252,001
Credits Needed to fill Equity Gap	150,000

21,600 Short Term Depreciable Basis

7 Depreciation Schedule

3,086 Annual Depreciation

Assumes Waiver of Cost Limits

10-May-01 **Lime Kiln Allocated**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,960	1,080	45	
Admin Salaries/Benefits	1,440	120	5	
Audit/Accounting	3,168	264	11	
Legal	1,440	120	5	
Compliance Monitoring	1,152	96	4	
Marketing		0	0	
Other	2,304	192	8	
TOTAL ADMINISTRATIVE	22,464	1,872	78	
Utilities				
Electricity	1,440	120	5	
Fuel - Oil	10,080	840	35	
Water and Sewer	5,760	480	20	
Fire Alarm / Emergency	576	48	2	
Other	0	0	0	
TOTAL UTILITIES	17,856	1,488	62	
Maintenance				
Maintenance / Janitor Payroll	8,640	720	30	
Janitor Supplies	1,440	120	5	
Exterminating	576	48	2	
Trash Removal	4,320	360	15	
Snow Removal	2,304	192	8	
Grounds	2,304	192	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	1,440	120	5	
Painting and Decorating	2,016	168	7	
Other		0	0	
TOTAL MAINTENANCE	23,040	1,920	80	
Real Estate Taxes	25,920	2,160	90	
Property Insurance	3,744	312	13	
Replacement Reserves	8,640	720	30	
Primary Debt Service	58,597	4,883	203	pum less repl res
Other "must pay" debt service	11,159	930	39	323
Other		0	0	
Total	171,420	14,285	595	
		28,570		

D. RENT CHART
Common Form for HC, VCDP, VHCB (including HOME & Lead), VHFA & RD

Project Name: Lime Kiln Housin
Date: April 2, 2001

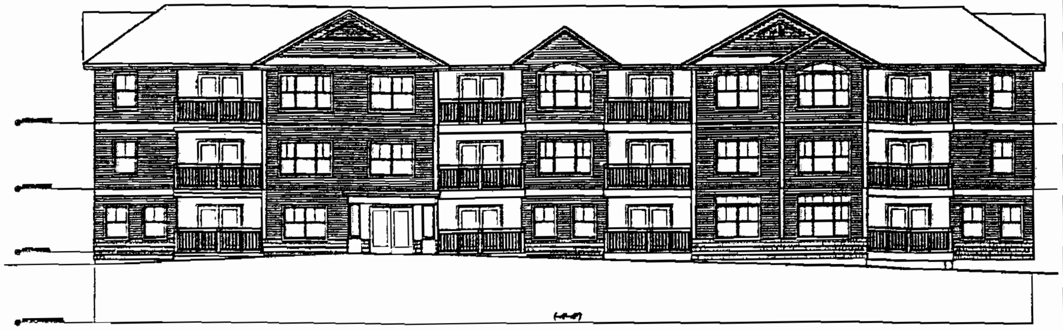
Allocated Building

		Check all Applicable								A					C										
Building	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-paid Utilities	Gross Rent (Rent + Tenant-paid Utilities)	AFFORDABLE TO: Units affordable to residents at: <30%	30%	50%	60%	65%	80%	100%	1 Br	2 Br		
																						625	750		
Alloc.	1	X		X	X		X			2	925	544	47	591			1					47%		788	244
Alloc.	2	X		X	X			X		2	925	544	47	591			1					47%		788	244
Alloc.	3	X		X	X		X			1	722	452	38	490			1					47%		611	159
Alloc.	4				X			X		2	925	615	47	662				1				53%			
Alloc.	5				X		X			2	925	615	47	662				1				53%			
Alloc.	6				X			X		1	722	552	38	590				1				57%			
Alloc.	7				X			X		1	722	552	38	590				1				57%			
Alloc.	8				X		X			2	925	615	47	662				1				53%			
Alloc.	9	X		X	X			X		2	925	544	47	591			1					47%		788	244
Alloc.	10	X		X	X			X		2	925	544	47	591			1					47%		788	244
Alloc.	11	X		X	X			X		1	722	452	38	490			1					47%			
Alloc.	12				X			X		2	925	615	47	662				1				53%			
Alloc.	13				X			X		2	925	615	47	662				1				53%			
Alloc.	14							X	X	1	722	614	38	652						1		63%			
Alloc.	15				X			X		2	925	615	47	662				1				53%			
Alloc.	16				X			X		2	925	615	47	662				1				53%			
Alloc.	17	X			X			X		2	925	544	47	591				1				47%		788	244
Alloc.	18				X			X		2	925	544	47	591								47%			
Alloc.	19							X	X	1	722	614	38	652						1		63%	30	6	
Alloc.	20							X	X	2	925	739	47	786						1		63%	31-39	0	
Alloc.	21							X	X	2	925	739	47	786						1		63%	41-49	0	
Alloc.	22							X	X	1	722	614	38	652						1		63%	50	2	
Alloc.	23							X	X	2	925	739	47	786						1		63%	51-59	7	
Alloc.	24							X	X	2	925	739	47	786						1		63%	60	2	
		7	0	6	17	0	4	24	7		20,779	14,375				0	6	10	0	7	0		>60	7	1,379
																								24	16,548

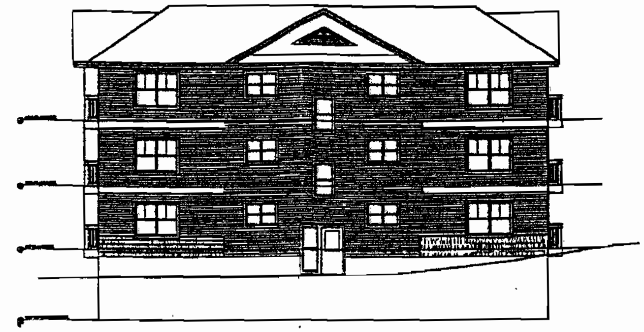
Project Name: Lime Kiln Housin
Date: April 2, 2001

10-May-01 **Lime Kiln Allocated**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		172,500	175,088	177,714	180,380	183,085	185,831	188,619	191,448	194,320	197,235	200,193	203,196	206,244	209,338	212,478
Other Income		3,500	3,553	3,606	3,660	3,715	3,770	3,827	3,884	3,943	4,002	4,062	4,123	4,185	4,247	4,311
Section 8 Income		16,548	16,796	17,048	17,304	17,563	17,827	18,094	18,366	18,641	18,921					
Vacancy and other losses		(9,452)	(8,754)	(8,886)	(9,019)	(9,154)	(9,292)	(9,431)	(9,572)	(9,716)	(9,862)	(10,010)	(10,160)	(10,312)	(10,467)	(10,624)
Total Operating Income		183,096	186,682	189,482	192,324	195,209	198,137	201,109	204,126	207,188	210,296	194,246	197,159	200,117	203,118	206,165
Operating Expenses																
Total Expenses (excl. Reserves)		93,024	95,815	98,689	101,650	104,699	107,840	111,076	114,408	117,840	121,375	125,016	128,767	132,630	136,609	140,707
Reserves		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Total Operating Expense		101,664	104,584	107,590	110,684	113,870	117,148	120,523	123,997	127,573	131,254	135,044	138,944	142,960	147,094	151,350
Net Operating Income		81,432	82,098	81,892	81,640	81,340	80,989	80,586	80,129	79,615	79,042	59,202	58,215	57,156	56,024	54,816
Less Primary Debt Service		58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597
Less Secondary Debt Service		11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	0	0	0	0	0
Less Developer Loan		2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	0	0	0	0	0
Annual Cash Flow		9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	605	(382)	(1,441)	(2,573)	(3,781)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	382	1,441	2,573	3,781
Net Cash		9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	605	0	0	0	0
DCR		116.74%	117.69%	117.40%	117.04%	116.61%	116.10%	115.53%	114.87%	114.13%	113.31%	101.03%	99.35%	97.54%	95.61%	93.55%
Cumulative Cash Flow																
Beginning Balance		0	9,101	19,149	29,289	39,480	49,673	59,818	69,860	79,742	89,401	98,771	102,345	105,033	106,743	107,373
Deposits		9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	605	0	0	0	0
Interest	2.0%	90	370	669	971	1,274	1,576	1,876	2,173	2,464	2,748	2,969	3,070	3,151	3,202	3,221
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	(382)	(1,441)	(2,573)	(3,781)
Ending Balance		9,101	19,149	29,289	39,480	49,673	59,818	69,860	79,742	89,401	98,771	102,345	105,033	106,743	107,373	106,813
Cumulative Replacement Reserves																
Beginning Balance		0	8,726	17,758	27,104	36,771	2,368	11,816	21,594	31,711	42,176	8,597	18,896	29,553	40,578	51,979
Deposits		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Interest	2.0%	86	262	444	632	827	140	331	528	732	942	272	480	694	916	1,146
Withdrawals		0	0	0	0	(44,400)	0	0	0	0	(44,400)	0	0	0	0	(44,400)
Ending Balance		8,726	17,758	27,104	36,771	2,368	11,816	21,594	31,711	42,176	8,597	18,896	29,553	40,578	51,979	19,368
		* assumes 1850 per unit every 5 years is used														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		81,432	82,098	81,892	81,640	81,340	80,989	80,586	80,129	79,615	79,042	59,202	58,215	57,156	56,024	54,816
Plus Reserves		8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Less Interest Expense		(61,139)	(60,182)	(59,143)	(58,015)	(56,790)	(55,460)	(54,015)	(52,445)	(50,741)	(48,890)	(47,398)	(46,408)	(45,331)	(44,159)	(42,882)
Less Long Depreciation		(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)
Less Short Depreciation		(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(72,521)	(70,769)	(69,804)	(68,794)	(67,733)	(66,616)	(65,434)	(61,095)	(59,761)	(58,337)	(76,537)	(76,384)	(76,212)	(76,017)	(75,792)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		25,382	24,769	24,431	24,078	23,707	23,316	22,902	21,383	20,916	20,418	26,788	26,734	26,674	26,606	26,527
Plus Tax Credits		150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000					
After Tax Cash Flow		175,382	174,769	174,431	174,078	173,707	173,316	172,902	171,383	170,916	170,418	26,788	26,734	26,674	26,606	26,527
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		175,382	174,769	174,431	174,078	173,707	173,316	172,902	171,383	170,916	170,418	26,788	26,734	26,674	26,606	26,527
Future Value of Cash Flows at Yr 15:		959,967	854,116	761,130	678,203	604,248	538,292	479,471	424,338	377,841	336,375	47,209	42,067	37,475	33,374	29,710
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	01-Jun-01	01-Jun-02	01-Sep-02	01-Jun-03	01-Jun-04	01-Jun-05										
Amount of Capital Contribution:	14,702	73,508	73,508	441,045	441,045	426,343										
Present Value of Contributions:	14,702	69,170	68,117	390,524	367,416	334,208										
Cash Flows	(1,244,138)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,203,816

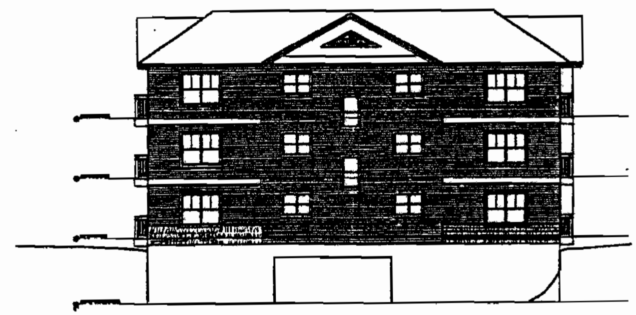


BUILDING 2: FRONT ELEVATION



BUILDING 2: SIDE ELEVATION

BUILDING 2: REAR ELEVATION



BUILDING 2: GARAGE SIDE ELEVATION

LIME KILN HOUSING

BURLINGTON, VERMONT

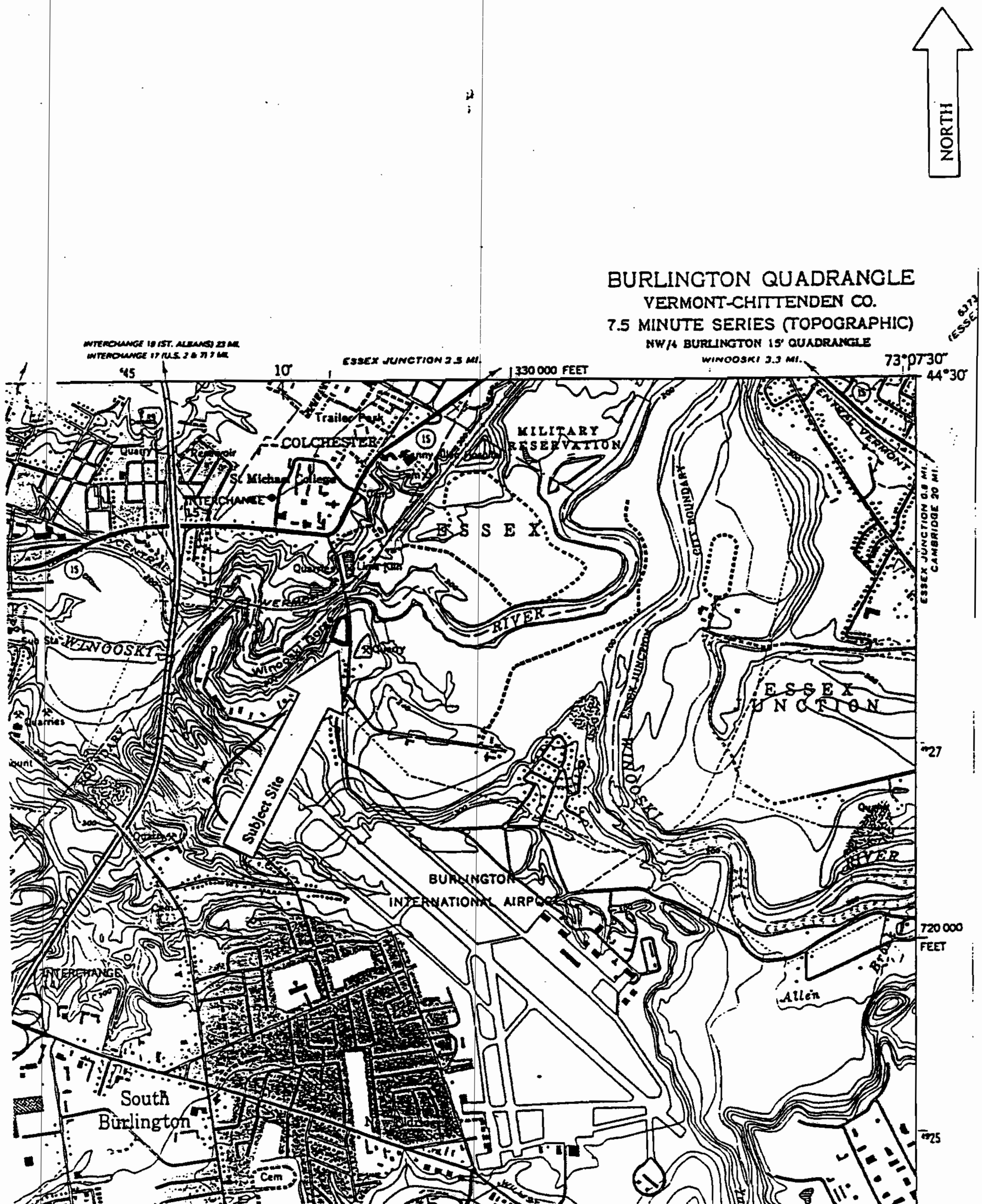
BUILDING #2

BLDG. ELEVATIONS

Vermont Architects Collaborative
Architecture + Interiors + Planning

186 ELM STREET, STE 4 MONTPELIER, VERMONT 05602
802-223-6462 FAX 802-223-6471

A-4.1



Project Manager: Stephen Znamierowski	**Figure 2** Site Locus Map Proposed Lime Kiln Apartments Airport Parkway So. Burlington, VT USGS Quad Burlington, VT Scale 1:24,000	ATC Associates Inc. PO Box 3, 15 East Main Street Richmond, Vermont 05477
Client: Housing Vermont		ATC Project # 63.05771.0017

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR THE BOND BUILDING AND PERMANENT FINANCING FOR THE ALLOCATED BUILDING OF THE LIME KILN PROJECT, SOUTH BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of two (2) to be formed limited partnerships in which the Sponsor or its subsidiaries will be general partners (the "Borrowers") involving the construction of two (2) buildings containing twenty-four (24) units each (the "Bond Building" and the "Allocated Building" respectively) for a total of forty-eight (48) units of rental housing in the City of South 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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Bond Building and a mortgage loan for permanent term financing for the Allocated Building, with the interest rates 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;

WHEREAS, the limited partnerships are expected to qualify as housing sponsors 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 May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrowers will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrowers. 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 issuance of the Bonds for the purpose of financing one or more loans to the Borrowers 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for each of the Bond Building and the Allocated Building respectively, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: May 10, 2001

RE: Westgate

In August 2000 the VHFA Board approved several loans for this development which in the aggregate totaled approximately $4.6 million dollars, all using tax-exempt bond proceeds. The loans were to be secured by a first mortgage on the 50 unit portion of the 98 unit development. The balance of the project (48 units) was to receive financing from tax credit equity, VHCB, HOME, and a variety of other sources.

Since that approval the sponsors have purchased the property, completed an Act 250 approval process, received additional financing commitments, fought mold, completed very thorough plans and specs, and received construction bids. Housing Vermont sought a private letter ruling from the IRS that would have allowed an easier blending of 4% "automatic" tax credits with the allocated credits. The IRS indicated that they would not reach a favorable ruling, and the request was withdrawn. As a result, the project is still structured as two side-by-side partnerships, one using tax-exempt financing and the other using allocated credits, but the mix is now 24 units in the "bond" side and 74 units in the "allocated" side. The VHFA financing is needed for both parts of the development, and the aggregate dollars sought has actually gone down, to approximately $3.5 million dollars. The combination of: 1) having 98 units secure the loans versus 50, and 2) a smaller aggregate loan amount, will serve to make VHFA's loans more secure. The permanent loan-to-value ratio is now 47%, using an "as-is" appraisal. The recently-passed loan approval process requires Board action when the loan security changes.

The Board is being asked to authorize the Executive Director to make necessary modifications to the previous Board approval, including but not limited to, 1) to change the source of the loans from just tax-exempt bond proceeds to both tax-exempt and taxable bond proceeds, the amount from each source to be determined at her discretion; and, 2) to change the security of the VHFA loan from a first mortgage on the 50 unit segment of the project to first mortgages on the entire 98 unit project.

Recommended Action: Approval of the attached resolution authorizing the Executive Director to execute the changes described above.

AMENDED RESOLUTION RE: COMBINED LETTER OF INTEREST AND COMMITMENT LETTER FOR WESTGATE APARTMENTS, BRATTLEBORO

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 Housing Vermont (the "Sponsor") on behalf of one or more to-be-formed limited partnerships for the permanent term financing of the acquisition and rehabilitation of ninety-eight (98) unit family rental project in seventeen (17) buildings located on Westgate Drive in the Town of Brattleboro (the "Development: and

WHEREAS, the Development has been the subject of a previous resolution of the Board in August 2000 which remains in effect subject to the changes authorized in this resolution; and

WHEREAS, a change in the collateral security for the permanent term financing has become necessary since the Board last considered the Development; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. Because of events that have transpired since August, 2000, the Executive Director is authorized, in her discretion, to modify the terms of the Agency's previous approval in accordance with the Underwriting Guidelines, including, but not limited to,

   a) to change the source, amount and amortization of any of the loans from tax-exempt bond proceeds and taxable bond proceeds; and
   b) to structure the collateral security of the VHFA loans to correspond to the loans to be made on the entire project rather than a portion of the project.

2. The Board's August 2000 resolution is reaffirmed to the extent its terms are not inconsistent with the terms of this resolution.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations *DA*
Patricia Crady, Director of Homeownership Programs
Leslie Black-Plumeau, Research Analyst *LB-P*

DATE: May 10, 2001

RE: Revisions To Income and Purchase Price Limits Under MRB Program

The purpose of this memo is to propose increasing our income and purchase price limits in most parts of the state for VHFA's MRB homeownership programs.

<u>Maximum Income Limits</u>

The primary data source used to adjust the MRB maximum income limits is HUD's median income estimates. In April, HUD released the 2001 median income estimates for the state and for each county. The new HUD data supports increases in VHFA's income limits, as shown in the following table:

	Current		Maximum Allowable		Proposed	
	2 or Fewer persons	3+ Persons	2 or Fewer persons	3+ Persons	2 or Fewer persons	3+ Persons
Addison	43,000	49,400	45,500	52,325	45,500	52,300
Bennington	43,000	49,400	45,500	52,325	45,500	52,300
Caledonia	51,600	60,000	54,600	63,700	54,600	63,700
Chittenden (non-MSA)	52,300	60,000	57,500	66,125	57,500	66,000
Essex	51,600	60,000	54,600	63,700	54,600	63,700
Franklin (non-MSA)	51,600	60,000	54,600	63,700	54,600	63,700
Grand Isle (non-MSA)	43,000	49,400	45,500	52,325	45,500	52,300
Lamoille	51,600	60,000	54,600	63,700	54,600	63,700
Orange	51,600	60,000	54,600	63,700	54,600	63,700
Orleans	51,600	60,000	54,600	63,700	54,600	63,700
Rutland	51,600	60,000	54,600	63,700	54,600	63,700
Washington	52,300	60,000	54,960	64,120	54,900	64,100
Windham	51,600	60,000	54,600	63,700	54,600	63,700
Windsor	43,000	49,400	45,500	52,325	45,500	52,300
Burlington MSA	52,300	60,000	55,600	63,940	55,600	63,900
Burlington Targeted Tracts	55,000	65,000	66,720	77,840	58,000	68,000

The maximum income limits allowable resulting from HUD's new data are higher than the current limits by about $2,500-$4,000 (except in the non-MSA portion of Chittenden County which experienced the greatest increases in the state). We propose increasing the MRB income limits to the maximum allowable limits in all areas except the two Burlington qualified census tracts. In those census tracts, the maximum allowable limit is greater than we feel is needed. For those neighborhoods, we propose keeping the income limit increase to $3,000—comparable to the increases in the rest of the state.

Maximum Purchase Price Limits

Once again, we are hearing from our lender, real estate, and nonprofit partners that VHFA's purchase price limits are lagging real estate prices in some parts of the state. When VHFA's purchase price limits lag too far behind price changes in the real estate market, VHFA's financing options become unavailable to some borrowers who need its mortgage loan products.

To more closely align VHFA's purchase price limits with home prices, we recently completed a detailed purchase price study for the parts of the state that appeared to be experiencing substantial price appreciation based on preliminary analysis. The areas studied were the Burlington MSA and Addison, Bennington, the non-MSA portion of Chittenden, Lamoille, Orange, Rutland, Washington, Windham, and Windsor counties. For these areas, VHFA used Vermont property transfer tax data and MLS data to compute average area purchase prices for new and existing homes.

The following table shows the limits we propose in light of VHFA's recent analysis of purchase price data:

	Existing 1-Family Homes			Existing 2-Family Homes			New Homes		
	Maximum*	Proposed**	Current	Maximum*	Proposed**	Current	Maximum*	Proposed***	Current
Addison	121,697	121,000	117,000	137,030	137,000	132,000	139,688	139,000	129,000
Bennington	132,663	132,000	123,000	149,378	149,000	138,000	172,636	No change	158,000
Caledonia	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Chittenden (Non-MSA)	124,787	124,000	115,000	140,509	140,000	129,000	129,136	No change	129,000
Essex	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Franklin (Non-MSA)	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Grand Isle (Non-MSA)	117,931	No change	115,000	132,790	No change	129,000	129,136	No change	129,000
Lamoille	158,194	133,000	123,000	178,126	150,000	138,000	304,717	No change	162,000
Orange	123,140	123,000	112,000	138,655	138,000	126,000	157,832	No change	155,000
Orleans	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Rutland	123,978	123,000	117,000	139,598	138,000	132,000	244,200	No change	165,000
Washington	120,526	120,000	117,000	135,712	135,000	132,000	220,123	160,000	155,000
Windham	134,407	133,000	123,000	151,342	150,000	138,000	213,195	160,000	155,000
Windsor	133,561	133,000	112,000	150,389	150,000	126,000	242,783	160,000	129,000
MSA	133,864	133,000	123,000	150,731	150,000	138,000	202,296	190,000	165,000
Burlington Targeted Census Tracts	163,612	145,000	135,000	184,226	165,000	150,000	247,250	190,000	165,000

* *Maximum limits are the greater of (1) limits based on VHFA's most recent analysis of purchase prices for that area or (2) IRS safe harbor limits established in 1994.*

** *Limits proposed for existing homes are set near the maximum allowable limit, but not to exceed the maximum limit in the MSA. The limit proposed for the Burlington qualified census tracts is slightly higher than the MSA limit, due to the additional flexibility provided by its status as a "targeted area."*

*** *New home limit increases are proposed for the MSA, Addison, Washington, and Windham Counties because in these areas our current limits are substantially less than the (1) maximum allowable limits, (2) purchase prices supported by income limits for those areas, and (3) limits that would be in effect under the Housing Bond and Credit Modernization Act.*

Board Action Requested

We recommend that the Board approve the proposed income and purchase price limits at the May 17th meeting.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: May 17, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Loans purchased for the month of April totaled $2,565,590 with year-to-date totals now at $53.4 million. Although production was somewhat low, it is in line with prior year trends and the volume of reservations over the past few weeks have picked up significantly. We believe that loans purchased in May and June will be sufficient to achieve our $60 million goal for Fiscal Year 2001.

Long term interest rates seem to have begun to stabilize and to some degree, begun to increase. Our MOVE rate at 6.5% with no points, continues to provide a .5% to .75% advantage to conventional rates. Our Cash Assistance Program at 7.0% with a 3% subsidy to the borrowers for down payment and closing cost assistance is picking up momentum slowly but steadily. Kelly Deforge is continuing outreach and training on this program and preliminary indications are favorable.

I have received a fair number of calls from single family developers around the State in the past few weeks, who are looking for various forms of assistance from VHFA. In some cases they are looking for development construction financing, others are looking for construction financing for the individual home purchasers. In addition, a few of the developers are asking if VHFA is willing to be an advocate in some way in the permitting process.

The staff has been researching the technical and labor intensive mechanics of handling single family construction loans for some time. There are still hurdles to overcome. Offering development financing for single family housing projects is possible but no program or underwriting criteria are in place and staff resources would have to be given serious consideration.

From an advocacy standpoint; we might consider offering support in the form of letters or attendance at public hearings during the permit process for those projects which truly target VHFA eligible households. We have meetings with several builders scheduled in the next few weeks to explore any opportunities that make sense.

COLLECTIONS

Delinquency reports for the month of April were not available as of this writing. These will be a hand out at the meeting. Four new REO's came on the books in April and six were sold. We have 18 properties with principal balances totaling $1.1 million, of which 10 are under contract. Loan losses continue to be in line with budgeted expectations and should finish the year under our budgeted level of $1.2 million.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,082,656	5,896,809	6,163,020	5,000,898	5,687,117	6,471,304	3,869,451	1,765,585	1,880,725	2,318,855			45,136,420
MOBILE HOM	866,063	348,550	616,554	524,049	486,555	1,040,625	508,419	161,900	700,457	121,235			5,374,407
HOUSE	142,750	100,000	221,600	89,165	124,500	185,000	99,000	97,000	162,750	125,500			1,347,265
YESS	157,150	55,000	0	170,450	217,455	246,629	126,675	114,820					1,088,179
RURAL DEV.	139,900	43,180	57,360	10,000	39,000	26,260	86,500	28,640					430,840
Total	7,388,519	6,443,539	7,058,534	5,794,562	6,554,627	7,969,818	4,690,045	2,167,945	2,743,932	2,565,590	0	0	53,377,111

VHFA Production Report By Product FY2000

July 1, 1999 - June 30, 2000

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total	1999 FY Total
MOVE	4,124,272	5,050,851	2,983,050	10,360,896	9,377,888	5,824,798	4,920,567	3,318,996	3,256,736	3,056,844	3,290,355	6,229,550	61,794,803	27,517,353
MOBILE HOM	212,635	371,335	278,360	655,376	702,706	410,040	604,508	87,700	257,189	107,075	470,137	755,456	4,912,517	3,649,320
HOUSE	88,500	136,800	248,250	421,000	308,115	218,814	348,950	265,400	231,700	150,500	59,600	352,350	2,829,979	1,458,620
YESS	43,600	70,470	0	159,900	222,230	0	88,920	135,550	246,512	163,707	142,345	158,559	1,431,793	914,390
RURAL DEV.	98,180	49,505	80,350	33,200	0	66,250	33,950	26,730	74,360	45,100	15,910	160,270	683,805	512,465
Total	4,567,187	5,678,961	3,590,010	11,630,372	10,610,939	6,519,902	5,996,895	3,834,376	4,066,497	3,523,226	3,978,347	7,656,185	71,652,897	34,052,148

BOND SERIES STATUS REPORT update as of (04-30-01)

Series #	Date of Issue	Use by End Date	0 Point Move Rate	Original Issue Amt.	Amount Allocated	Available Funds
7	4/18/96	8/30/99		$42,500,000	$40,100,000	$2,400,000
9	6/13/97	12/26/00	7.10%	$61,788,875	$59,788,875	$2,000,000
10	4/22/99	N/A	6.35%	$33,016,574	$32,952,362	$901,000
11	8/24/99	6/1/02	7.10%	$24,426,258	$24,412,182	$0
12	2/10/00	8/1/03	7.55%	$28,344,948	$28,341,330	$567,000
13	8/28/00	2/28/04	7.10%	$33,737,121	$33,737,121	$0
14	8/26/01	2/26/05	6.50%	$30,458,000	$500,000	$29,958,000

VHFA Production Report- Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900	$466,550	$505,630			$11,861,371
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070	$574,000	$283,700			$4,323,348
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$470,625	$253,500	$79,050	$56,300	$187,850			$2,728,395
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220	$86,450	$126,600			$2,709,063
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720	$297,115	$146,655			$2,688,618
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0	$0	$226,675			$2,610,382
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400	$390,317	$0			$2,007,652
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000	$81,900	$92,000			$1,958,132
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500	$76,800	$72,000			$1,934,325
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0	$71,250	$78,375			$1,780,112
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0	$73,700	$58,805			$1,733,405
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$0	$0	$0			$1,611,820
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0	$69,000	$0			$1,503,403
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155	$72,750	$63,650			$1,377,762
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0	$120,110	$307,750			$1,228,260
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0	$231,750	$0			$1,188,475
CITIMORTGAGE, I	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0	$0	$0			$1,012,108
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0	$0	$48,500			$874,797
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640	$0	$0			$865,619
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000	$0	$0			$803,020
NCFCU	$159,610	$176,000	$0	$0	$178,900	$168,625	$0	$101,650	$0	$0			$784,785
LYNDONVILLE	$268,000	$0	$112,635	$74,690	$101,755	$53,675	$0	$0	$0	$166,000			$776,755
MTG FINANCIAL	$78,375	$281,000	$46,500	$72,000	$0	$237,905	$0	$0	$0	$0			$715,780
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0	$0	$0			$590,150
VHFA (RD)	$213,775	$43,180	$57,360	$26,640	$39,000	$26,260	$86,500	$28,640	$0	$0			$521,355
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0	$0	$0			$490,869
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0	$75,940	$0			$478,460
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0	$0	$0			$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0	$0	$0			$423,205
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0	$0	$29,450			$395,625
NAT'L BNK MIDDL	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0	$0	$68,450			$350,700
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$0	$0	$0	$0	$0			$270,450
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0	$0	$0			$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0	$0	$103,500			$103,500
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0			$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0			$0
TOTAL	$7,388,519	$6,443,539	$7,058,534	$5,794,562	$6,554,627	$7,969,818	$4,690,045	$2,167,945	$2,743,932	$2,565,590	$0	$0	$53,377,111

VHFA Production Report (Number of loans) FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	27	13	27	11	20	21	16	4	7	8			154
NEFCU	6	1	9	8	2	9	3	4	6	3			51
BANKNORTH	3	4	7	4	5	8	3	1	1	2			38
VDCU	3	0	5	4	8	10	1	0	0	4			35
SUMMIT	5	7	4	2	4	4	5	1	1	2			35
UNIVERSAL	1	12	4	2	1	2	3	4	3	2			34
VT STATE ECU	2	8	0	4	2	4	4	2	1	1			28
VHFA (RD)	7	3	4	2	1	2	5	2	0	0			26
UNION	2	5	1	5	2	5	3	1	1	1			26
NORTHFIELD	3	1	4	6	5	3	2	0	1	1			26
CTX	2	2	4	4	2	0	3	2	4	0			23
CHARTER ONE	2	8	0	6	3	4	0	0	0	0			23
GMAC	6	4	3	1	2	2	2	0	1	1			22
COMMUNITY	3	0	7	1	3	4	3	0	1	0			22
FACTORY	3	3	1	1	0	2	1	0	2	4			17
PEOPLES TRUST	1	0	0	3	1	3	2	3	1	1			15
BRATTLEBORO	1	2	1	0	3	4	1	0	2	0			14
HERITAGE FCU	1	3	0	1	3	2	2	0	0	1			13
CITIMORTGAGE, IN	6	0	2	2	1	2	0	0	0	0			13
BNK OF BENN	4	0	0	5	1	1	1	1	0	0			13
LYNDONVILLE	4	0	2	1	2	1	0	0	0	2			12
NCFCU	2	2	0	0	3	2	0	1	0	0			10
KITTREDGE	3	3	1	1	1	0	0	1	0	0			10
MTG FINANCIAL SR	1	3	1	1	0	3	0	0	0	0			9
MASCOMA	0	2	3	0	1	1	2	0	0	0			9
CITIZENS	1	1	3	0	3	0	0	0	0	0			8
PASSUMPSIC	1	0	1	1	3	0	0	0	1	0			7
N.E. HOME LOAN	0	0	0	0	0	4	2	0	0	1			7
WELLS RIVER	1	2	0	1	1	1	0	0	0	0			6
CT RIVER	0	0	1	1	2	2	0	0	0	0			6
NAT'L BNK MIDDLE	0	0	0	1	1	1	1	0	0	1			5
NAT'L CITY MTG	0	0	2	1	1	0	0	0	0	0			4
WELLS FARGO	0	0	0	0	2	1	0	0	0	0			3
BEACON MTG	0	0	0	0	0	0	0	0	0	1			1
FIRST COMMUNITY	0	0	0	0	0	0	0	0	0	0			0
FIRST BRANDON	0	0	0	0	0	0	0	0	0	0			0
TOTAL	101	89	97	80	89	108	65	27	33	36	0	0	725

REO INVENTORY REPORT
As of April 30, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 12/31/00	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 24,620	$ 15,898	$ 90,403	$ 26,430	$ 60,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Was Under Contract; Buyer Still Interested; Title Issues
Fogarty	8/15/00	Rutland City	$ 50,138	$ 4,895	$ 11,497	$ 15,041	$ 51,489	$ 16,875	$ 24,000	$ 35,000	10/9/00	$ 59,000	10/30/95	SF	Under Deposit, $24,000 Closing 5/11/01
Spafford	9/25/00	Springfield	$ 79,651	$ 6,481	$ 10,766	$ 23,747	$ 73,151	$ 2,386	$ 72,500	$ 72,500	6/23/00	$ 91,000	8/2/95	SF	Under Contract $72,500; Closing 05/01/01 Confirmation of Sale not rec'd
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 5,034	$ 6,764	$ 45,229	$ -	$ 49,500	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Price Reduced 4/26/01
Gresham	12/15/00	Rutland City	$ 53,059	$ 5,692	$ 6,346	$ 12,000	$ 53,097	$ -	$ 20,000	$ 29,000	1/24/01	$ 65,000	1/13/93	MH	Sold 5/4/01
Gomez	12/22/00	Chester	$ 45,129	$ 4,182	$ 9,037	$ 13,769	$ 44,579	$ -	$ 35,000	$ 32,000	4/12/01	$ 49,000	6/2/95	MH	Under Contract $35,000
Baldwin	12/28/00	Fairfax	$ 88,172	$ 12,097	$ 11,266	$ 19,400	$ 92,135	$ -	$ 86,000	$ 88,500	1/26/01	$ 98,000	2/10/95	SF	Under Contract, $86,000 Closing 6/15/01
Chamberlin	1/16/01	Huntington	$ 70,891	$ 4,785	$ 7,205	$ 17,000	$ 65,881	$ -	$ 70,500	$ 80,000	12/4/00	$ 86,000	7/31/89	MH	Under Contract $70,500; Closing 05/11/01
Bushey, K	1/29/01	Fairfax	$ 58,620	$ 5,619	$ 5,369	$ 1,433	$ 68,175	$ -	$ -	$ -		$ 85,000	9/23/97	SF	Value per MA is $70,000; Cash Sale Pending to friend of frmer owner 5/08/01
Vanderwerf	2/14/01	Morristown	$ 70,671	$ 8,993	$ 14,554	$ 14,396	$ 79,822	$ -	$ 80,000	$ 80,000	11/8/00	$ 79,000	5/11/95	SF	Title Issues; Resolution Pending. Pending Offer
Sorrentino	2/5/01	Castleton	$ 59,853	$ 12,069	$ 6,609	$ 16,267	$ 62,264	$ -	$ 29,500	$ 35,000	2/12/01	$ 71,000	3/16/89	SF	Property is in very poor condition; price recently reduced; 4/26/01
Paini	2/12/01	Barre Town	$ 63,780	$ 4,182	$ 6,574	$ -	$ 74,536	$ -	$ 67,000	$ 61,000	10/24/00	$ 70,000	2/19/96	SF	RD Guaranteed; Under Contract $67,000; Closing 5/25/01
Dudley	3/9/01	Newport City	$ 62,473	$ 3,849	$ 2,307	$ -	$ 68,629	$ -	$ -	$ -		$ 65,500	5/5/95	SF	RD Guaranteed; Waiting for Appraisal
Pingree	3/19/01	Randolph	$ 77,153	$ 12,894	$ 16,829	$ 5,801	$ 101,075	$ -	$ 67,500	$ 72,500	1/2/01	$ 79,000	6/18/96	SF	RD Guaranteed; Under Contract $67,500; Closing 5-22-01
Gaboriault	3/20/01	Essex	$ 57,969	$ 4,625	$ 7,289	$ 217	$ 69,666	$ -	$ 76,000	$ 83,000	4/20/01	$ 74,000	3/8/95	Condo	BCLT was option under covenant, $76,000
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,370	$ 4,553	$ 9,600	$ 42,055	$ -	$ 19,000	$ 18,000		$ 50,000	7/14/93	SF	Listed @ 19,000. 4/17/01
Huntley	4/25/01	Randolph	$ 50,098	$ 1,851	$ 1,784	$ 11,792	$ 41,941	$ -	$ -	$ -		$ 65,000	4/14/89	SF	Tenant Occupied- Service of Writ of Possession requested.
Chicoine/D/Avignon	4/27/01	Ripton	$ 66,549	$ 3,999	$ 2,540	$ 10,127	$ 62,961	$ -	$ -	$ -		$ 71,000	10/12/94	MH	Waiting for Appraisal
18			$ 1,111,864	$ 114,297	$ 154,179	$ 193,252	$ 1,187,088	$ 45,691	$ 756,500	$ 801,500		$ 1,289,000			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

5/9/01
REO Inventory-Apr

Book

HOMEOWNERSHIP DELINQUENCY REPORT
AS OF: April 30, 2001

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	**6338**	**6382**	**6429**	**6464**	**6483**	**6522**	**6573**	**6600**	**6590**	**6582**	**6542**			**6500**
Total Portfolio $	**$364.1**	**$367.9**	**$371.2**	**$375.2**	**$377.3**	**$380.7**	**$386.0**	**$388.2**	**$387.8**	**$387.6**	**385.8**			**$379.3**

NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	259	254	263	280	264	274	317	263	276	240	247			267
60 Days	64	56	72	65	61	60	87	67	68	73	62			67
90 Days	52	53	47	49	44	43	51	47	56	40	39			47
Foreclosure	54	55	56	58	61	57	56	55	52	54	51			55
Total Delq 00-01	**429**	**418**	**438**	**452**	**430**	**434**	**511**	**432**	**452**	**407**	**399**			**437**
Total Delq 99-00	489	500	485	481	509	512	512	535	518	403	485	455	429	486

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.09%	3.98%	4.09%	4.32%	4.07%	4.20%	4.82%	3.98%	4.19%	3.65%	3.78%			4.11%
60 Days	1.01%	0.88%	1.12%	1.01%	0.94%	0.92%	1.32%	1.02%	1.03%	1.11%	0.95%			1.03%
90 Days	0.82%	0.83%	0.73%	0.76%	0.68%	0.66%	0.78%	0.72%	0.85%	0.61%	0.60%			0.73%
Foreclosure	0.85%	0.86%	0.87%	0.90%	0.94%	0.87%	0.85%	0.83%	0.79%	0.82%	0.78%			0.85%
Total Delq 00-01	**6.77%**	**6.55%**	**6.81%**	**6.99%**	**6.63%**	**6.65%**	**7.77%**	**6.55%**	**6.86%**	**6.19%**	**6.11%**			**6.72%**
Total Delq 99-00	8.26%	8.45%	8.18%	8.11%	8.42%	8.33%	8.27%	8.57%	8.23%	6.43%	7.72%	7.23%	6.77%	7.92%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$14.5	$14.2	$14.8	$15.4	$14.8	$14.9	$17.6	$14.6	$15.4	$13.0	$13.4			$14.8
60 Days	$3.5	$2.8	$3.9	$3.7	$3.5	$3.5	$4.8	$4.0	$4.1	$4.3	$3.5			$3.8
90+ Days	$6.1	$6.3	$6.0	$6.2	$5.9	$5.6	$6.1	$5.6	$6.0	$5.3	$5.1			$5.8
Total Delq 00-01	**$24.1**	**$23.3**	**$24.7**	**$25.3**	**$24.2**	**$24.0**	**$28.5**	**$24.2**	**$25.5**	**$22.6**	**$22.0**			**$24.4**
Total Delq 99-00	**$26.9**	**$27.6**	**$27.1**	**$27.0**	**$28.3**	**$28.9**	**$28.7**	**$30.5**	**$28.8**	**$22.5**	**$26.6**	**$25.3**	**$24.1**	**$28.2**

Book

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
April 30, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Connecticut River Bank	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	0	0.00%
Factory Point Nat. Bank	52	4	7.69%	0	0.00%	0	0.00%	0	0.00%	4	7.69%	0	0.00%
Charter One	351	13	3.70%	1	0.28%	2	0.57%	9	2.56%	25	7.12%	3	0.85%
Mortgage Service Ctr. of NE	2808	118	4.20%	32	1.14%	19	0.68%	26	0.93%	195	6.94%	7	0.25%
Graystone Mortgage Company	1514	67	4.43%	16	1.06%	10	0.66%	10	0.66%	103	6.80%	6	0.40%
Mascoma Savings Bank	15	1	6.67%	0	0.00%	0	0.00%	0	0.00%	1	6.67%	0	0.00%
Community National Bank	332	9	2.71%	5	1.51%	3	0.90%	4	1.20%	21	6.33%	0	0.00%
Wells River Savings Bank	33	1	3.03%	0	0.00%	1	3.03%	0	0.00%	2	6.06%	0	0.00%
Northfield Savings Bank	180	6	3.33%	1	0.56%	1	0.56%	2	1.11%	10	5.56%	0	0.00%
Passumpsic Savings Bank	153	6	3.92%	1	0.65%	0	0.00%	0	0.00%	7	4.58%	0	0.00%
Union Bank	222	7	3.15%	1	0.45%	2	0.90%	0	0.00%	10	4.50%	0	0.00%
Peoples Trust Co.	89	4	4.49%	0	0.00%	0	0.00%	0	0.00%	4	4.49%	0	0.00%
GMAC Mortgage	47	1	2.13%	1	2.13%	0	0.00%	0	0.00%	2	4.26%	0	0.00%
Citizens Savings Bank	123	2	1.63%	3	2.44%	0	0.00%	0	0.00%	5	4.07%	0	0.00%
Bank of Bennington	77	3	3.90%	0	0.00%	0	0.00%	0	0.00%	3	3.90%	0	0.00%
Brattleboro Savings & Loan	60	2	3.33%	0	0.00%	0	0.00%	0	0.00%	2	3.33%	0	0.00%
Vermont Development CU	159	1	0.63%	0	0.00%	1	0.63%	0	0.00%	2	1.26%	0	0.00%
Lyndonville Savings Bank	88	0	0.00%	1	1.14%	0	0.00%	0	0.00%	1	1.14%	0	0.00%
New England Federal CU	150	1	0.67%	0	0.00%	0	0.00%	0	0.00%	1	0.67%	1	0.67%
First Brandon Nat. Bank	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	39	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	4.76%
Totals	**6542**	**247**	3.78%	**62**	0.95%	**39**	0.60%	**51**	0.78%	**399**	6.10%	**18**	0.28%
Totals Previous Month	6582	240	3.65%	73	1.11%	40	0.61%	54	0.82%	407	6.18%	20	0.30%
Totals Same Mo. Last Yr.	6285	311	4.95%	53	0.84%	61	0.97%	60	0.95%	485	7.72%	27	0.43%

Note: Of the loans in foreclosure, a total of 18 are performing under a Chapter 13 Bankruptcy Plan

Lenders	Apr 2000	May 2000	June 2000	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001
Bank of Bennington	4.29%	4.29%	5.71%	4.05%	4.05%	4.05%	5.06%	5.06%	6.33%	5.06%	5.06%	6.33%	3.90%
Brattleboro Savings & Loan	4.65%	4.44%	2.13%	4.17%	6.00%	3.92%	5.88%	3.77%	3.51%	0.00%	1.72%	3.33%	3.33%
Charter One	10.68%	11.02%	9.86%	10.38%	11.99%	11.02%	9.21%	9.97%	11.11%	10.57%	10.08%	7.48%	7.12%
Citizens Savings Bank	3.28%	4.07%	2.46%	3.28%	4.07%	3.25%	2.44%	3.97%	4.76%	5.56%	4.80%	6.40%	4.07%
Community National Bank	6.63%	6.31%	6.33%	6.33%	7.55%	8.06%	7.49%	10.45%	9.52%	7.72%	6.27%	7.19%	6.33%
Connecticut River Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.11%	9.09%	7.69%	15.38%	30.77%	8.33%	8.33%
Factory Point Nat. Bank	11.43%	0.00%	5.71%	7.89%	12.20%	7.14%	11.63%	11.63%	13.33%	10.87%	10.87%	12.50%	7.69%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	20.00%	0.00%
GMAC Mortgage	9.52%	9.29%	0.00%	3.03%	2.70%	0.00%	0.00%	4.76%	2.27%	6.52%	6.52%	2.17%	4.26%
Graystone Mortgage Company	9.60%	9.09%	8.21%	8.01%	7.49%	8.67%	8.39%	7.12%	7.65%	7.37%	7.40%	7.16%	6.80%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.63%	0.00%	0.00%
Lyndonville Savings Bank	6.49%	5.33%	3.95%	3.75%	2.50%	2.44%	1.20%	1.18%	3.49%	3.49%	2.33%	3.49%	1.14%
Mascoma Savings Bank	20.00%	20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	6.67%	6.67%
Mortgage Service Ctr. of NE	18.18%	22.08%	22.37%	18.42%	18.67%	17.81%	13.89%	15.28%	18.06%	6.55%	7.35%	6.39%	6.94%
New England Federal CU	0.00%	0.00%	2.88%	0.92%	0.91%	0.85%	0.80%	0.79%	0.74%	0.00%	0.00%	0.00%	0.67%
Northfield Savings Bank	4.55%	3.23%	6.21%	7.32%	4.85%	5.95%	8.14%	4.55%	6.18%	4.44%	5.03%	5.56%	5.56%
Passumpsic Savings Bank	7.50%	7.55%	4.46%	4.46%	5.13%	4.52%	4.49%	5.13%	10.32%	5.16%	5.81%	2.60%	4.58%
Peoples Trust Co.	9.21%	6.58%	5.13%	5.06%	3.80%	6.33%	7.50%	6.17%	4.76%	3.49%	5.68%	4.55%	4.49%
Randolph National Bank	7.69%	7.69%	11.54%	4.00%	4.00%	0.00%	0.00%	12.00%	12.50%	12.50%	13.04%	8.70%	0.00%
Union Bank	5.08%	4.55%	5.45%	4.43%	5.29%	5.26%	6.13%	7.01%	5.48%	6.79%	5.43%	6.31%	4.50%
Vermont Development CU	6.98%	6.25%	7.46%	4.38%	5.15%	5.71%	6.25%	4.67%	6.33%	3.80%	5.70%	1.28%	1.26%
Wells River Savings Bank	3.03%	3.03%	3.13%	0.00%	0.00%	2.94%	0.00%	2.78%	5.41%	5.56%	5.88%	5.88%	6.06%

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multifamily Programs

DATE: May 9, 2001

RE: **MULTIFAMILY DIRECTOR'S REPORT**

The attached report for the period ending April 30, 2001 is provided for the Board's information and features project narratives, delinquency and preservation information on the multifamily portfolio. I will be happy to answer any questions you may have at the Board Meeting on May 17th or please contact me by phone at (652-3435) or by email at sfalzone@vhfa.org.

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MULTIFAMILY MANAGEMENT DIRECTOR'S REPORT

For the Period Ending April 30, 2001

1. PROJECT REPORTS

Abenaki Acres, Swanton – VSHA continues to work with Abenaki Self-Help Association (ASHA) in an ongoing attempt to purchase Abenaki Acres. ASHA has shown interest in selling their property yet they have made it clear they want more money than what the appraisal supports.

The property is looking at about $90,000 in capital improvements that will be required in the short- to mid-term. This would cover a new heating system for all 6 buildings, new roofs for 2 buildings and siding on 4 buildings. Reserve accounts are negligible because we have been forced to advance funds to this property to address health and life/safety issues. At this point, the energy improvements do not rise to this level. Yet, if another heating/hot water system breaks down, there is not enough money in the operating or reserve accounts to cover the replacement cost, and VHFA may have to advance additional funds.

The Residential Energy Efficiency Program (REEP) has recently done an energy analysis and is willing to contribute money toward the energy improvements. Unfortunately, VSHA has been unsuccessful in gaining the owner's approval to proceed with these energy improvements. They are also aware that VHFA has offered to lend the owners money at 0% and they are still unwilling to sign a Note.

Alburg Family Housing, Alburg - LCHV Island Associates, LP is the newly-named ownership entity for Alburg Family Housing in which Lake Champlain Housing Ventures, Inc. replaced the previous general partner. LCHV has assumed property management from O'Brien Brothers and is aggressively targeting deferred maintenance together with giving overdue attention to developing a useful waiting list. For example, $3,729 was drawn from the Replacement Reserve for four particularly extensive unit turnovers. Also, two unit vacancies that extended over a period of four months and (mostly inherited) Tenant Rent Receivables of $11,000 made it necessary to fund management/maintenance payables using the Replacement Reserve account. On the up side, three vacancies have been filled and vacancy and damage claims for those units will be included on the June HAP requisition.

Black River Overlook, Ludlow – Black River is in violation of the VHFA Regulatory Agreement for failure to complete the required Replacement Reserve deposits. The Replacement Reserve account is severely underfunded by $11,628. VHFA has informed the General Partner that they must put together a plan of action to address this problem. It has also been brought to the General Partner's attention that they are obligated to fund this shortfall as stated in their Partnership Agreement. Until the Replacement Reserve account is fully funded, the owner has been put on notice they are not entitled to take asset management fees or partnership management fees.

There is also concern about both the bad debt write-offs in Tenant Accounts Receivable and the increase in Accounts Payable. In addition, maintenance expenses in 2000 were almost double what were projected. This is disturbing considering this was a newly constructed property that closed almost 3 years ago. If these trends continue, we have serious concerns about the property's ongoing viability. We are following up with Rural Development on an interest reduction payment commitment they made shortly after the project closed that would bring $11,000 a year to the property retroactive to 1998.

Bobbin Mill, Burlington - In April 2001, VHFA's primary loan was rewritten changing the rate from 13.5% to 7.31% in conjunction with the signing of a Preservation Agreement. Historically, there has been a minimal amount of surplus cash, resulting in the lack of funds available for a return on equity distribution. The rewrite of the loan will result in a greater cash flow and allow Pizzagalli to recover some of the accrued balance due them in return on equity. Approximately 58 windows have recently been replaced with more energy efficient units. The remaining window replacements will be completed as the operating budget allows.

BRHIP, Burlington – We continue to have concerns about the financial stability of this property. Operating cash is limited, the reserve account is seriously under-funded and Tenant Rent Receivables continue to be high. In the face of a technical default due to the underfunding of the Replacement Reserve account, we have informed the owner that we will not approve investor service fees until the reserve account has been brought current.

Briars, Wilder – The Briars is in default of the VHFA Regulatory Agreement for failure to make required deposits to the replacement reserve account including an initial reserve amount deposit of $16,000, that was required to be established at closing. The account is severely underfunded by $20,319 and the owner has been informed that this matter must be corrected immediately. Until the Replacement Reserve account is fully funded, the owner is not entitled to pay investor service or incentive management fees.

Canterbury N & S, St. Johnsbury – The owner and management agent have been dealing with mold problems at Canterbury South. Professional services were rendered to test the air quality and mold. A new heat recovery ventilation system was installed. Residents at the property filed a complaint with the deputy health officer in St. Johnsbury and an article was published in the Caledonian Record. The residents felt that the landlord was not addressing the issue in a timely manner. Meetings have been held with the residents to work out a plan to correct the mold situation. It was determined that 5 of the 14 family units were in need of significant and disruptive improvements to the units. A construction manager was hired and a plan was designed to address the needed improvements. The construction is almost complete, and tenants have begun to return to their units.

Colonial Apartments, West Rutland – Chris Fucci was finally successful in receiving approval of the transfer of ownership from HUD. The transfer involved selling David

Fucci's ownership interest to Chris. With this approval, VHFA was able to lend the partnership $50,000 and complete a lock-in Preservation Agreement.

Depot II, Bethel - VSHA has indicated they will be making a 0% loan request in order to address deferred maintenance and structural replacements needed at this 10-unit property. Reserve account balances are inadequate to complete the required work.

Depot Square Apartments, St. Johnsbury – Depot Square was successful in receiving a special rent increase during 2000. Unfortunately, with the sharp increase in utility costs during 2000-2001 they need to pursue another rent increase this year. Depot Square is operating without an approved 2001 Annual Operating Budget. The budget can not be approved until the project receives an adequate rent increase that allows for at least breakeven cashflow.

Due to cash flow shortfalls, VHFA has had to authorize an advance from the Replacement Reserve account for the second year in a row to cover the property taxes. These advances must be restored when operating cash flow improves.

French Hill Mobile Home Park, Williston – VHFA refinanced the original 11.25% French Hill loan with our last MF bond issue. The new loan at a rate of 7.25% and the addition of $15,000 in 0% money has put the project back on its feet. Also, we were fortunate to find out after researching the original pension fund loan that there were no prepayment penalties required. The operating budget is now showing a modest cash flow and the Replacement Reserve account is fully funded to meet future capital improvements.

Garden Apartments, Burlington - The owners are considering some much needed improvements to the front of the King Street building, including work on the porches, steps, posts, etc. They may need up to $100,000 in 0% funds for these exterior renovations and for the completion of an energy conversion in the last ten units. This property has been very challenging for the owner/manager who learned during a recent eviction that the residents were involved in heroin distribution and may have had links to the Vermont-New York prostitution ring.

Harrington Apartments, Burlington - Mrs. Harrington has her 5-unit property listed for sale with a realtor for $345,000. A 1999 appraisal indicated a value in the $250,000 range although she was unwilling to sell the property at that price. The approximate value of units in the Burlington area today is $50,000 per unit. We don't anticipate she will find a buyer at her asking price. A 1993 Preservation Agreement requires that the property be maintained as affordable housing until September 2011.

Highgate, Barre - A year of persistently higher than acceptable vacancies compelled the adoption of a budget that included a generous vacancy adjustment to avoid repeating the short-term cash flow dilemma of a year ago. Also contributing to the improved financial health of the property was the reduction in the Resident Services line item from $100,000 to $60,000, a level more comparable to similar properties. The partnership recently submitted an extensive list of capital improvements to VHCB, CDBG, and VHFA for funding. The wish list totals over $413,000. VHFA has stepped forward and the Board will be asked to entertain a request for a zero percent deferred loan for some of the needed work, specifically for fence replacement and exterior wood trim repair. The 10-year anniversary is fast approaching with the celebration scheduled for May 12th. A new Property Manager, with substantial strength in tenant-directed services in assisted housing, has been hired and should be starting this May.

Hillside Mobile Home Park, Starksboro – Fran White of ACCT wants to refinance the loan at Hillside MHP which is the last remaining pension fund loan. Currently, the loan has a rate of 10.5% and this stepped rate increases every 5 years. The current Operating Budget does not produce positive cash flow and a reduction in the interest rate would alleviate this problem. VHFA has included this project in the next multi-family bond issue to take place in May or June of 2001. The new rate would be 7.25% and the $286,000 balance on this loan will be refinanced.

Jeri-Hill, Jericho - Cathedral Square Corporation (CSC) purchased this 24-unit property from Dan O'Brien in September 2000. CSC assumed the first note at a restructured interest rate of 6.17% (formerly 14%) and we provided a $430,263 second loan at 7.45% as well as $254,031 in 0% funds in order to transfer these units into perpetually affordable non-profit ownership.

King Street Apartments, Burlington- A partnership comprised of the Burlington Housing Authority (BHA) and King Street Neighborhood Revitalization Corporation purchased this 7-unit property in November 2000. BHA assumed the existing VHFA loan at a restructured rate of 7.31%. An additional loan of $79,000 was provided at 7.31% and $137,711 in 0% funds completed the transfer of this property into non-profit ownership.

Lake Champlain Apartments, Burlington - The Burlington Housing Authority (BHA) purchased this 27-unit project from Karl Ashline in February 2001. They assumed a restructured note at 7.31% (down from 13.50%) with a new loan of $643,158 at 7.25% and $100,983 in 0% funds completing the financing package. There are currently chronic problems with the heating system, which are being investigated by VEIC and REEP. VEIC designed and supervised the 1992 energy conversion which lead to the installation of the current heating system.

Limehurst Mobile Home Park, Williamstown - Major work on the septic system was completed last year with most funds coming from the operating account. The park is now in very good condition and is financially sound.

Maple Street Apartments, GE, Burlington - In April 2001, VHFA's primary loan was rewritten from 9.5% to 7.30% in conjunction with the signing of a Preservation Agreement. An Amendment to the Regulatory Agreement was executed, which allowed for an increase in the return on equity distribution from $7,055 to $26,500 per year. The rewrite of the loan will result in a greater cash flow and allow Pizzagalli to take a larger distribution than the amount established in 1980. We have also agreed to cap the Replacement Reserve account at $74,000 with no additional payments, provided an updated Capital Needs Assessment confirms this figure is appropriate.

McKenzie House, Burlington - This project has not had surplus cash for a return on equity distribution for the past two years. VHFA will closely monitor operations to determine if it is appropriate to use Residual Receipts funds to pay accrued distributions.

Monroe Apartments, Burlington - Owner Bill Cross had previously commented that he might be interested in selling his property. However, after consulting with his accountant on the partnership's capital gains liability, he has decided it would not be to his benefit to sell at this time.

Mountain View, Springfield - This project was one of the three Note Sale properties purchased by VHFA in December 2000. Previously, it was only monitored by the Agency as a tax credit project and is now under the new shared contract administration agreement with VSHA. Under a revised MOA with VSHA, VHFA will be the lead monitoring agency for this property.

Northgate, Burlington - Northgate/Greenfield earned a Superior rating in the comprehensive Management and Occupancy Review we completed in April. The previous request to utilize substantial reserve funds ($300,000) for the construction of 300 canopy/overhangs over the dining room entry doors for the 2 Bedroom and 3 Bedroom units has been shelved for the present. There also appears to be very little activity related to revising the documents governing rent increase procedures and annual budget approvals.

Pinecrest, Williston – Pinecrest is currently operating without a 2001 budget. This property is producing an operating loss and is in need of a special rent adjustment. LCHV, the management company is working with VSHA to pursue an increase in rents.

Point School Apartments, Colchester - In February, Lake Champlain Housing Development Corporation purchased the Point School Apartments. LCHV has continued as the Property Manager. The assignment of a new staff person for this challenging five-unit property has proven to be successful. It is in a better financial position than previously with full occupancy and a healthy waiting list, and there are $0 in rent arrearages! Soon this property may not warrant inclusion in this report.

Rockingham Canal, Bellows Falls - The atrium roof has been replaced and the property looks to be in good condition. There was a recent change in the on-site management personnel and this has lead to some tenant complaints, which we have addressed with the management firm in Boston. We will continue to closely monitor the situation with the on-site manager and the overall performance of the Management Agent. We have been considering a possible change in agent for almost a year.

School Street, Plainfield - The budget is very tight and cash flow is minimal. VHFA anticipates a potential request from VSHA to use approximately $25,000 in 0% funds to address rehab work that is needed at this 13-unit property.

South Meadow, Burlington - The owners have executed a loan of $135,000 with VHFA as anticipated to address items identified in the Capital Needs Assessment (CNA).

Together with $50,000 in Replacement Reserve funds, this loan will assure that items identified in the CNA will be addressed in an accelerated manner over a three-year period. The loan term is 10 years and the interest rate is 8.5%.

South Square, Burlington – This property is now covered under the shared contract administration agreement with VSHA. VHFA is the lead monitoring agency effective May 1st as a result of our amended MOA with VSHA.

South St. Paul, Burlington - This project has not had surplus cash for a return on equity distribution for the past two years. VHFA will closely monitor operations to determine if it is appropriate to use Residual Receipts funds to pay accrued distributions payable.

Templeton Court, White River Junction – We are continuing to grapple with a feasible solution to the social, economic, and physical problems plaguing Templeton Court. The students from Dartmouth, known as the Dream Team have been doing a wonderful job in turning around some of the social issues with the 100 plus kids who live at the property. The project has received another $100,000 drug elimination grant and these funds will help with the significant efforts of both the AmeriCorps and DREAM programs. VHFA continues to provide 0% funds for debt service relief. The 2001 tax credits requested were not awarded and VHFA's construction consultant has been retained to complete a thorough review of the engineering studies and rehab plans that have been proposed by VSHA.

The Gardens, Williamstown - We are happy to report that this 30-unit assisted living facility had a permanent closing on March 29th and is now at 90% occupancy with 27 of 30 units occupied. The facility is very impressive and we hope to schedule a Board meeting at The Gardens later this summer.

Walden Mountain, Danville/St. Johnsbury - The second of three zero percent deferred loans was made in March to this property covered by a prior Preservation Agreement. The $58,000 will be used for work at the two family buildings on Pearl Street in St. Johnsbury, primarily for the installation of vinyl siding as well as replacing windows to satisfy code requirements.

Welden Villa, St. Albans – This property has been operating on a deficit budget for the past year. VHFA provided $29,820 in 0% funds to pay off a second note and we have rewritten their primary VHFA loan from 8.5% to 7.3% to offer some debt relief. They have sought a rent increase, have been able to convert their VHCB loan into a grant and have received a reduced rate on their CDBG loan with the City of St. Albans. Capital improvements in the amount of approximately $86,000 will need to be done shortly and the increased cash flow made available from these debt modifications will help fund these expenses.

Westminster Family Housing, Westminster - The owner has entered into a Preservation Agreement in return for a $55,000 zero percent deferred loan to address the many capital needs at the property. In conjunction with this loan, Stewart Property

Management was hired as the Management Agent. To date, progress has been steady and the property is in the best condition it has been in for years.

Westview Terrace, Springfield – The windows, which were replaced and repaired last year, are still not operating properly. The management agent has been working diligently to solve the problem, but has been unsuccessful. There is litigation pending. This problem dates back to the project's construction and a first-year warranty claim against the contractor, who is a related entity of the managing general partner. Our next inspection may result in a tax credit non-compliance write-up related to secondary egress concerns.

Whitney Hill, Williston - The deferral of $4,000 in payments that were to begin this year on the $370,000 VHCB Loan has helped relieve some of the financial pressure. Aggressive budgeting has yielded a modest operating profit on paper, but the actual cost of utilities and snow removal this year may make realizing that goal difficult. Refinancing at year fifteen (2007) will probably be the only effective way to address problems that arose when underwriting assumptions and operating projections during the development phase proved too optimistic to meeting the long-term operating expense increases Whitney Hill has experienced.

Winchester Place, Colchester - The project continues to perform as budgeted, which is to say with a projected operating deficit of $241,998 for 2001. Reserves continue to diminish as capital needs continue to be addressed. The ongoing financial plight prompted another meeting between VHFA and Housing Vermont. Andy Broderick, HVT President, was to meet with the Merchants Bank to discuss future options regarding the sale or refinancing of the property. He also intends to help clarify for Merchants Bank and St. Mike's what may happen in 2005 should VHFA be forced into a foreclosure scenario. St Mike's, in particular, has unrealistic expectations based on letters they received from Dudley Davis that promised to transfer the Merchants Bank's ownership interest to the college. On the upside, LCHV continues to do a very good job of managing Winchester.

2. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	PENALTY/INTEREST	MONTH	TOTAL DAYS LATE
Monroe Street Apts.	$160.94	August (00)	25
Wells House	$189.86	July (00)	24
Westminster	$11.96	September (00)	18

3. MULTIFAMILY PRESERVATION/LOCK IN AGREEMENTS

PROJECT NAME	# YEARS LOCKED IN	OPTION (Y/N)
21 Main Street	20	Y
Abenaki Acres*	60	NP*
Allen Canal**	31	Y
Bobbin Mill Apts	50	N
Brownway	20	Y
Colonial Apartments	10	N
Conant Square	16	Y
Cummings Street**	28	NP*
Depot II**	40	NP*
Dogwood Glen*	20	NP*
Duggan Row	20	Y
Eno Apts.	19	Y
Ethan Allen/Spring**	30	Y
French Hill MHP	9	NP*
Garden Apts.	20	Y
Graystone Village	Perpetuity	NP*
Harrington Apts.	19	Y
Hidden Pines	50	Y
Highgate**	Perpetuity	NP*
Hillside Acres	12	N
Holy Angels	13	N
Jerri-Hill Apts.	Perpetuity	NP*
King St. Apts.	Perpetuity	NP*
Lake Champlain Apts.	Perpetuity	NP*
Lane Shops**	15	Y
Linden Terrace	50	NP*
Lower Weldon St. Apts.	17	Y
Maple Street/GE	50	N
Maple St./Hardwick	18	Y
Meadow Lane**	15	N
Mellishwood I & II	25	Y
Mountain View/Fairfax	18	Y
Northgate**	Perpetuity	NP*
Olde Windsor Village**	23	NP*
Pine Grove	16	N
Point School Apts.	Perpetuity	NP*
Prospect/Forest Homes*	22	NP*
Randolph House**	48	NP*
Rockingham	71	Y
Saxton's River**	30	Y
School Street Apts.*	20	NP*

PROJECT NAME	# YEARS LOCKED IN	OPTION (Y/N)
South Square**	30	Y
Sunrise Manor	13	N
Village Apts.**	19	NP*
Walden Mt. Apts.	17	Y
Weldon Villa	Perpetuity	NP*
Westminster Family Housing	12	N

** LIHTC

* Non-Profit

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VERMONT HOUSING FINANCE AGENCY Consolidated Financial Statements Date: 03/31/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	TOTAL
REVENUES:				
Interest Income:				
Mortgage & construction loans	782,677.74	21,727,231.43	6,659,712.08	29,169,621.25
Investments	60,149.89	11,758,553.01	1,050,205.33	12,868,908.23
Fee income:				
Multi-family programs	205,353.75		72,389.07	277,742.82
Single family programs	10,888.85-			10,888.85-
Grant income	4,860.00			4,860.00
VHMGB income				
Miscellaneous income	64,613.56			64,613.56
TOTAL REVENUES	1,106,766.09	33,485,784.44	7,782,306.48	42,374,857.01
EXPENSES:				
Financing costs: including interest and amortization of premium, discount & costs of issuance	616,381.28	26,697,726.85	4,298,198.11	31,612,306.24
Mortgage service, contract administration fees, & property disposition expense	94,338.29	985,222.01	49,077.00	1,128,637.30
Salaries and benefits	1,567,001.60			1,567,001.60
Operating expenses	625,309.65			625,309.65
Professional fees	109,200.79			109,200.79
Trustee and assignee fees	149,235.95			149,235.95
Loss on bond redemptions		497,984.69		497,984.69
Foreclosed property loss	3,405.58-	638,640.20		635,234.62
TOTAL EXPENSES	3,158,061.98	28,819,573.75	4,347,275.11	36,324,910.84
Surplus before change in investment market value	2,051,295.89-	4,666,210.69	3,435,031.37	6,049,946.17
Change in investment value		1,418,590.06	755,326.89	2,173,916.95
Excess (deficiency) of revenues over expenses	2,051,295.89-	6,084,800.75	4,190,358.26	8,223,863.12
Fund balance, beginning	8,630,151.92	33,360,255.92	14,107,093.14	56,097,500.98
Transfer to General Fund (net)	1,933,262.65	1,232,124.39-	701,138.26-	
Fund balance, end of period	8,512,118.68	38,212,932.28	17,596,313.14	64,321,364.10

RMONT HOUSING FINANCE AGENCY Consolidated Financial Statements Date: 03/31/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
ASSETS							
and cash equivalents	5,313,470.97	101,890,181.54	13,177,602.35				120,381,254.86
itments	100,000.00	131,043,355.69	8,667,901.46				139,811,257.15
gage and construction loan	17,047,389.08	393,020,550.84	91,727,050.15				501,794,990.07
ss: reserve for loan loss		2,170,843.00-					2,170,843.00-
ued interest receivable							
ortgage and notes	893,571.01	2,361,703.63	395,859.93				3,651,134.57
nvestments	19,059.08	6,210,500.98	127,417.01				6,356,977.07
rred cost of bond issuance		2,324,919.80	891,141.72				3,216,061.52
ce furniture and fixtures	893,228.03						893,228.03
accumulated depreciation	631,672.59-						631,672.59-
	775,000.00						775,000.00
ding	1,000,833.95						1,000,833.95
r receivables:prepaids	1,039,817.61	395,850.07	31,847.54				1,467,515.22
rfund receivables	895,844.27-	57,358.26	838,486.01				
r assets		1,232,167.81					1,232,167.81
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TAL ASSETS	25,554,852.87	636,365,745.62	115,857,306.17				777,777,904.66
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IABILITIES & FUND BALANCE							
rred income	512,385.02		209,175.55				721,560.57
nts payable	937,225.45	304,150.37	73,156.14				1,314,531.96
wed cash deposits	3,745,921.29	503.46-	587,738.23				4,333,156.06
s payable	11,170,478.44	106,000,000.00					117,170,478.44
ued interest	71,207.54	14,773,035.37	911,682.76				15,755,925.67
ited interest							
payable	605,516.45	481,175,000.00	98,318,870.54				580,099,386.99
rtized premium on bonds		4,098,868.94-	1,839,630.19-				5,938,499.13-
balance	8,512,118.68	38,212,932.28	17,596,313.14				64,321,364.10
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AL LIABILITIES & FUND BAL	25,554,852.87	636,365,745.62	115,857,306.17				777,777,904.66
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Vermont Housing Finance Agency
INTERIM BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2001 THRU 03/31/2001

Portion of year expired = 75%

Portion of year remaining = 25%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 03/31/2001	Amount Expended YTD Thru 03/31/2001	Percentage of Annual Budget Expended Thru 03/31/2001	Amount (Over) Under Prorata YTD Budget As of 03/31/2001	Percent Over(-) Under Prorata YTD Budget Thru 03/31/2001	Amount Unexpended As of 03/31/2001	Percent Unexpended As of 03/31/2001
OPERATING EXPENSES:								
Salaries and Wages	1,571,299.00	1,178,474.25	1,199,803.83	76.36%	(21,329.58)	-1.81%	371,495.17	23.64%
Consulting	134,500.00	100,875.00	55,557.69	41.31%	45,317.31	44.92%	78,942.31	58.69%
Trustee Fees	213,000.00	159,750.00	149,235.95	70.06%	10,514.05	6.58%	63,764.05	29.94%
Group Insurance	249,590.00	187,192.50	180,314.72	72.24%	6,877.78	3.67%	69,275.28	27.76%
Advertising	24,500.00	18,375.00	14,286.87	58.31%	4,088.13	22.25%	10,213.13	41.69%
Depreciation	171,110.50	128,332.88	131,672.34	76.95%	(3,339.47)	-2.60%	39,438.16	23.05%
Pension	152,430.00	114,322.50	103,779.87	68.08%	10,542.63	9.22%	48,650.13	31.92%
Payroll Taxes	118,816.00	89,112.00	73,843.37	62.15%	15,268.63	17.13%	44,972.63	37.85%
Legal	98,800.00	74,100.00	66,200.79	67.00%	7,899.21	10.66%	32,599.21	33.00%
Travel & Training	99,800.00	74,850.00	50,163.69	50.26%	24,686.31	32.98%	49,636.31	49.74%
Occupancy	84,000.00	63,000.00	48,693.56	57.97%	14,306.44	22.71%	35,306.44	42.03%
Telephone	46,000.00	34,500.00	31,967.46	69.49%	2,532.54	7.34%	14,032.54	30.51%
Maintenance Agreements	50,000.00	37,500.00	37,789.50	75.58%	(289.50)	-0.77%	12,210.50	24.42%
Audit	43,000.00	43,000.00	43,000.00	100.00%	0.00	0.00%	0.00	0.00%
Interest	42,576.48	31,932.36	32,010.04	75.18%	(77.68)	-0.24%	10,566.44	24.82%
Dues & Subscriptions	27,715.00	20,786.25	18,354.59	66.23%	2,431.66	11.70%	9,360.41	33.77%
Office Supplies	29,000.00	21,750.00	20,593.07	71.01%	1,156.93	5.32%	8,406.93	28.99%
Contract Services	71,800.00	53,850.00	35,414.80	49.32%	18,435.20	34.23%	36,385.20	50.68%
Promotion	86,300.00	64,725.00	52,957.73	61.36%	11,767.27	18.18%	33,342.27	38.64%
Postage	17,510.00	13,132.50	12,516.48	71.48%	616.02	4.69%	4,993.52	28.52%
Printing	36,500.00	27,375.00	20,427.22	55.96%	6,947.78	25.38%	16,072.78	44.04%
Liability Insurance	26,000.00	19,500.00	11,004.12	42.32%	8,495.88	43.57%	14,995.88	57.68%
Miscellaneous	7,200.00	5,400.00	6,384.31	88.67%	(984.31)	-18.23%	815.69	11.33%
Commisioners Fees	7,500.00	5,625.00	4,035.69	53.81%	1,589.31	28.25%	3,464.31	46.19%
Secretarial services	2,500.00	1,875.00	4,502.12	180.08%	(2,627.12)	-140.11%	(2,002.12)	-80.08%
Total Operating Expenses	$3,411,446.98	$2,569,335.24	$2,404,509.81	70.48%	$164,825.43	6.42%	$1,006,937.17	29.52%
OTHER COSTS:								
Amort - Purc'd Srv & Orig Fees	226,243.54	169,682.66	94,338.29	41.70%	75,344.37	44.40%	$131,905.25	58.30%
Loan Interest Cost	741,423.00	556,067.25	553,428.84	74.64%	2,638.41	0.47%	$187,994.16	25.36%
Organizational Subsidies	161,000.00	120,750.00	115,437.05	71.70%	5,312.95	4.40%	$45,562.95	28.30%
Advertising - New Bond COI	50,000.00	37,500.00	4,064.49	8.13%	33,435.51	89.16%	$45,935.51	91.87%
Program Loan Losses	1,200,000.00	900,000.00	638,640.20	53.22%	261,359.80	29.04%	$561,359.80	46.78%
Total Other Costs	$2,378,666.54	$1,783,999.91	$1,405,908.87	59.10%	$378,091.04	-21.19%	$972,757.67	40.90%
Total Expenses	$5,790,113.52	$4,353,335.14	$3,810,418.68	65.81%	$542,916.46	-12.47%	$1,979,694.84	34.19%
Total Surplus (Deficit)	53,739.48	40,304.61	(557,917.24)					

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2001 Thru 03/31/2001

Portion of year expired = 75%

Portion of year remaining = 25%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 03/31/2001	Amount Received YTD Thru 03/31/2001	Percentage of Annual Budget Received Thru 03/31/2001	Amount (Over) Under Prorata YTD Budget As of 03/21/2001	Percent Over Under(-) Prorata YTD Budget Thru 03/31/2001	Amount Outstanding As of 03/21/2001	Percent Outstanding As of 03/21/2001
INCOME:								
Single family Fees	20,000.00	15,000.00	38,183.38	190.92%	(23,183.38)	154.56%	(18,183.38)	-90.92%
Multi-family Fees	403,040.00	302,280.00	322,254.22	79.96%	(19,974 22)	6 61%	80,785.78	20.04%
Interest Income - Loans	1,100,000.00	825,000.00	782,677.74	71.15%	42,322 26	-5 13%	317,322 26	28.85%
Interest Income - Investments	40,000.00	30,000.00	60,149.89	150.37%	(30,149 89)	100.50%	(20,149.89)	-50.37%
Miscellaneous Income	73,313.00	54,984.75	65,973.56	89.99%	(10,988.81)	19.99%	7,339.44	10 01%
Total Income	$1,636,353.00	$1,227,264.75	$1,269,238.79	77.57%	($41,974 04)	3.42%	$367,114 21	22.43%
NET FUND TRANSFERS:								
SF Housing Program	2,400,000.00	1,800,000.00	805,924.39	33.58%	994,075.61	-55.23%	1,594,075.61	66 42%
SF Insured Mortgage Program	400,000.00	300,000.00	400,000.00	100.00%	(100,000.00)	33.33%	0 00	0 00%
SF Mtge Purchase Program	2,500.00	1,875.00	0.00	0.00%	1,875.00	-100.00%	2,500.00	100 00%
SF Home Mtge Purch Program	605,000.00	453,750.00	33,958.94	5.61%	419,791.06	-92.52%	571,041.06	94.39%
MF Mortgage Bonds	440,000.00	330,000.00	440,000.00	100.00%	(110,000.00)	33.33%	0.00	0 00%
MF Housing Bonds	255,000.00	191,250.00	216,879.32	85.05%	(25,629.32)	13 40%	38,120 68	14 95%
MF Housing Developmnt Bonds	20,000.00	15,000.00	10,000.00	50 00%	5,000.00	-33.33%	10,000 00	50 00%
MF Direct Placement Bonds	35,000.00	26,250.00	26,500.00	75.71%	(250 00)	0.95%	8,500.00	24 29%
New Bonds Cost of Issuance	50,000.00	37,500.00	50,000.00	100.00%	(12,500.00)	33.33%	0 00	0 00%
Total Fund Transfers	$4,207,500.00	$3,155,625.00	$1,983,262.65	47.14%	$1,172,362 35	-37.15%	$2,224,237 35	52 86%
Total Income & Transfers	5,843,853.00	4,382,889.75	3,252,501.44	55.66%	$1,130,388 31	-25.79%	$2,591,351.56	44 34%

Book

EXCESS YIELD ANALYSIS
MULTI-FAMILY HOUSING BONDS
June 1, 1995-March 31, 2001

EARNINGS				
Monthly earnings 6/95-3/01	$	5,806,508		
Winchester litigation proceeds		285,323		
Total sources			***$***	***6,091,831***
EXPENDITURES				
Excess cost of bond issuance	$	102,619		
St. Johnsbury		401,110		
Winchester monthly assistance		857,056		
Construction loan-Winchester		406,423		
VHCB-Lead loan program (A)		219,310		
Point School Assoc		112,000		
Pine Manor		30,000		
Pine Meadow		192,710		
REO loan sales/non-profit assistance		210,000		
Northgage-Westgate prem note		381,204		
Walden Mountain		192,000		
Pine Grove		60,000		
Cummings St-energy		31,830		
Dalton Drive Neighborhood		117,595		
St. Johnsbury-Northern Sr. Hsg		60,000		
Templeton		12,406		
Jeri-Hill		254,031		
McAuley Square		510,320		
French Hill		8,166		
Westminster		55,000		
King Street		137,711		
Ben South		22,500		
Abenaki-HFI		8,058		
Lake Champlain		100,983		
Westgate		290,000		
Abenaki Acres		60,326		
Allen Apartments		199,000		
Castleton-Parsons Hill		75,148		
Saxtons River		275,000		
Progress/FHLB grant match		96,000		
REO Distress property loans (B)		26,336		
Total uses				***5,504,842***
Current available				***586,989***
COMMITMENTS				
VHCB-Lead loan program (A)		80,690		
Weldon Villa		30,000		
Farrell Street/Marketplace		300,000		
REO Distressed property assistance (B)		173,664		
Total commitments				***584,354***
Total available for future uses			***$***	***2,635***

ONGOING SUPPORT COMMITMENTS				
Winchester subsidy	$	125,000		
Templeton subsidy	$	19,620		
Multi-family project assistance		200,000		
			$	344,620

Book

Comparison of Acquisition - Rehab Costs Per Unit

PROJECT	Acquisition $'s	Rehab $'s	TDC
Northgate	29,665	18,512	58,539
Highgate	27,566	35,899	69,228
Templeton	37,500	10,278	53,104

Average Per Unit Cost of Operations (Last Four Years)

Audited	1997	1998	1999	2000	Average
Northgate	323	357	356	342	**345**
Highgate	445	426	438	488	**449**
Templeton	448	391	466	512	**454**

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: May 11, 2001

RE: **EXECUTIVE DIRECTOR'S REPORT**

ADMINISTRATION

Roger, Pat Loller, Rick Jean and myself just returned from the NCHSA spring meeting. We had the opportunity to be updated on a variety of legislative and regulatory issues and discuss some new program ideas. Milliard Fuller, founder of Habitat for Humanity, was a keynote speaker and certainly energized everyone about finding affordable housing solutions for low-income families.

Proposals for a new homeownership development credit and a rental housing production program were discussed. The proposed homeownership credit, introduced in the President's budget, would not serve Vermont well. We have been working with NCSHA (who is working with a coalition in D.C.) to broaden the targeting. The original target was for buyers at or below 80% of median income living in qualified census tracts serving residents at or below 80% of area median income. Since then we have suggested that the Rural Development 502 program targeting be added. That covers most of the state, but would leave out some towns in Chittenden County and parts of Burlington. I have been advocating that the credit be distributed through a state plan like the rental credit, but apparently there is great resistance to that by the Administration and the large national groups supporting it. An additional proposal I have discussed with NCHSA is that 25% of the credit be distributed through a state plan.

There also has been much discussion about a rental production program and there are a variety of proposals being introduced. Some of the issues are around how deeply would the funds be targeted, would they go solely to the very low income or could funds be used to support mixed income housing. There also is discussion of whether there should be set-asides for large national groups or whether all the funds should go to the states. NCSHA would support direct allocation to the states, but does not have consensus on how restrictive the low income targeting should be. I will keep you posted as this evolves.

I am pleased to announce that John Fairbanks will be joining VHFA as the new Public Affairs Coordinator. John is currently employed as the Communications Director for Families USA Foundation in Washington DC. He has previously served as Press Secretary for Rep. Bernie Sanders, Communications Coordinator for Senator Russ Feingold, and a writer for the Times Argus. John will be joining our team on June 4th.

DEVELOPMENT

Development staff has been working on an aggressive closing schedule. Two loans, Anderson Parkway in South Burlington and the St Johnsbury House are expected to have permanent closings in the next few weeks. In addition, eight construction loans are tentatively scheduled to close within the next six weeks. Staff is also working on the several tax credit projects that need to be underwritten for the credit amount they were allocated and that need to have reservations issued.

Cindy will be attending a Robert Wood Johnson Foundation sponsored meeting next week related to the grant we co-sponsored with Dept. of Aging and Disabilities on developing affordable assisted living options. As part of this we will be looking at how to more effectively use housing credits and HUD 202 funds for assisted living. There are also a number of issues around how the reimbursement for services is structured. We are still hopeful that the Legislature will approve an increase in the ACCS (assisted community care services) rate.

MULTIFAMILY MANAGEMENT

Now that 2000 financial statement reviews have been completed for the majority of properties and with the arrival of good weather, staff is beginning to focus on scheduling Management Reviews and tax credit compliance audits. Staffs' responsibility in these areas increases yearly as we add new loans, expand our Contract Administration activities and allocate more credits to tax credit projects that need to be monitored. As of May 2001, there are 121 properties with Agency loans, 104 tax credit properties and 91 Section 8 properties where VHFA is performing all or part of the Contract Administration functions. Staff has continued to find ways to do this work in the most efficient manner possible and eliminate any duplication as a result of overlapping programs and monitoring requirements.

VHFA is continuing to support the Resident Services Coordinators' (RSC) network that remains active and viable following the expiration of VHFA's Robert Wood Johnson Foundation and Federal Administration on Aging grants from the early 1990's. VHFA is once again a sponsor for the New England Regional RSC conference that is being held this year on May 9th -11th in Hyannis MA. Management staff has also continued to work with Vermont's Department of Aging and Disabilities in their efforts to improve options for long term care and create models for more cost effective service coordination that will allow frail residents to remain in existing housing.

HOMEOWNERSHIP

The first week in June is "National Homeownership Week". Staff has prepared an advertisement that will run in newspapers around the state recognizing participating lenders, real estate partners, housing non-profit organizations, homeownership centers and home builders.

Staff is beginning to feel the affects of the volume of refinancing activity on our lending partners, appraisers and mortgage insurers. We are seeing some increase in the lag time from when we receive reservations to when we purchase the loans. We suspect this is some of the reason for the relatively low April production and that loan purchase activity in May and June should improve as loans are approved, closed and purchased. In general we also continue to be concerned about the availability, in some parts of the state, of homes within our current limits and will be proposing updated purchase price and income limits.

VHFA is sponsoring two Real Estate Financing courses to Vermont licensed real estate professionals. Classes are scheduled for May 22nd in Burlington and May 31st in Springfield. Attendees pay $40.00 to help cover expenses and receive 4 credit hours toward their license renewals.

VHFA will be hosting a meeting of housing finance agencies from Maine and New Hampshire on June 13th. The meeting will be specifically focused on homeownership issues, and will establish an ongoing forum to discuss program challenges and successes for each state. The agenda for this meeting will include topics such as: Purchase/Rehab Programs, Automated Underwriting, Section 8 Homeownership Programs, and updates on Cash Assistance Programs.

LEGAL

We are pleased to have Elizabeth remain on staff with us. She is reviewing a number of administrative items for the Agency. Glenn is continuing to provide legal support with a busy closing schedule for multifamily loans. In addition to assisting with the multifamily project financings, Elizabeth is preparing various preservation agreements and 0% loan documentation for existing projects. An agency-wide review of existing policies is in process to establish an online directory for VHFA staff and a reference book for Commissioners. In addition, as a means of managing VHFA's risks and its use of legal services, the development of a Legal Services policy will be presented to the Board for consideration in the coming months. Changes in Article 9 of the Uniform Commercial Code effective July 1, 2001 (rules for securing VHFA's interest in personal property and fixtures) will lead to changes in VHFA procedures; overall, they will be more efficient and less labor-intensive.

FINANCE

The single family bond issue successfully closed April 27. Staff is busy preparing the April quarterly statements, as well as putting together information for the 2002 budget. The time line for a multifamily bond issue is being postponed until we know more about the Farrell Street project permit appeal.

RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER RE: CONSTRUCTION AND PERMANENT FINANCING FOR MARKETPLACE DEVELOPMENT, SOUTH BURLINGTON

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors"), involving the new construction of four buildings containing 160 units of rental housing on Farrell Street in the City of South Burlington (the "Development"); and

WHEREAS, the Development has previously been the subject of a resolution of the Agency in November 2000; and

WHEREAS, the proposal now contemplates two first mortgage loans in the combined amount of up to $4,000,000 as long-term financing for 120 units in three buildings in the Marketplace project, from the proceeds of tax-exempt bonds, and with the interest rate to be determined by the Agency depending on the source of funds, and the loan shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing updated information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for construction financing in an amount not to exceed $10,450,000 (consisting of a tax exempt loan of up to $7,200,000 and a taxable loan of up to $3,250,000); the term of the construction loans will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Executive Director is also authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the long term financing of the Development in an amount not to exceed $5,164,000 (consisting of tax exempt loans of up to $4,000,000 and taxable loans of up to $1,164,000); the term of two long-term loans will not exceed 40 years, and the interest rate will be not more than 150 basis points above the Agency's cost of funds. The term of two other long term loans shall be 10 years from the date the loans are made, and shall be fully amortized over the period of

the loans, and the interest rate shall not exceed 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for construction loans for the construction of the Development, in an amount not to exceed $7,200,000 tax exempt and not to exceed $3,250,000 taxable for a total of $10,450,000 in construction financing; and a Commitment Letter for term loans in an amount not to exceed $1,164,000 taxable and not to exceed $4,000,000 tax exempt for a total of $5,164,000 in permanent financing. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development.

3. The Executive Director, 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 the financing.

4. All conditions precedent to the Agency's commitment and loans contained in the Agency's November 2000 resolution must still be satisfied.

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 19, 2001.

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

RESOLUTION RE: CONSTRUCTION FINANCING FOR GREEN MOUNTAIN SEMINARY, WATERBURY

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies 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 Housing Vermont (the "Sponsor") involving the acquisition and rehabilitation of sixteen units of rental housing in the Town of Waterbury (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 (the "Bonds") to finance a loan to a to-be formed limited partnership to be created by Housing Vermont and the Central Vermont Community Land Trust (the "Borrower") to acquire and rehabilitate sixteen units of rental housing (the "Project") in Waterbury, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan for 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;

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 April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designee may, in his or her discretion, issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the limited partnership to be created by Housing Vermont and Central Vermont Community Land Trust for acquisition and construction financing based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designee may, in his or her discretion, issue a Commitment Letter for a mortgage loan for the acquisition and construction of the Development. The Commitment Letter may be issued to Housing Vermont as a representative of the Borrower. 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 issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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 described in the preceding paragraph 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 independent 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 Sponsor, the Borrower or any other person for its refusal to do so.

4. The Executive Director and the Loan Review Committee will establish the final sources and amount of the loan, such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 19, 2001.

Sarah E. Carpenter

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

RESOLUTION RE: AUTHORIZED OFFICERS

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has reorganized and changed its employee positions and their titles over the years; and

WHEREAS, the Agency has from time to time authorized various position titles to act on behalf of the Agency;

WHEREAS, the Agency desires to change all prior references to "Director of Finance" to "Chief Financial Officer"; and

WHEREAS, the Agency desires to change all prior references to "Director of Operations" to "Chief of Program Operations":

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency hereby directs that any and all prior references to "Director of Finance" are hereby changed to read "Chief Financial Officer."

2. The Agency hereby directs that any and all prior references to "Director of Operations" are hereby changed to read "Chief of Program Operations."

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 19, 2001.

Sarah E. Carpenter

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

RESOLUTION RE: ALLOCATION OF
2001 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board; and

WHEREAS, the Agency desires to elect to utilize $ 20 million dollars of the 2001 private activity bond volume cap for qualified mortgage bonds and mortgage credit certificates and $ 20 million for exempt facility bonds;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate $20 million of its 2001 private activity bond volume cap pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates and $20 million of its 2001 private activity bond volume cap allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

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 19, 2001.

Sarah E. Carpenter

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

AMENDED RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT LETTER RE: CONSTRUCTION AND PERMANENT FINANCING FOR JEFFERSONVILLE COMMUNITY HOUSING, CAMBRIDGE

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 Lamoille Housing Partnership and Housing Vermont for the turnkey purchase of three newly constructed buildings, including 22 units of elderly rental housing in one building and 10 family units in two buildings in the Town of Cambridge, some or all of which will be financed by the Agency (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency in June, 2000; and

WHEREAS, a number of changes have become necessary since the Agency last considered 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 $1,200,000 aggregate principal amount (the "Bonds") to finance a construction loan to Jeffersonville Housing Limited Partnership or some other partnership in which an affiliate of Housing Vermont is a general partner (the "Borrower") to acquire a newly-built 32-unit project (the "Project") in Cambridge, 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 $1,200,000 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 mortgage loan in an amount of up to $275,000 as long-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 Joe Erdelyi, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

The Determinations made in the Agency's June 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. 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 construction loan for acquisition and construction in an amount not to exceed $1,200,000 and a long-term loan for financing of the Development in an amount not to exceed $275,000.

2. Because of events that have transpired since June, 2000, the Executive Director is authorized, in her discretion, to modify both the terms of the Agency's previous approval and this amended approval by doing any one or more of the following:

a) to change the source of either or both of the loans from tax-exempt bond proceeds to taxable bond proceeds;
b) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project;
c) to change the identity of the borrower if necessary to accommodate the change to a single partnership; and
d) to increase the amount of the construction loan from $1.1 million to $1.2 million.

3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct 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. 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 150 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.

6. The Agency's June 2000 resolution is reaffirmed to the extent its terms are not incompatible with the contents of 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 19, 2001.

Sarah E. Carpenter

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

VHFA BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, June 28th, 2001 at noon

PRESENT: Chairperson Randall, Commissioners Canney, Candon (designee of Costle), Lafayette, Seelig
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Crady, Mr. Schoenbeck, Mr. Adams, Ms. Drake, Mr. Gutchell, Mr. Fairbanks, Ms. Black-Plumeau

Chairperson Randall called the meeting to order at 12:17 p.m.

HOMEOWNERSHIP

Ms. Crady summarized VHFA's program activities. VHFA finished out the year with mortgages totaling $59.2 million, with the goal at $60 million. VHFA has close to $14 million in reservations and closed loans that will be purchased within the next several months. Activity is still strong with approximately $2 million in weekly reservations. Ms. Crady noted that staff will probably be looking at another bond issue in four to six weeks.

On the servicing side, things are going very well. Staff has done a fine job in reducing delinquencies and identifying those borrowers appropriate for loan workouts or modifications. Many people are reinstating from foreclosure. There were a handful of modifications this month. VHFA owned properties are attractive in the market and only five properties are not under contract. VHFA ended up getting six REO properties during the month of June. Three were because of shortened redemption periods. Ms. Crady stated VHFA is benefiting from a good economy and a very strong market and has sold some of its properties for more than their listing price.

Ms. Crady indicated that although it has not been finalized yet, VHFA is expecting to be about $300,000 below its loan loss estimate for FY 2001. VHFA is projecting losses for FY 2002 to be approximately the same as in FY 2001 at around $900,000.

Chairperson Randall asked if VHFA was looking at addressing deficiency balances? Ms. Crady responded that VHFA does not seek deficiency balances but it is something that should be looked at. The Homeownership directors of New England meet on a regular basis and there was discussion about that topic last fall. A couple of HFAs contract with outside companies to come in and try to collect their deficiency balances. The results were mixed. Chairperson Randall stated there is a statute of limitations on deficiency balances and asked would it be wise to file the loss so VHFA would have judgment against the debtor. If VHFA ever had the opportunity to collect, at least there would be a legal standing. Ms. Drake stated VHFA puts a deficiency claim in the complaint but has never enforced it. VHFA does have the option of having an outside company try to collect deficiency balances.

Ms. Crady reported the Homeownership Centers (HOC) did not increase their business over previous years but they continue to serve a lot of people. Some of the HOCs are holding two homebuyer workshops per month. There has been a decrease in homebuyers purchasing, but an increase in VHFA borrowers at homeownership centers. There has been a dramatic increase in activity in the Central Vermont Homeownership Center. Rockingham had real improvement in the number of households with whom they worked. There have been reductions in Rutland West and the Northeast Kingdom. Chittenden County has been working with many people who are mortgage ready but are having a difficult time finding eligible property.

Ms. Crady reported the HUD Section 8 Program is being used now to expand homeownership and create new homebuyers. This program does not help in a situation of reduction of income. HUD Section 8 Program can only be used for new homeownership, not existing homeowners. Ms. Canney asked if it's a type of refinancing. Ms. Crady responded that Section 8 actually provides funds to help with mortgage payments and it's not a refinance.

Ms. Crady stated there are changes in the HOC statistics for CY 2000 and wanted to note that the information on the numbers of households that received homebuyer education in CY 2000 is 216 compared to 222 in 1999. On page 2, please note that Central Vermont had an increase and the number should be 40 people during the calendar year 2000. On page 5, the number of households receiving homebuyer education in Central Vermont in the year 2000 should be 163, for a total of 185 households receiving homebuyer education. The centers estimated they are actively counseling 611 households with the potential to purchase homes within the next 2 years.

Ms. Black-Plumeau reported during the next six months VHFA would be conducting a more in depth review of the Homeownership Centers, which will include an evaluation over the entire 6 year period that VHFA has been funding the centers. VHFA should do more case study work on foreclosures, how the centers dealt with those individuals and what the outcomes were. Ms. Black-Plumeau stated she would have a report for the Board at the end of this calendar year.

Mr. Seelig stated the other issue concerning Homeownership is how southern Vermont feels about the Agency's presence. Ms. Crady stated the Homeownership staff would increase our presence in southern Vermont through additional outreach to lenders and real estate brokers and explore other ways to increase our presence.

Ms. Crady reported the Homeownership Centers are embarking on their own capital campaign over a 3 year period to assure the long-term viability of the Centers and statewide expansion so that the Center's services are available in all regions of Vermont. Ms. Crady indicated that Mr. Fairbanks has offered to help the centers with their outreach programs and help them get their message out to more people.

a 3 year period to assure the long-term viability of the Centers and statewide expansion so that the Center's services are available in all regions of Vermont. Ms. Crady indicated that Mr. Fairbanks has offered to help the centers with their outreach programs and help them get their message out to more people.

Mr. Adams noted that the Homeownership Centers continue to play an important role in the delivery of the Agency's programs and services, particularly in those areas of the state which are perceived to be underserved. Discussions with the Budget Committee of the VHFA Board asked the staff to be prepared to present some specific recommendations at this meeting on ways to expand delivery of our programs and services to underserved areas in Vermont. Mr. Adams proposed three specific recommendations that would rely on participation and incentives with the Homeownership Centers to increase presence: (1) To increase homebuyer education fees that VHFA pays the Homeownership Centers from $250 to $300 per loan closed with HOC Education Class. If approved, this would require an amendment to the proposed budget an additional $5,000 based on the projected number of loans anticipated in FY2002. (2) To provide financial support in the amount of $7,500 to hire a consultant to work with the Rockingham Area Land Trust to develop a business plan and proposal to expand services in Southern Vermont. (3) To approved a request of the Central Vermont community Land Trust (CVCLT) to sponsor a default intervention seminar in cooperation with Neighborworks Training Institute this fall at an estimated cost to VHFA of $16,000. These three initiatives, totaling $28,500 are specifically recommended to the Board as a supplemental amendment to the proposed FY2002 budget. Mr. Adams also noted that the VHFA strategic plan includes an initiative to define and quantify underserved areas in Vermont. Our increased support of the Homeownership Centers is intended to expand their capacity and help us accordingly.

MINUTES

Mr. Seelig made a motion to approve the May 17, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

FINANCE

Mr. Schoenbeck acknowledged Mr. Gutchell's invaluable assistance in putting together the numbers for the budget. The documents that Mr. Schoenbeck provided in the Board packet consisted of the proposed budget, budget narrative and capital budget summary of FY 2002 initiatives and goals in response to what VHFA is spending.

VHFA's budget philosophy is one in which revenue is generated within the series of bond programs. VHFA transfers enough money out of the bond programs to fund VHFA's programs. A projection is made by VHFA's financial advisor as to how much the bond programs will be generating each year and the amount VHFA will need the following year. VHFA's goal is to show a small surplus from operations after transfers.

Mr. Schoenbeck said that the biggest factor in the current year budget (FY01) is in single-family loan losses. It is estimated there will be about $850,000 in loan losses, which is a significant improvement over last year. Total costs are increasing at 2.4%, and if one looks at day-to-day-expenses of the organization, that showed an 8.56% increase. Mr. Schoenbeck stated the items that have the biggest impact on the increase of the budget are salaries/benefits, contract services, and advertising and promotion.

Mr. Schoenbeck, in reviewing the budget format, stated it changes a little from year to year. The first column is next year's budget and contains the amounts VHFA is looking for approval on from the Board. The next column is what VHFA thinks it will end up with on its audited financials at the end of the year vs. the budget that was approved and in place for the current year, and the % increase or decrease from the 2002 budget to the 2001 budget. VHFA's goal, based on the budget, is to have a small surplus of about $49,000. This surplus may or may not change depending on the Board's decision regarding the expanded budget supplemental initiatives in dealing with southern Vermont initiatives. There is a 5% budgeted increase for salaries and a .7 person full time equivalent position has been added, which is really two positions, one in our IS Dept. going from 80% to full time and increasing a half person in our Web design area. Also last year, VHFA converted sick and vacation time to Combined Time Off (CTO). The auditors require VHFA to book vacation time as a potential expense and liability for the future. Sick time is not booked, as this is not paid if one left VHFA's employment. Since CTO time is a combination of sick and vacation time, CTO will cost VHFA about $38,000 for this year in additional recognized expense. This adds to the salary level VHFA was looking at for last year for the projected actual. Another change was the way the organization compensates employees on their anniversary date vs. the beginning of the fiscal year. Increases during the year become a base salary for the upcoming year. 5% increase plus the recognition pool that was in last year was used for salary budget purposes. Payroll and benefits are a significant portion of the budget.

Mr. Schoenbeck stated that VHFA had cut back on the amount of advertising done during FY01. Going forward, it was decided VHFA needed to reinstate an advertising campaign to promote the Agency and its programs, which will require a substantial increase in that area for the new budget year.

Mr. Schoenbeck said that the other two major budget items deal with the multifamily area. A much higher level of financing is contemplated for FY02. VHFA has increased expenses, which are offset by income Multifamily fees have gone up substantially (about 60%) based on the projected new business being done. As VHFA does these additional number of financings for multifamily purposes, there will be more expense that will be incurred such as legal, construction, inspections, etc. There is $66,000 budgeted under contract services and $66,000 under legal expenses related to multifamily activity.

Mr. Schoenbeck proceeded to discuss organizational subsidy. This expense includes funding for six homeownership centers at $20,000 each and assumed 100 loans made @$250 per loan. VHFA transferred from advertising to organizational subsidy for the advertising campaigns for HOC. As well, what VHFA paid Housing Vermont for membership fees, makes up the organizational subsidy category.

Mr. Schoenbeck stated the loan losses have a high impact to VHFA as far as making our budget work better and something that has been of great concern in past years is looking much better at this point.

Mr. Schoenbeck noted that capital expenses proposed at $142,000 were roughly half of the $285,000 budgeted in FY2001. This is broken down between building and computer expenditure. The $70,000 - $80,000 for computers would probably be a standing item in the future. The main building expense in FY2001 was for the brickwork, windows and roofing.

Mr. Candon asked about how VHFA would deal with Templeton. If we must write off part of the loan, does it come out of this budget? Mr. Schoenbeck answered that the single-family loan losses are put below the line in the general budget area so that the Board can always see them but it's not a general fund category. Templeton could be handled the same way, but because we have had little multifamily losses, they are netted out of the bond funding. It will drive the Agency's overall surplus down by whatever amount is taken on the Templeton property.

Chairman Randall stated the presentation of the whole budget package was excellent and very clear and asked if anyone had questions on the initiatives. There were none.

Mr. Seelig made a motion to approve the budget as amended to include the $28,5000 recommended by Mr. Adams. Ms. Canney seconded the motion and it was passed unanimously.

STATUS OF PRIVATE ACTIVITY VOLUME CAP

Ms. Drake noted VHFA is getting ready to issue a significant amount of multifamily housing bonds. Ms. Drake explained how the Board has distributed the state allocation. The State reallocated $7 million dollars at the end of 2000 to VHFA and it was assigned to single family. $13 million of unused authority was carried forward to multifamily. In January, the Emergency Board allocated $77.75 million to VHFA. In April, the Board allocated $20 million to Homeownership and $20 million to Multifamily. VHFA issued single-family bonds, which used $18 million of volume cap. VHFA has a total of $75 million currently available to issue bonds. $37 million of this has not been allocated to single family or multifamily, and VHFA has allocated and available $8 million in single-family and $29 million in multifamily. VHFA is currently looking at a bond issue of $12 million, of which approximately $10 million will fall under Private Activity Bond Cap.

Ms. Drake stated the other piece not included in the memo is the General Authorizing Resolution done back in March, which authorizes staff to issue up to $15 million in bonds. To date, the staff has used $1.3 million so there is $13.7 million remaining. The current issue VHFA is planning for will be covered under the March resolution.

Ms. Drake asked the Board if there was a certain time that they would like to be updated on the Private Activity Volume Cap. Chairman Randall indicated that it would be good to be updated every six months. Mr. Seelig stated that if VHFA is bonding in between, the board could be updated as to how much money remains.

Mr. Schoenbeck stated VHFA has been very busy on both single family and multifamily fronts. As Ms. Drake mentioned earlier, multifamily is looking to do about a $12 million financing within the next three weeks. This will cover 9, or possibly 10, projects. VHFA is hoping to privately place that with Fannie Mae. This financing will cover the refinancing of a mobile home park, and it will reimburse VHFA for money advanced to Lake Champlain Apartments and a number of the other seven projects.

Mr. Schoenbeck noted on the single-family side, business continues to be strong, and as Ms. Crady mentioned, VHFA has hit 98% of their target for this past year. The structure that was put in place for the Series 14 has not moved as quickly as expected. Half the proceeds were dedicated to the down payment assistance loans, which carried a 7% interest rate and gave a 3% down payment assistance to those borrowers. The other half of the money was set up at a 6.5% interest rate and is the more traditional mortgage product. The 6.5% interest rate with no cash assistance has gone out very quickly. There is only $2-3 million dollars remaining. The down payment assistance money has gone out slowly. Mr. Schoenbeck stated he spoke with bond counsel and financial advisors, who indicated that $10 million sitting in the down payment assistance pool can be converted into the standard loan product and converted back if necessary. The offset to that is the interest rates would need to be increased very marginally from 6.50% to 6.60% to keep the 50 basis points spread between the down payment assistance product and the standard product. VHFA would raise the interest rate on the down payment assistance loan to 7.10%. Mr. Schoenbeck indicated VHFA would need to increase interest rates effective Monday, July 2nd, to the 6.60 % and 7.10%. That will hold VHFA over and the money can be switched back and forth.

Mr. Schoenbeck stated VHFA has been working with the Vermont Community Foundation. They've been interested in investing some money with VHFA and purchasing a bond. Their ideal terms are 1 – 5 years, and they have $100,000 - $200,000. VHFA has encouraged them to partner with us and is basically looking to accept their $100,000 as a one-year renewable deposit.

Mr. Schoenbeck noted another item VHFA has been talking about is introducing a small taxable financing to cover some mortgages that can't be done under our MRB programs (mobile homes and some non-qualified MRB loans). VHFA is looking to Fannie Mae for purchase. VHFA is looking for approximately $1 million to $1.5 million at a taxable rate of 8.25% or 8.5%. VHFA staff has been working very hard to get this ready. The terms would be up to 30 years. Ms. Carpenter said this would be an enhancement of our present programs. A mobile home piece would be targeted to mobile home owners in the non-profit parks who have much higher interest rates. The other niche would be customers of the Homeownership Centers in the Homeland Program.

PUBLIC AFFAIRS

Mr. Fairbanks stated the Public Affairs Department has an ambitious agenda. Mr. Bailey will be coming on board full-time. Mr. Fairbanks indicated he wants to make sure that what the Public Affairs Department will be doing harmonizes with what the Homeownership Department will be doing. Mr. Fairbanks said VHFA has done a lot of good work in the past and he wants to capitalize on that. The Strategic Communication Plan Mr. Fairbanks will be putting in place consists of seven components which are outlined in his memo.

EXECUTIVE DIRECTOR'S REPORT

Ms. Carpenter went over a brief synopsis of the Executive Director's Report, highlighting the legislative activity that went on this year. The issue that most affected VHFA was the tax credit increase and the proposal for the State Housing Investment Plan.

Chairperson Randall asked what position the Agency should take relative to some of those issues and asked if the Board wanted to have a position on any of them? Ms. Lafayette noted VHFA and other non-profits could have input through committees working on the various issues. Mr. Seelig stated it could become a balancing act when in discussion on a controversial issue, as VHFA does not want any of its comments misconstrued. Ms. Carpenter stated she tries to interpret what she hears from various constituents and to figure out what they have in common and focus on those areas.

Ms. Carpenter said it is VHFA's specific intent to get the property transfer tax exemption renewed this year. Ms. Canney stated there is not one area of the state that couldn't benefit right now from new construction for the low-income consumer. There is nothing available for brand-new construction. Ms. Crady replied that VHFA definitely communicates with builders, and there are other factors, such as permitting issues that prevent developers from building a lot of new construction. Ms. Lafayette stated the market is there, but the two big issues are the local planning and zoning boards and the pervasive attitude against low to moderate income might be able to finance the apartments as well, although their requirements relate more directly to the institution themselves, not subsidiaries of the institution. The amount would be in the $20 million range.

Ms. Carpenter said the other project that came to her attention is the Gary Home in Montpelier. The Gary Home is a long-standing home for the aged. They are interested in doing a new project at another location in Montpelier. It would be a mix of market rate, but not necessarily serve a high percentage of low-income people and would be somewhere in the $2 million range. Mr. Seelig inquired, in looking at either population; does it meet that test even if most of the people were in the upper end of that range? Ms. Carpenter replied because it's not tied to another subsidy program, it would probably meet that test, and students don't usually have incomes over median. Mr. Candon asked Ms. Drake as a legal matter would there need to be a change in VHFA's rules to get in on this project.

Ms. Drake stated the rules say that it is supposed to be 75% below low and moderate income as determined by the Agency and, in addition, the Board can make a waiver to reduce this to 51%. There are several issues involved such as what the benefit to the developer might be, does it fall under the guidelines of a real 501(c)3 and how to evaluate the student income.

Ms. Carpenter noted that the Converse Home, like the Gary Home, might approach VHFA as they are looking to expand as well. Ms. Carpenter summarized the Board's comments by stating she got the impression that the Board did feel uncomfortable in pursuing this.

Ms. Loller handed out information on the NCSHA's annual conference in Boston for the Board's information.

Ms. Seelig motioned to go into Executive Session for a personnel matter at approximately 3 PM. Ms. Canney seconded the motion. Ms. Canney made the motion to adjourn the Executive Session and Mr. Candon seconded the motion.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

BOOK

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: June 22, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on June 28, 2001, at 12:00 p.m. at Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont. *Lunch will be provided.*

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on June 28th!

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Vermont Housing Finance Agency

BOARD AGENDA
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, June 28th 2001 at noon

1.	Approval of the minutes of May 17, 2001.		{Enclosure}
2.	HOMEOWNERSHIP		
	A.	Summary of Homeownership Activities	{Crady/Enclosure}
	B.	Report of Homeownership Centers Activity CY 2000	{Crady/Black-Plumeau/Enclosure}
3.	FINANCE		
	A.	FY2002 Proposed Budget	{Schoenbeck/Enclosure}
	B.	FY2002 Budget Supplement	{Adams/Enclosure}
	C.	Status of Private Activity Volume Cap	{Drake/Enclosure}
	D.	Bond Issues	{Discussion}
4.	ADMINSTRATION		
	A.	Proposal for a VHFA Strategic Communications Plan	{Fairbanks/Enclosure}
	B.	Executive Director's Report	{Carpenter/Enclosure}
	C.	Board HR Committee Minutes from April	{Enclosure}
5.	Any other business to come before the Board.		
6.	*Executive Session*		

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Vermont Housing Finance Agency

BOARD MINUTES

Highgate Apartments
73 Highgate Drive
Barre, Vermont

Thursday, May 17, 2001 at noon

PRESENT: Chairperson Randall, Commissioners Canney, Seelig, Candon (designee of Costle), Lafayette, Douglas, Beyer (designee of Lambert)
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Ms. Kendrick, Mr. Adams, Mr. Falzone, Ms. Black-Plumeau, Mr. Erdelyi
Other: Ms. Owens (Housing Vermont), Ms. Luce (Maloney Property Management)

Chairperson Randall called the meeting to order at 12:05 p.m. Several Board members discussed their recent visits to the Templeton housing project in White River. Mr. Erdelyi announced that the proposed companion 18-unit family housing project in Wilder has been approved for Farmers Home 515 funds. Ms. Carpenter added that Vermont State Housing Authority (VSHA) is very anxious to start the permit process on this project to get things in motion.

Ms. Carpenter asked the Board for any additional feedback and direction on how to proceed with the Templeton project and a lengthy discussion followed. The Board agreed that the project should be torn down, but whether to rebuild on the current site or another site has not been determined. The Board feels that there needs to be more substantial information regarding the structural integrity of the project, etc. before a decision can be made regarding the future of the project. Ms. Carpenter noted that staff has asked Mr. Anderson (VHFA Construction Consultant) to review all the architectural work that has been produced regarding this project. Mr. Anderson has been asked to review the engineering reports as well. Once Mr. Anderson has reviewed the engineering reports he will then quantify what else (if anything) needs to be completed in order to give the Board a greater comfort level and basis to make an informed decision. The consensus among the Board was to obtain Mr. Anderson's opinion on the project once he has reviewed all of the necessary information.

There was general agreement that the density in Templeton needed to be reduced and that even the current proposed reduction from 35 to 28 units may not be enough. There was acknowledgment that every lost unit increases the amount of loss to the funding sources.

The Board also noted the need for VSHA to explore every avenue to make it possible to move some of the Section 8 certificates to a new project. Ms. Canney suggested that if a unit becomes vacant that it should not be filled. This will decrease the number of tenants that will have to be relocated once a decision has been made regarding the project.

Significant discussion took place regarding VSHA's role with the Templeton project. The Board is requesting that VSHA pursue the following things: (1) get the community involved with the project; (2) partner with a local nonprofit; (3) explore the subsidy issue with HUD (whether the current subsidy that the families receive could be transferred to a different site if necessary); (4) contribute more significant funding to the project ($250,000); and (5) develop a strong plan for continued onsite management.

MINUTES

Mr. Seelig made a motion to approve the April 19, 2001 minutes. The motion carried unanimously after being seconded by Mr. Douglas.

HOMEOWNERSHIP

Mr. Adams reviewed the proposed revisions to the income and purchase price limits. The proposed income limits are based on HUD's new median income estimates. Mr. Adams stated that the increases are fairly moderate ($2500 - $4,000) and the figures have been rounded. Staff is proposing to increase the income limits to the maximum allowable limits in all areas except in the two Burlington qualified census tracts. In those tracts, staff felt that a $3,000 increase was sufficient.

Ms. Black-Plumeau recently completed a purchase price study for sections of Vermont experiencing significant price increases. This study made it clear to staff that VHFA's purchase price limits need to be aligned more closely with real estate prices. Staff is proposing to increase the new home purchase price limits as listed in the memo "Revisions To Income and Purchase Price Limits Under MRB Program."

Mr. Seelig indicated he did not have any real problems with both the income and the purchase price limits, however, he suggested that the new construction purchase price limits be increased to $165,000 in any county that can increase to that amount.

Mr. Douglas asked if the income level has to be sustained for the life of the mortgage. Ms. Carpenter and Mr. Adams both indicated that the MRB income limits only pertain to a borrower's income at the time that they purchase the home. There is not a negative effect on the loan or borrower if their income rises above the limits afterward. However, if the borrower's income rises dramatically, they may be subject to MRB "recapture" provisions when they sell the house. Ms. Beyer felt that increasing the new construction limits in the MSA and Burlington targeted census tracts to $190,000 was too large an increase. Ms. Beyer suggested increasing them to $180,000.

After further discussion, Mr. Seelig made a motion to approve the proposed income limit and purchase price limit with two exceptions: 1) set the new home limit in the MSA and the Qualified Census Tracts at $185,000 and 2) increase the new home limit to $165,000 in all other areas where the maximum limit allows. Mr. Candon seconded the motion and it was passed unanimously.

Mr. Adams indicated that the volume of reservations have remained strong over the last two weeks and was also happy to report that the Cash Assistance Program's activity has begun to pick up.

Mr. Adams noted that there was not much change from last month on the Delinquency Report. VHFA has ten properties under contract. Loan losses continue to be in line with budgeted expectations and staff is hopeful that loan losses will finish the year under budget.

Mr. Adams reported that he attended a meeting sponsored by the town of Williston that a number of housing people attended. There was significant discussion surrounding affordable housing in Williston. Mr. Adams indicated that VHFA provided data for a median income household and the median purchase price for a home in Williston. It was clear that a median income household would face great difficulty in affording a median priced home in that community using VHFA programs.

Ms. Carpenter stated that VHFA should support the concept of affordability preferences. If VHFA can get behind an established set of parameters and a town developer comes to VHFA with plans to build units that meet the purchase price and income limits, then VHFA should attend the town meetings to let them know it meets VHFA's parameters. Mr. Seelig suggested that VHFA spend some time on running through how Act 60 impacts various towns and what it means to add units. There are many misconceptions about Act 60 and in many communities, it is a big issue. Ms. Carpenter indicated that VHFA would like guidance from the Board regarding what issues VHFA should advocate for going forward.

Mr. Candon suggested we address this separately at a future date and noted that VHFA should develop some parameters. Ms. Lafayette suggested that VHFA should develop a policy. Chairperson Randall asked staff to prepare some guidelines and present them to the Board at a future meeting.

FINANCE

Mr. Schoenbeck handed out the Excess Yield Analysis worksheet for discussion. The total excess yield earnings that VHFA generated to date are approximately $6 million, with expenditures totaling $5.5 million. At this time the total funds available for future uses are $2,635. Mr. Schoenbeck noted that VHFA could lend up to $1 million (one years future earnings) under the existing Board policy. Mr. Schoenbeck mentioned that VHFA would have to forgive some of the loans that have been made, because some were not made quickly enough to comply with yield compliance and arbitrage regulations. At some distant date, the Board may have to make a decision on what loans to forgive.

Mr. Schoenbeck handed out the March 31, 2001 financial reports. The first report discussed was the 9-month financial report that is produced off the MITAS system. VHFA's surplus, before the change in investment market value, is $6 million. Mr. Schoenbeck reported that VHFA is on target to hit the projected surplus. Mr. Schoenbeck indicated that VHFA's total assets have stayed fairly consistent at $778 million and the fund balance is at $64 million, which is a very strong number.

The second report discussed was regarding the income and fund transfers through March 31, 2001. Total income is at 77.6%, but should be at 75% as VHFA has just ended the third quarter of the fiscal year. The operating expenses are at 74.8%, which is in line with 75%. Mr. Schoenbeck noted that the program loan losses are $261,000 less than last year. The capital budget is almost completely expended. The salary and wages show that they are over budget, but that is due to the accounting accrual rules connected with the conversion of vacation and sick time into Combined Time Off, which increased the salary figure by $60,000. Mr. Schoenbeck indicated that overall, VHFA is in very good shape with the FY01 budget.

MULTIFAMILY

Kathy Luce, the Regional Property Manager for Maloney Properties, was present at the meeting to represent Highgate Apartments.

VHFA has been presented with a list of improvements for Highgate Apartments totaling $414,000. Ms. Luce indicated that Highgate does not have sufficient funds in the replacement reserves for all future capital needs during the next 20 years. Highgate Apartments is seeking a $150,000 deferred loan from VHFA to be used to replace the fencing and repaint the exterior wood trim and doors.

Ms. Luce indicated that the fences would be higher than they currently are and will be a low maintenance type fence. The Board felt as though the fencing was a lot of money and thought perhaps Highgate could do something less costly. Ms. Beyer suggested using dividers between the apartments rather than fencing. Ms. Luce reported that the Highgate Association completed a survey and an overwhelming number of residents preferred fencing. Ms. Canney suggested that it might be wise to delay painting and/or replacing the fencing and take them down for a year to see how residents react. Chairperson Randall suggested that the fences be put on hold and to go ahead and paint the trim and doors. Ms. Carpenter proposed that VHFA revisit the fence issue at a later time.

Ms. Carpenter mentioned there might be a potential mold problem as well. Ms. Luce indicated there is mold in the basement of some apartments. The Highgate Tenants Association has been addressing the mold issues as they find them. Ms. Luce stated it is a combination of outside moisture coming in and dryers being vented improperly.

After further discussion, Chairperson Randall stated that Highgate Apartments could begin painting the trim and doors. Funds for the cost of this work should come from the excess vacancy allowance, which has been budgeted at 13% for 2001.

Mr. Falzone asked if there were any questions regarding his report, included in the Board packet. Mr. Candon asked if there is a chart showing VHFA's exposure within the VHFA portfolio. Mr. Falzone stated that staff could determine VHFA's exposure by pulling those numbers out of their internal database.

Chairperson Randall asked Mr. Falzone to give an update on Winchester at the next Board meeting.

DEVELOPMENT

Mr. Erdelyi reported the Lime Kiln project is presented as two projects for tax credit purposes. There will be two sets of books, two audits and a taxable and tax-exempt piece. Mr. Erdelyi noted that as a rule you couldn't use taxable money with 9% credits and tax-exempt money with 4% credits in one building. The Lime Kiln project is a mixed income project. Mr. Erdelyi stated that the project did go out to bid, is fully permitted and did receive allocated tax credits.

Two motions were made. The first motion was made by Mr. Candon in favor of "The Permanent Financing For The Allocated Building Of the Lime Kiln Project, South Burlington", seconded by Mr. Seelig and unanimously adopted by the Board. The second motion was made by Mr. Candon in favor of the "Construction And Permanent Financing For the Bond Building", seconded by Mr. Douglas and adopted by the Board. (Mr. Seelig abstained from this motion.) Both motions were made to approve one resolution entitled "Resolution re: Construction And Permanent Financing For The Bond Building And Permanent Financing For The Allocated Building Of The Lime Kiln Project, South Burlington."

Mr. Erdelyi proceeded to discuss the Westgate project. He reported that this project is a mix of taxable and tax exempt units. The Board is being asked to authorize the Executive Director to make necessary modifications to the previous Board approval. This would include, but is not limited to, changing the source of the loans from tax-exempt bond proceeds to both tax-exempt and taxable bond proceeds and to change the security of the VHFA loan from a first mortgage on the 50 unit segment to first mortgages on the entire 98 units.

Mr. Candon made a motion to approve the "Amended Resolution Re: Combined Letter Of Interest And Commitment Letter For Westgate Apartments, Brattleboro." The motion carried unanimously after being seconded by Mr. Seelig.

Mr. Erdelyi discussed the allocation of State Housing Credits. The Joint Committee On Tax Credits (JCTC) met via conference call on May 16th. Jeffersonville was the only applicant for the State Housing Credit. The JCTC are recommending that the Board approve this $100,000 housing credit. Mr. Seeling made a motion to approve the $100,000 in State Housing Credits to Jeffersonville and Ms. Beyer seconded the motion. The motion was passed unanimously.

The following corrections were made to the minutes of the Joint Meeting of the JCTC and VHFA Board of Directors April 30th meeting: Ms. Young and Ms. Canney's names were spelled incorrectly; Mr. Douglas's name was removed as he was not present and Mr. Seelig, not Chairperson Randall, should be noted as the board member to adjourn the meeting. Mr. Seelig made a motion to approve the minutes and the motion carried unanimously after being seconded by Mr. Candon.

ADMINISTRATION

Ms. Carpenter stated that she did not have any updates to add to her report and asked if anyone had questions. Ms. Carpenter announced that John Fairbanks would begin work at VHFA on June 4th and that staff is anxious for him to start.

OTHER

Ms. Carpenter asked the Board for their availability on October 8th and 9th as potential dates for the Board retreat. Several Board members didn't have their calendars with them, so Ms. Carpenter indicated that Ms. Caragher would e-mail the dates to them to check availability next week.

With no further business, a motion was made by Mr. Candon and seconded by Mr. Seelig to adjourn. The meeting adjourned at 4:15 P.M.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: June 21, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATION

Loans purchased for the month of May totaled approximately $2.0 million with year-to-date totals now at $55.7 million. So far this month we have purchased approximately $2.2 million in loans. With one more purchase prior to the end of the fiscal year, we predict that we will fall short in meeting our goal by approximately $1.0 million. Since we have approximately $8.1 million in approved loans, $1.6 million in loans that have closed, and $1.6 million in loans where the loan sale date has been extended, we anticipate that we will purchase the majority of those loans during the next several months. Attached are production reports by product and lender as of May 31, 2001.

Reservation activity continues to be strong with approximately $1.5 to $2.0 million in reservations each week. Reservations for the cash assistance rate option are still slow but activity is increasing as lenders begin to realize how easy this option is to administer. We also experienced a period where MGIC's turn-around time was longer than what was acceptable to both VHFA and MGIC. MGIC addressed the issue by channeling all of their conventional business to Braintree, Massachusetts so MGIC staff in Burlington could focus on VHFA business. As a result, the turn-around time for VHFA loan approvals has improved.

VHFA hosted a meeting of the Homeownership Directors and some of their staff from other New England Housing Finance Agencies. It was an informative day of sharing of information and programs. We spent a fair amount of time talking about how other housing finance agencies do outreach and market their programs.

COLLECTIONS

We have experienced another reduction in overall delinquency levels. VHFA's year to date average of 6.66% is approximately 122 basis points lower than the average delinquency rate for FY 2000. VHFA's overall delinquency rate of 5.98% is the lowest it's been since 1992! Attached are complete delinquency reports as of May 31, 2001.

As of May 31, 2001 VHFA owned 17 properties. Since that time 4 properties have sold and an additional 8 properties are under deposit and scheduled to close in June and July. Attached is a REO Inventory Report as of May 31, 2001.

We expect to end the fiscal year with loan losses of slightly less than $900,000, which is $300,000 below the budgeted amount of $1.2 million.

Please feel free to call me if you have any questions about the reports.

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,948,719	6,245,359	6,779,574	5,508,307	6,186,222	7,576,798	4,377,870	1,986,485	2,581,182	2,509,617	1,798,548		52,498,681
HOUSE	142,750	55,000	221,600	89,165	124,500	195,500	99,000	97,000	162,750	125,500	199,000		1,511,765
YESS	157,150	100,000	0	170,450	217,455	246,629	126,675	114,820	0	0			1,133,179
RURAL DEV.	139,900	64,180	57,360	26,640	48,300	54,560	100,500	71,520	0	0	16,000		578,960
Total	7,388,519	6,464,539	7,058,534	5,794,562	6,576,477	8,073,487	4,704,045	2,269,825	2,743,932	2,635,117	2,013,548	0	55,722,585
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,093,304	508,419	161,900	700,457	121,235	308,713		5,735,799

VHFA Production Report By Product FY2000

July 1, 1999 - June 30, 2000

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,336,907	5,390,086	3,166,910	11,016,272	10,152,272	6,234,838	5,525,075	3,406,696	3,513,925	3,140,919	3,760,492	6,931,626	66,576,018
HOUSE	88,500	136,800	327,250	421,000	308,115	218,814	348,950	265,400	231,700	173,500	59,600	390,350	2,969,979
YESS	43,600	70,470	0	159,900	222,230	0	88,920	135,550	246,512	163,707	142,345	158,559	1,431,793
RURAL DEV.	98,180	81,605	95,850	33,200	0	66,250	47,550	26,730	74,360	45,100	15,910	175,650	760,385
Total	4,567,187	5,678,961	3,590,010	11,630,472	10,682,617	6,519,902	6,010,495	3,834,376	4,066,497	3,523,226	3,978,347	7,656,185	71,738,175
MOBILE HOME	212,635	371,335	278,360	655,376	702,706	410,040	545,608	87,700	188,189	107,075	470,137	755,456	4,784,617

VHFA Production Report - dollar volume by lender FY 2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900	$466,550	$575,157	$413,400		$12,344,298
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070	$574,000	$283,700	$298,150		$4,621,498
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$493,315	$253,500	$79,050	$56,300	$187,850	$190,000		$2,941,085
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220	$86,450	$126,600	$0		$2,709,063
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720	$297,115	$146,655	$0		$2,688,618
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0	$0	$226,675	$0		$2,610,382
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400	$390,317	$0	$194,763		$2,202,415
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000	$81,900	$92,000	$64,660		$2,022,792
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500	$76,800	$72,000	$76,500		$2,010,825
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0	$71,250	$78,375	$148,500		$1,928,612
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0	$73,700	$58,805	$0		$1,733,405
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$59,000	$0	$0	$0		$1,670,820
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0	$69,000	$0	$0		$1,503,403
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155	$72,750	$63,650	$0		$1,377,762
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0	$120,110	$307,750	$52,250		$1,280,510
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0	$231,750	$0	$0		$1,188,475
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0	$0	$0	$0		$1,012,108
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0	$0	$48,500	$76,000		$950,797
MTG FINANCIAL	$159,610	$176,000	$0	$0	$178,900	$237,905	$0	$101,650	$0	$0	$96,425		$950,490
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640	$0	$0	$55,000		$920,619
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000	$0	$0	$110,550		$913,570
NCFCU	$268,000	$0	$112,635	$74,690	$101,755	$168,625	$0	$0	$0	$166,000	$0		$891,705
VHFA (RD)	$213,775	$64,180	$57,360	$26,640	$60,850	$54,560	$100,500	$71,520	$0	$0	$16,000		$665,385
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0	$0	$0	$0		$590,150
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0	$0	$0	$98,000		$588,869
LYNDONVILLE	$78,375	$281,000	$46,500	$72,000	$0	$53,675	$0	$0	$0	$0	$50,350		$581,900
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0	$75,940	$0	$0		$478,460
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0	$0	$29,450	$73,000		$468,625
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0	$0	$0	$0		$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0	$0	$0	$0		$423,205
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0	$0	$68,450	$0		$350,700
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$52,679	$0	$0	$0	$0	$0		$323,129
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0	$0	$0	$0		$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0	$0	$103,500	$0		$103,500
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0
TOTAL	$7,388,519	$8,464,539	$7,058,534	$5,294,562	$6,576,477	$8,070,487	$4,704,045	$2,269,825	$2,743,932	$2,635,117	$2,013,548	$0	$55,722,585

HOMEOWNERSHIP DELINQUENCY REPORT
AS OF: May 31, 2001

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	**6338**	**6382**	**6429**	**6464**	**6483**	**6522**	**6573**	**6600**	**6590**	**6582**	**6542**	**6488**		**6499**
Total Portfolio $	**$364.1**	**$367.9**	**$371.2**	**$375.2**	**$377.3**	**$380.7**	**$386.0**	**$388.2**	**$387.8**	**$387.6**	**385.8**	**382.6**		**$379.5**

NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	259	254	263	280	264	274	317	263	276	240	247	230		264
60 Days	64	56	72	65	61	60	87	67	68	73	62	62		66
90 Days	52	53	47	49	44	43	51	47	56	40	39	39		47
Foreclosure	54	55	56	58	61	57	56	55	52	54	51	57		56
Total Delq 00-01	429	418	438	452	430	434	511	432	452	407	399	388		433
Total Delq 99-00	489	500	485	481	509	512	512	535	518	403	485	455	429	486

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.09%	3.98%	4.09%	4.32%	4.07%	4.20%	4.82%	3.98%	4.19%	3.65%	3.78%	3.55%		4.06%
60 Days	1.01%	0.88%	1.12%	1.01%	0.94%	0.92%	1.32%	1.02%	1.03%	1.11%	0.95%	0.96%		1.02%
90 Days	0.82%	0.83%	0.73%	0.76%	0.68%	0.66%	0.78%	0.72%	0.85%	0.61%	0.60%	0.60%		0.72%
Foreclosure	0.85%	0.86%	0.87%	0.90%	0.94%	0.87%	0.85%	0.83%	0.79%	0.82%	0.78%	0.87%		0.85%
Total Delq 00-01	6.77%	6.55%	6.81%	6.99%	6.63%	6.65%	7.77%	6.55%	6.86%	6.19%	6.11%	5.98%		6.66%
Total Delq 99-00	8.26%	8.45%	8.18%	8.11%	8.42%	8.33%	8.27%	8.57%	8.23%	6.43%	7.72%	7.23%	6.77%	7.92%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$14.5	$14.2	$14.8	$15.4	$14.8	$14.9	$17.6	$14.6	$15.4	$13.0	$13.4	$13.1		$14.6
60 Days	$3.5	$2.8	$3.9	$3.7	$3.5	$3.5	$4.8	$4.0	$4.1	$4.3	$3.5	$3.5		$3.8
90+ Days	$6.1	$6.3	$6.0	$6.2	$5.9	$5.6	$6.1	$5.6	$6.0	$5.3	$5.1	$5.4		$5.8
Total Delq 00-01	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0	$28.5	$24.2	$25.5	$22.6	$22.0	$22.0		$24.2
Total Delq 99-00	**$26.9**	**$27.6**	**$27.1**	**$27.0**	**$28.3**	**$28.9**	**$28.7**	**$30.5**	**$28.8**	**$22.5**	**$26.6**	**$25.3**	**$24.1**	**$28.2**

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
May 31, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Factory Point Nat. Bank	53	5	9.43%	1	1.89%	0	0.00%	0	0.00%	6	11.32%	0	0.00%
Wells River Savings Bank	33	2	6.06%	1	3.03%	0	0.00%	0	0.00%	3	9.09%	0	0.00%
Charter One	344	13	3.78%	4	1.16%	3	0.87%	8	2.33%	28	8.14%	3	0.87%
Community National Bank	330	12	3.64%	6	1.82%	3	0.91%	5	1.52%	26	7.88%	0	0.00%
Connecticut River Bank	13	1	7.69%	0	0.00%	0	0.00%	0	0.00%	1	7.69%	0	0.00%
Mortgage Service Ctr. of NE	2776	116	4.18%	26	0.94%	19	0.68%	30	1.08%	191	6.88%	7	0.25%
Graystone Mortgage Company	1500	59	3.93%	12	0.80%	12	0.80%	12	0.80%	95	6.33%	5	0.33%
Brattleboro Savings & Loan	59	3	5.08%	0	0.00%	0	0.00%	0	0.00%	3	5.08%	0	0.00%
Passumpsic Savings Bank	153	5	3.27%	2	1.31%	0	0.00%	0	0.00%	7	4.58%	0	0.00%
Union Bank	223	6	2.69%	3	1.35%	0	0.00%	0	0.00%	9	4.04%	0	0.00%
Bank of Bennington	78	3	3.85%	0	0.00%	0	0.00%	0	0.00%	3	3.85%	0	0.00%
Northfield Savings Bank	180	2	1.11%	1	0.56%	1	0.56%	2	1.11%	6	3.33%	0	0.00%
Citizens Savings Bank	121	1	0.83%	3	2.48%	0	0.00%	0	0.00%	4	3.31%	0	0.00%
Peoples Trust Co.	88	1	1.14%	1	1.14%	0	0.00%	0	0.00%	2	2.27%	0	0.00%
GMAC Mortgage	47	1	2.13%	0	0.00%	0	0.00%	0	0.00%	1	2.13%	0	0.00%
Vermont Development CU	158	0	0.00%	1	0.63%	1	0.63%	0	0.00%	2	1.27%	0	0.00%
Lyndonville Savings Bank	88	0	0.00%	1	1.14%	0	0.00%	0	0.00%	1	1.14%	0	0.00%
First Brandon Nat. Bank	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	40	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mascoma Savings Bank	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	151	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	0.66%
Randolph National Bank	21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	4.76%
Totals	**6488**	**230**	**3.55%**	**62**	**0.96%**	**39**	**0.60%**	**57**	**0.88%**	**388**	**5.98%**	**17**	**0.26%**
Totals Previous Month	**6542**	**247**	**3.78%**	**62**	**0.95%**	**39**	**0.60%**	**51**	**0.78%**	**399**	**6.10%**	**18**	**0.28%**
Totals Same Mo. Last Yr.	**6291**	**269**	**4.28%**	**74**	**1.18%**	**57**	**0.91%**	**55**	**0.87%**	**455**	**7.23%**	**21**	**0.33%**

Note: Of the loans in foreclosure, a total of 20 are performing under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM DELINQUENCY STATISTICAL REPORT BY LENDER

Lenders	May 2000	June 2000	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001
Bank of Bennington	4.29%	5.71%	4.05%	4.05%	4.05%	5.06%	5.06%	6.33%	5.06%	5.06%	6.33%	3.90%	3.85%
Brattleboro Savings & Loan	4.44%	2.13%	4.17%	6.00%	3.92%	5.88%	3.77%	3.51%	0.00%	1.72%	3.33%	3.33%	5.08%
Charter One	11.02%	9.86%	10.38%	11.99%	11.02%	9.21%	9.97%	11.11%	10.57%	10.08%	7.48%	7.12%	8.14%
Citizens Savings Bank	4.07%	2.46%	3.28%	4.07%	3.25%	2.44%	3.97%	4.76%	5.56%	4.80%	6.40%	4.07%	3.31%
Community National Bank	6.31%	6.33%	6.33%	7.55%	8.06%	7.49%	10.45%	9.52%	7.72%	6.27%	7.19%	6.33%	7.88%
Connecticut River Bank	0.00%	0.00%	0.00%	0.00%	0.00%	11.11%	9.09%	7.69%	15.38%	30.77%	8.33%	8.33%	7.69%
Factory Point Nat. Bank	0.00%	5.71%	7.89%	12.20%	7.14%	11.63%	11.63%	13.33%	10.87%	10.87%	12.50%	7.69%	11.32%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	20.00%	0.00%	0.00%
GMAC Mortgage	9.29%	0.00%	3.03%	2.70%	0.00%	0.00%	4.76%	2.27%	6.52%	6.52%	2.17%	4.26%	2.13%
Graystone Mortgage Company	9.09%	8.21%	8.01%	7.49%	8.67%	8.39%	7.12%	7.65%	7.37%	7.40%	7.16%	6.80%	6.33%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.63%	0.00%	0.00%	0.00%
Lyndonville Savings Bank	5.33%	3.95%	3.75%	2.50%	2.44%	1.20%	1.18%	3.49%	3.49%	2.33%	3.49%	1.14%	1.14%
Mascoma Savings Bank	20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	6.67%	6.67%	0.00%
Mortgage Service Ctr. of NE	22.08%	22.37%	18.42%	18.67%	17.81%	13.89%	15.28%	18.06%	6.55%	7.35%	6.39%	6.94%	6.88%
New England Federal CU	0.00%	2.88%	0.92%	0.91%	0.85%	0.80%	0.79%	0.74%	0.00%	0.00%	0.00%	0.67%	0.00%
Northfield Savings Bank	3.23%	6.21%	7.32%	4.85%	5.95%	8.14%	4.55%	6.18%	4.44%	5.03%	5.56%	5.56%	3.33%
Passumpsic Savings Bank	7.55%	4.46%	4.46%	5.13%	4.52%	4.49%	5.13%	10.32%	5.16%	5.81%	2.60%	4.58%	4.58%
Peoples Trust Co.	6.58%	5.13%	5.06%	3.80%	6.33%	7.50%	6.17%	4.76%	3.49%	5.68%	4.55%	4.49%	2.27%
Randolph National Bank	7.69%	11.54%	4.00%	4.00%	0.00%	0.00%	12.00%	12.50%	12.50%	13.04%	8.70%	0.00%	0.00%
Union Bank	4.55%	5.45%	4.43%	5.29%	5.26%	6.13%	7.01%	5.48%	6.79%	5.43%	6.31%	4.50%	4.04%
Vermont Development CU	6.25%	7.46%	4.38%	5.15%	5.71%	6.25%	4.67%	6.33%	3.80%	5.70%	1.28%	1.26%	1.27%
Wells River Savings Bank	3.03%	3.13%	0.00%	0.00%	2.94%	0.00%	2.78%	5.41%	5.56%	5.88%	5.88%	6.06%	9.09%

REO INVENTORY REPORT
As of May 31 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 3/31/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 25,495	$ 15,898	$ 91,278	$ 27,734	$ 35,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Under Contract $35,000; Closing 6/21/01
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 5,215	$ 6,764	$ 45,410	$ -	$ 47,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Under Contract $47,000; Closing 7/20/01
Gomez	12/22/00	Chester	$ 45,129	$ 4,182	$ 9,901	$ 13,769	$ 45,443	$ -	$ 35,000	$ 32,000	4/12/01	$ 49,000	6/2/95	MH	Under Contract $35,000; Closing 6/28/01
Baldwin	12/28/00	Fairfax	$ 88,172	$ 12,097	$ 11,530	$ 19,400	$ 92,399	$ 7,452	$ 82,055	$ 88,500	1/26/01	$ 98,000	2/10/95	SF	Property Sold on 6/8/01
Chamberlin	1/16/01	Huntington	$ 70,891	$ 4,785	$ 7,511	$ 17,000	$ 66,187	$ 4,503	$ 70,500	$ 80,000	10/23/00	$ 86,000	7/10/89	MH	Property Sold on 6/8/01
Svendsen	2/12/01	Burlington	$ 69,730	$ 4,365	$ 8,494	$ 17,241	$ 65,348	$ -	$ 85,000	$ 76,000	2/27/01	$ 74,500	11/16/95	Condo	Property sold on 6/6/01
Vanderwerf	2/14/01	Morristown	$ 70,671	$ 8,993	$ 14,867	$ 14,396	$ 80,135	$ 5,105	$ 70,000	$ 80,000	11/8/00	$ 79,000	5/11/95	SF	Property Sold on 6/8/01
Sorrentino	2/5/01	Castleton	$ 59,853	$ 12,069	$ 6,808	$ 16,267	$ 62,463	$ 34,776	$ 22,500	$ 35,000	2/12/01	$ 71,000	3/16/89	SF	Property is in very poor condition; Recent $7,000 price reduction
Paini	2/12/01	Barre Town	$ 63,780	$ 4,182	$ 7,099	$ -	$ 75,061	$ -	$ 67,000	$ 61,000	10/24/00	$ 70,000	2/19/96	SF	RD Guaranteed; Under Contract $67,000; Closing 6/22/01
Dudley	3/9/01	Newport City	$ 62,473	$ 3,968	$ 5,699	$ -	$ 72,140	$ -	$ 45,000	$ 44,000	5/16/01	$ 65,500	5/5/95	SF	RD Guaranteed; Has only been on market since mid-May due to tenant
Pingree	3/19/01	Randolph	$ 77,153	$ 12,894	$ 17,476	$ 5,801	$ 101,722	$ -	$ 67,500	$ 72,500	1/2/01	$ 79,000	6/18/96	SF	RD Guaranteed; Under Contract $67,500; Closing 6/22/01
Gaboriault	3/20/01	Essex	$ 57,969	$ 4,625	$ 8,417	$ 217	$ 70,794	$ 890	$ 88,000	$ 95,000	4/20/01	$ 74,000	3/8/95	Condo	BCLT was option under covenant; VHFA will make $12,000 in repairs
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 5,499	$ 9,600	$ 43,489	$ -	$ 19,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	Listed 4/17/01
Huntley	4/25/01	Randolph	$ 50,098	$ 2,516	$ 2,340	$ 11,792	$ 43,162	$ -	$ -	$ 53,000	6/8/01	$ 65,000	4/14/89	SF	Tenant Occupied; Working with Tenant to Purchase
Chicoine/D/Avignon	4/27/01	Ripton	$ 66,519	$ 4,947	$ 8,061	$ 10,127	$ 69,400	$ -	$ 59,000	$ 52,000	5/29/01	$ 71,000	10/12/94	MH	Offer Pending for $59,000; Waiting for PMI Approval
Dufresne	5/16/01	Proctor	$ 26,771	$ 5,003	$ 3,029	$ 8,400	$ 26,403	$ -	$ -	$ 30,000	6/18/01	$ 43,500	3/28/84	SF	Public Sale on June 21, 2001
Deschamp	5/22/01	Richford	$ 57,352	$ 4,216	$ 3,381	$ 14,209	$ 50,740	$ -	$ 58,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Under Contract $58,000
17			$ 1,024,219	$ 107,414	$ 150,822	$ 180,881	$ 1,101,574	$ 80,460	$ 850,555	$ 994,000		$ 1,169,000			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs
Leslie Black-Plumeau, Research Analyst

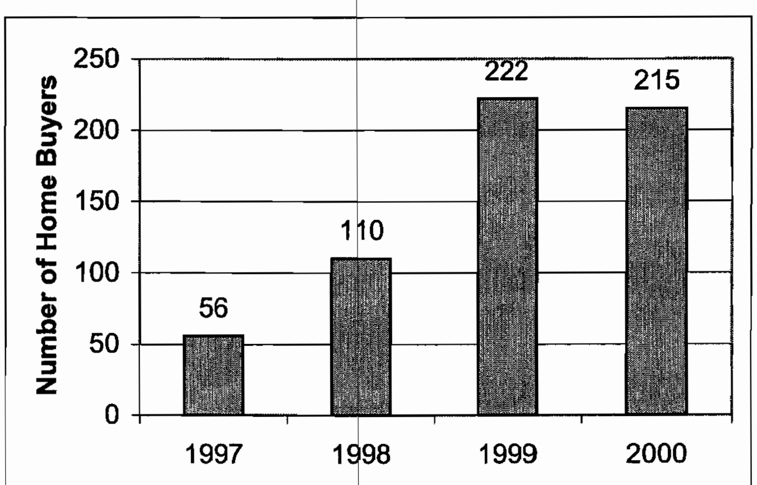
DATE: June 21, 2001

RE: Report of Homeownership Centers Activity CY 2000

The Homeownership Centers of Vermont experienced a high level of customer activity in 2000, particularly with respect to customers receiving classroom education and the total number of customers actively working with the Centers. This memorandum provides information on center customers who purchased homes, customers who received delinquency intervention or foreclosure prevention services, workshop attendees, and the centers' current customers.

Total Home Purchases Remains Relatively Unchanged

The centers reported that 215 customer households purchased homes in 2000, compared with 222 in 1999. This trend differs from prior years, during which the total number of homebuyers served through the centers doubled each year.

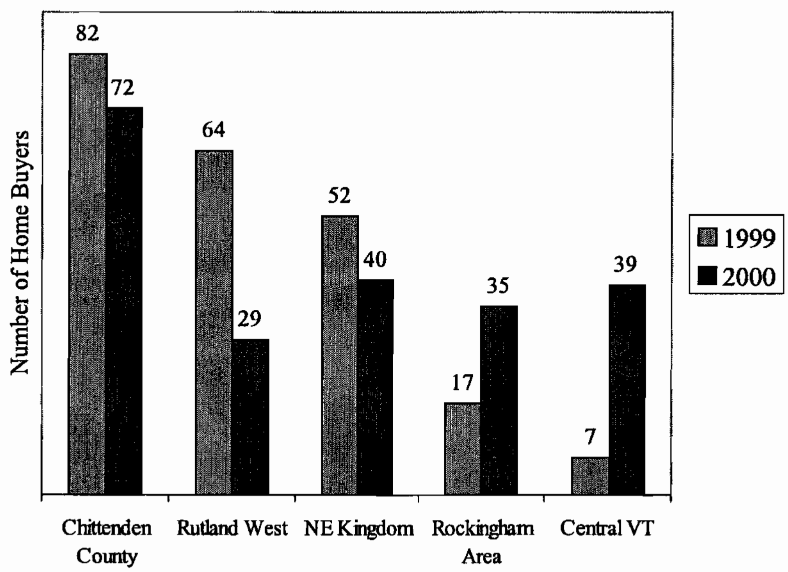


mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Number of Home Buyers Declined For "Mature" Centers and Increased For Newer Centers

- The number of homebuyers declined at the centers in Chittenden County, the NEK, and Rutland West. These were the first centers established and sponsored by VHFA; however all three organizations experienced changes in either leadership at the Center or leadership of the parent organization. We believe that these changes had a direct impact on lower activity levels. The outlook for calendar year 2001 looks much improved with a new Executive Director and Homeownership Center Director at Rutland West and new Homeownership Center Directors in Chittenden County and the Northeast Kingdom. The Homeownership Center in Chittenden County also reported that a lack of supply of homes has restricted the Centers growth during the past year.

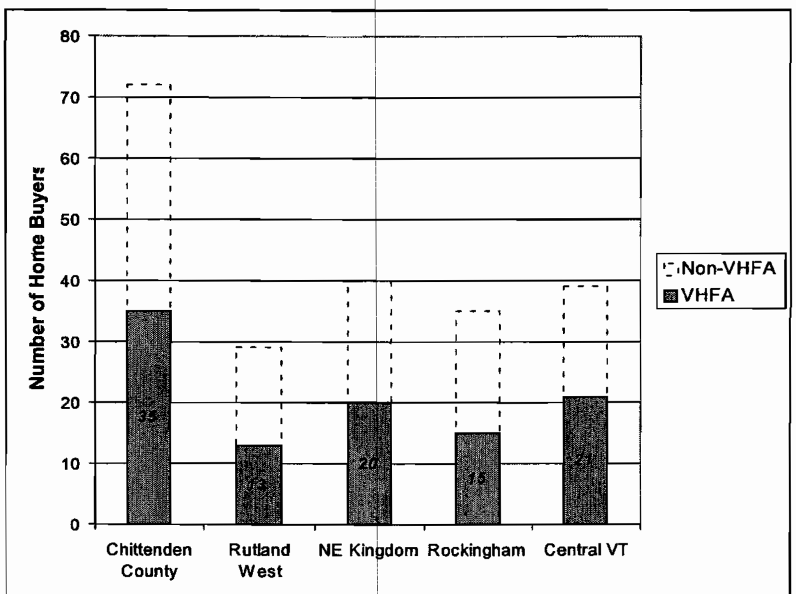
- The number of homebuyers increased substantially at the most recently established centers—Central Vermont and Rockingham.



Use of VHFA Financing in 2000

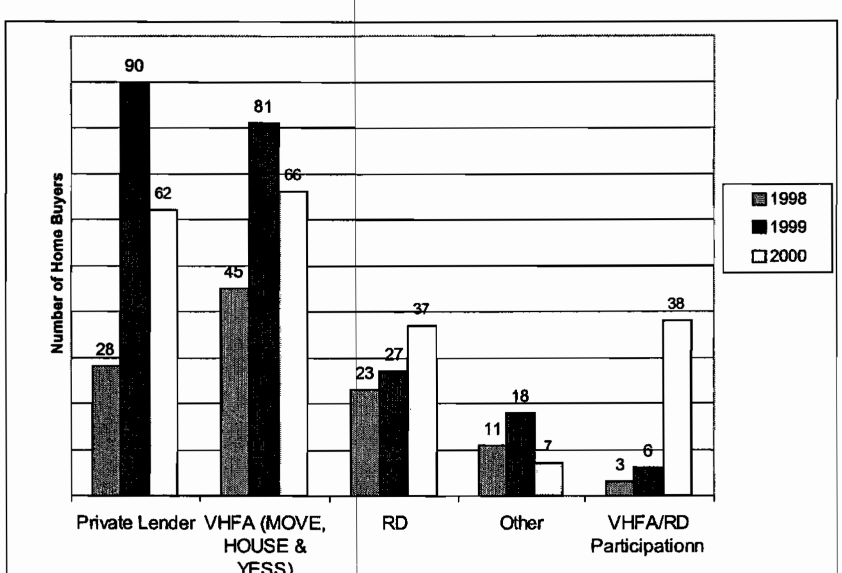
- Together, the Centers assisted 104 households that used VHFA financing to buy homes in 2000. These buyers used the MOVE, HOUSE, YESS, and VHFA/RD programs. They accounted for 48% of all Center assisted homebuyers and about 11% of all loans purchased by VHFA in 2000. This compares favorably with 87 households assisted with VHFA financing in CY 1999.
- As with the Centers' total number of homebuyers, the number of buyers using VHFA financing decreased for the 3 older centers, when compared to 1999. These centers (Chittenden County, Rutland West, and NE Kingdom) were unable to meet the VHFA loan goals for the period of 1/1/00-12/31/00.

The number of buyers using VHFA *increased* for the newer centers, Rockingham and Central Vermont. Both of these Centers met the VHFA loan goals in their contracts with VHFA.



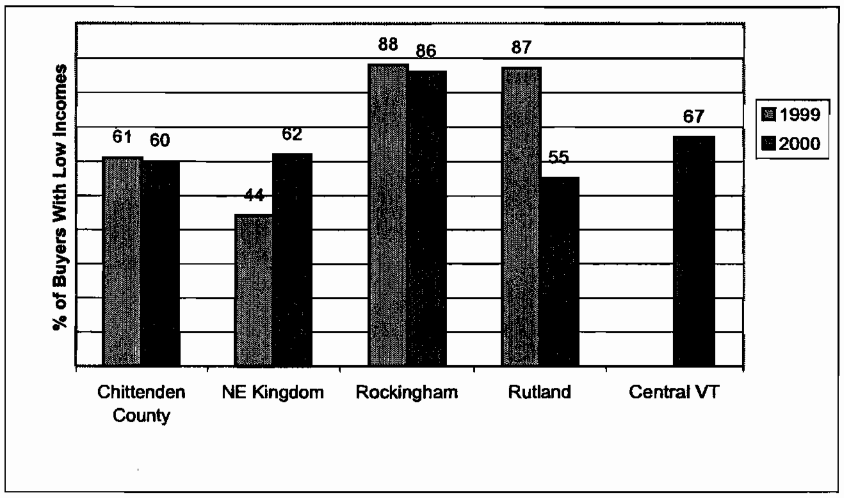
Financing through RD Increased in 2000

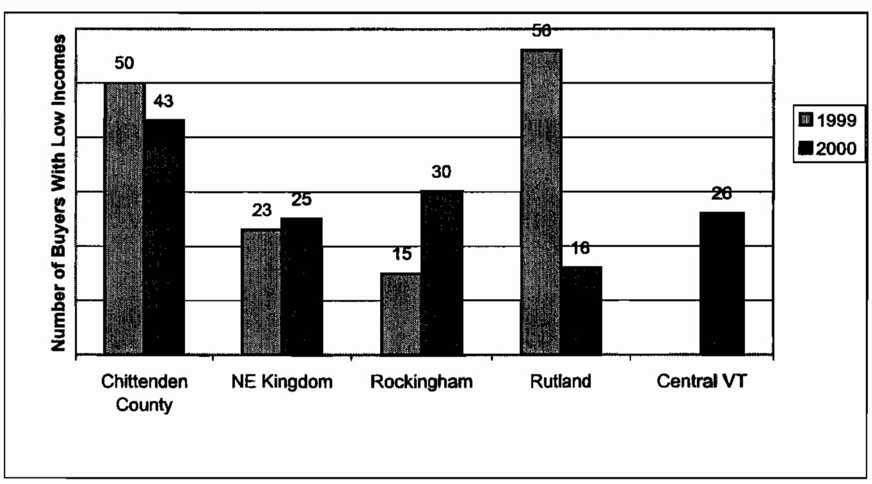
- The number of homebuyers using RD financing increased in 2000. These homebuyers used both the VHFA/RD participation program and exclusive RD financing. The largest increase was buyers using the VHFA/RD Participation Program.



Percentage of Home Buyers With Low Incomes Remained Constant in 2000

- Together, about 65% of all Center customers who bought homes in 2000 had low or very low incomes—about the same as in 1999. However, the trends at individual centers varied, as shown below:





Number of Workshop Attendees Increased Substantially in 2000

The total number of households completing homebuyer education workshops at the centers grew from 342 in 1998, 531 in 1999 to 728 in 2000. As shown below, the centers in Chittenden County, Springfield, and Central Vermont educated many more households in 2000 than in 1999.

All of the Centers met their VHFA goals for households receiving homebuyer education.

CENTER	1998	1999	2000
Chittenden County	160	215	358
NE Kingdom	76	130	123
Rockingham	51	42	58
Rutland West	55	122	113
Central Vermont		22	76
Totals	**342**	**531**	**728**

Centers Are Actively Counseling Over 600 Households

The centers estimated that they are actively counseling 611 households with the potential to purchase homes in the next 2 years, as shown below:

	Chittenden County	NE Kingdom	Rockingham Area	Rutland West	Central VT	All Centers
0-6 months	152	31	19	20	26	248
6-12 months	57	0	16	10	40	123
1-2 years	101	52	19	30	38	240
Total	310	83	54	60	104	611

Delinquency Intervention and Foreclosure Prevention Activities

In addition to assisting with home purchases, the centers worked with about 48 households in 2000 that already owned homes and were facing delinquency or foreclosure. Ten of these households had VHFA mortgages. The Chittenden County center worked with 20 households, Rutland with 8, Rockingham with 10, Central Vermont with 7, and the Northeast Kingdom center, with 3. The Centers served these households through budget counseling, credit counseling, by acting as a liaison with the servicer, by discussing refinancing options and providing referrals, and by assisting with forbearance, partial claims, modifications, and foreclosures. To date, only 2 of these 48 households have experienced foreclosure.

Collaboration between Lake Champlain Housing Development Corporation and BCLT to serve Franklin and Grand Isle Counties

In FY 2000 VHFA provided funding to LCHDC to assist them to work with BCLT to explore the feasibility of collaboration between both organizations to serve residents of Franklin and Grand Isle Counties. VHFA's goal in funding this feasibility study was to develop a model that will allow the collaboration between LCHDC and BCLT to be replicated in other areas of the state.

Both BCLT and LCHDC have obtained approval from their Boards to proceed with the implementation of an expansion of the Homeownership Center in Chittenden County to serve residents of Franklin and Grand Isle counties. If all goes according to plan, BCLT will hire an additional staff person in Fall 2001 who will be housed at LCHDC's office in Saint Albans. With assistance from other Center staff and LCHDC staff, the office in Saint Albans will begin to offer group education and individual counseling. In Spring 2002, the Homeland Program operated by BCLT will expand to Franklin and Grand Isle counties and the Center will be housed in a new located in Saint Albans.

Homeownership Center Capital Campaign

Also in FY 2000 VHFA provided funding in the amount of $5,000 to match funds from Neighborhood Reinvestment and the Vermont Community Foundation to assist the Centers to begin a capital campaign to assure the long-term viability of the Centers and statewide expansion so that Center services are available in all regions of Vermont. A consultant was hired and the Executive Directors of the Center parent organizations have begun the campaign with a goal of raising $1.5 million over two years to establish "The American Dream Fund". The Vermont Community Foundation will manage all funds raised. Up to $1.0 million would be used to support the planned three year statewide expansion of the Centers and the balance will seed the American Dream Sustainability Fund to insure ongoing support for the Centers' work.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Chief Financial Officer

DATE: June 22, 2001

RE: **FY2002 PROPOSED BUDGET**

Included with this memorandum are companion documents, the actual two-page worksheet showing the proposed budget for fy2002 along with the current year budget, the projected actual for the current year and percentage change in budgets, a department spread sheet of expenses, a capital budget and finally a summary of VHFA FY2002 Initiatives and Goals.

Philosophy
We continue to use as the basic budget philosophy the principle of funding operations from the earnings in the bond programs because current income is not sufficient to pay for operations. Our financial advisors prepared a report for us last October that demonstrates that the transfers from the bond programs are consistent with the projections of transfers on a straight-line basis over the remaining expected life of the bond programs. Our goal is to show a small surplus from operations, without resorting to extraordinary transfers thereby marginally increasing the General Fund fund balance.

FY2001 Budget Compared to Projected Actual
As part of the review process for the upcoming year's budget, it is important to compare both the prior year budget and the projected final operations for that year. We project that we will finish the current fiscal year bettering the budget forecast for a couple of reasons. Loan losses are over $300,000 less than budgeted, advertising and promotion was lower than projected and we did not purchase as much servicing as originally estimated. Some other impacts will be noted in the individual line items discussed below.

Expenses
Total operating expenses are budgeted 8.56% higher than FY2001 budget amounts and 15% higher than actual FY2001 amounts. Total Agency expenses and other costs are increasing at 2.4%. The saving in loan losses and servicing accounts for more than two-thirds of the savings on actual. The expense increases are in three main areas of salaries and benefits, contract services and advertising and promotion. Explanations of the key areas follow.

Salaries. The budget for FY01 was $1,571,299 and the projected actual payments are expected to be $1,560,000, due in part to a number of lengthy vacancies. [The accrual based salaries will be about $1.598 million due to the change we adopted last year adding old "sick time" into the CTO (combined time off)]. Last year we began increasing salaries on employee's anniversary date. This change, as well as the increase in staff for legal counsel and some salary market adjustments makes the "base payroll" for salary calculations at June 30th, $1,611,000. The FY2002 $1,707,149 budget includes .7 FTE net addition and a 5% "target" increase, based on the June 30th payroll, as well as the $20,000 recognition/adjustment pool established in earlier years. The HR Board committee met with staff on April 19th, reviewed and agreed in principle to the recommendation.

Group Insurance, Pension Expense and Payroll Taxes. Employee benefit charges of group insurance premiums increased by 15% but newly established co-pay of premiums by employees kept the increase to about 7%. Payroll taxes are a function of the increased payroll and pension expense and are expected to increase due to reductions in forfeitures collected.

Advertising, Promotion and Printing. FY2001 Advertising budget included a $37,000 subsidy for HOC advertising, which has been moved to Organizational Subsidy for FY2002, resulting in the FY2002 Advertising budget being dedicated primarily to statewide activities, which will include a significant single family ad campaign and a public awareness campaign. To fund these initiatives, the Advertising budget has been increased by $72,000. While this is a large increase from last year, it is still significantly less than we have expended for previous statewide campaigns. The Promotion increase is due to an increase in the Home Buyer Fair budget by $5,000 and Agency sponsorships with our multifamily and development partners of $5,000.

Consulting Fees. Conversion of the multifamily portions of our main operating system has been deferred into FY2002 from FY2001 and software enhancements to existing systems are the main components of increase in this area.

Contract Services. A large increase in the number of multi-family financings and review of troubled projects will require additional construction inspection services. These costs are both higher by almost $40,000, but will be mostly offset by higher income in multi-family fees.

Legal Services. This area did increase somewhat due to multifamily closings, which will be offset by reimbursements. Given the increases in multifamily loan and tax credit activity, as well as additional corporate work, this line item has not increased proportionate to activity due to the addition of staff general counsel.

Staff Travel & Training. Although this category was under spent this past year, we expect with the training and conferences scheduled that we should end up at last years budgeted level.

Liability Insurance. The increase for insurance was calculated based on estimate premium charges for additional coverage especially in the area of employment practices and directors and officers coverages, which did not occur last year. We expect those coverages to be put in place in FY2002.

Occupancy Expenses. Because of the extensive building work completed this year, maintenance expenses budgeted in FY2001 were capitalized and this category was lower than expected. We expect to return to normal levels in FY2002.

Other Costs

These categories are non-operating expenses and moved below the "expenses" both to identify and segregate those costs that are more related to bond issues and accounting matters than operations.

Organizational Subsidy. Includes support for the Homeownership centers of $145,000 in payments and $37,000 for their advertising campaigns. In prior years this item was budgeted in the Advertising budget, but we feel more properly charged to Organizational Subsidy. The funds to the Homeownership Centers include a commitment to BCLT and LCHDC to continue expansion into Franklin County.

Program Loan Losses. Continuing the recent history of lower loan losses, this year's budget is decreased by $300,000 and estimates that we can match the expected experience of FY2001. Better collection methods including earlier intervention and a decrease in the number of troubled loans were also considered.

Loan Interest Cost. This item relates to the funding through the Howard Bank and the Federal Home Loan Bank for bridge, general fund and construction loans. We foresee more activity in this area over the next year. Revenues for this cost are included in the interest income loan line item.

Amortization of Purchased Servicing and Origination Fees. We expect that the calculation of these costs will increase based on the purchase of existing serviced loans. Estimates for FY2001 did not materialize when expected.

Income

Income is expected to hold fairly steady in most categories, other than in the areas discussed below.

Multifamily Fees/Interest Income Loans

We are expecting a busy year in financings based on our current pipeline with total loans estimated at $20 million, an increase over the $15 million in FY2001. A $40,000 increase in fees, along with the $60,000 collection of legal costs and inspection charges, jumps the income this year. Tax credit fees of over $60,000 are expected and monitoring fees will increase by over $30,000 due to increased allocations of $2,000,000 from $750,000 in tax credits. We also will receive increased contract administration fees for the additional work of overseeing loans that had been in HUD's portfolio. This is the work VSHA subcontracted to us under the new HUD performance based contract administration.

Miscellaneous Income

Grant income from the Federal Home Loan Bank for the purpose of making no-interest loans to deserving low and very low-income households expired this year, which will reduce this category by over $24,000.

Fund Transfers

As explained earlier in this memo, this category represents the surpluses transferred from the bond programs. We are able to decrease the expected amount drawn from the bond issues because projected loan losses have dropped and transfers are not necessary to the extent of the decrease. We are also seeing an increase in the amount of earnings from servicing purchased from lenders, which is increasing the amount drawn from the single family programs.

Capital Budget

The budget for capital for FY2002 is $142,975 a significant decrease from the $285,000 budget of last year. Computer related equipment, licenses and programming totals $78,000 and building work of $50,000 are the main components. Last year building improvements on the brickwork, windowsills and roof were the major cost factors. Based on suggestions from the budget committee, we will be working on a capital needs assessment over the next year to get a better handle on annual capital budget charges associated with the building. With technology rapidly changing, the budgeted expenditure for computer related equipment is probably a good estimate level for future years.

Recommended Action

Approval of the FY2002 operating and capital budgets as presented.

Vermont Housing Finance Agency

Fiscal Year 2002 Budget Compilation

INCOME AND FUND BALANCE TRANSFERS

	Budgeted FY 2002	Projected Actual FY 2001	Budgeted FY 2001	Budget/Budget Percentage Increase (-) Decrease
Income:				
Interest Inc - Loans	1,056,178.00	1,043,570.00	1,100,000.00	-3.98%
Multi-Family Fees	643,977.00	429,672.00	403,040.00	59.78%
Miscellaneous Income	50,102.00	87,964.75	73,313.00	-31.66%
Interest Inc - Investments	40,000.00	80,200.00	40,000.00	0.00%
Single Family Fees	32,250.00	50,911.00	20,000.00	61.25%
Total Income	1,822,507.00	1,692,317.75	1,636,353.00	11.38%
Fund Transfers:				
SF Housing Bonds	2,550,000.00	1,964,647.00	2,400,000.00	6.25%
SF Home Mtg Purchase Pgm	350,000.00	571,373.00	605,000.00	-42.15%
MF Mortgage Bonds	440,000.00	440,000.00	440,000.00	0.00%
SF Insured Mtg Bonds	400,000.00	400,000.00	400,000.00	0.00%
MF Housing Bonds	240,000.00	216,880.00	255,000.00	-5.88%
New Bond COI	72,000.00	50,000.00	50,000.00	44.00%
MF Direct Placement Bonds	35,000.00	35,000.00	35,000.00	0.00%
MF Housing Dev Bonds	50,000.00	20,000.00	20,000.00	150.00%
SF Mtg Purchase Pgm	20,000.00	2,500.00	2,500.00	700.00%
Total Fund Transfers	4,157,000.00	3,700,400.00	4,207,500.00	-1.20%
Summary:				
Total Income & Fd Transfers	5,979,507.00	5,392,717.75	5,843,853.00	2.32%
Less:				
Expenses	3,703,573.56	3,218,219.86	3,411,446.98	8.56%
Other Costs	2,226,878.00	1,874,544.00	2,378,666.54	-6.38%
Total Expenses	5,930,451.56	5,092,763.86	5,790,113.52	2.42%
Surplus	49,055.44	299,953.89	53,739.48	-8.72%

Vermont Housing Finance Agency
Fiscal Year 2002 Budget Compilation
EXPENSES & OTHER COSTS

	Budgeted FY 2002	Projected Actual FY 2001	Budgeted FY 2001	Budget/Budget Percentage Increase (-) Decrease
Expenses:				
Salaries and wages	1,707,149.41	1,598,910.00	1,571,299.00	8.65%
Group Insurance	266,830.00	240,420.00	249,590.00	6.91%
Trustee Fees	213,000.00	198,981.00	213,000.00	0.00%
Depreciation	189,009.00	175,563.00	171,110.50	10.46%
Pension Expense	162,305.00	138,373.00	152,430.00	6.48%
Consulting	141,650.00	69,718.00	134,500.00	5.32%
Payroll Taxes	130,020.00	99,913.00	118,816.00	9.43%
Contract Services	112,500.00	51,160.00	71,800.00	56.69%
Legal Expense	108,500.00	87,150.00	98,800.00	9.82%
Staff Travel & Training	99,800.00	74,291.00	99,800.00	0.00%
Promotion	97,000.00	92,923.86	86,300.00	12.40%
Occupancy	81,900.00	65,505.00	84,000.00	-2.50%
Maintenance Agreements	54,979.00	43,321.00	50,000.00	9.96%
Advertising	45,824.00	21,314.00	24,500.00	87.04%
Audit	45,000.00	43,000.00	43,000.00	4.65%
Interest Expense	41,746.00	42,680.00	42,576.48	-1.95%
Telephone	39,062.00	46,463.00	46,000.00	-15.08%
Office Supplies	35,550.00	29,973.00	29,000.00	22.59%
Printing	33,242.80	24,911.00	36,500.00	-8.92%
Dues & Subscriptions	30,257.00	23,793.00	27,715.00	9.17%
Liability Insurance	29,489.35	15,264.00	26,000.00	13.42%
Postage	19,760.00	15,793.00	17,510.00	12.85%
Commissioner Expenses	7,500.00	5,381.00	7,500.00	0.00%
Miscellaneous & Other	7,500.00	8,014.00	7,200.00	4.17%
Temp Services	4,000.00	5,405.00	2,500.00	60.00%
Total Expenses	3,703,573.56	3,218,219.86	3,411,446.98	8.56%
Oher Costs:				
Program Loan losses	900,000.00	851,520.00	1,200,000.00	-25.00%
Loan Interest Cost	821,000.00	737,905.00	741,423.00	10.73%
Amort - Purch'd Servicing & Orig Fees	231,878.00	125,784.00	226,243.54	2.49%
Organizational Subsidies	202,000.00	153,916.00	161,000.00	25.47%
Advertising - New Bond COI	72,000.00	5,419.00	50,000.00	44.00%
Total Other Costs	2,226,878.00	1,874,544.00	2,378,666.54	-6.38%
Total Expenses & Other Costs	5,930,451.56	5,092,763.86	5,790,113.52	2.42%

Vermont Housing Finance Agency

Fiscal Year 2002 Budget Compilation

EXPENSES & OTHER COSTS

Cost Center:	1-10 11 Administration	1-10 12 Public Affairs	1-10 13 Info Systems	1-20 21 Finance	1-30 31 Development	E
Expenses:						
Salaries and wages	307,805.53	104,722.59	151,698.46	324,783.09	140,723.09	
Advertising	7,500.00	10,324.00				
Audit				45,000.00		
Commissioner Expenses	7,500.00					
Consulting	15,000.00	8,000.00	84,000.00	5,000.00		
Contract Services	6,500.00				66,000.00	
Depreciation				189,009.00		
Dues & Subscriptions	18,610.00	807.00	1,815.00	750.00	2,000.00	
Group Insurance	48,110.00	16,368.00	23,711.00	50,764.00	21,995.00	
Interest Expense				41,746.00		
Legal Expense	13,000.00			10,000.00	66,000.00	
Liability Insurance	29,489.35					
Miscellaneous & Other	7,500.00					
Occupancy	81,900.00					
Office Supplies	27,300.00		8,250.00			
Payroll Taxes	23,443.00	7,976.00	11,554.00	24,736.00	10,718.00	
Pension Expense	29,264.00	9,956.00	14,423.00	30,878.00	13,379.00	
Postage	19,760.00					
Printing		9,142.80			1,000.00	
Promotion		19,000.00			2,500.00	
Temp Services	1,000.00				3,000.00	
Maintenance Agreements	10,886.00		44,093.00			
Staff Travel & Training	25,250.00	4,400.00	11,300.00	6,450.00	15,000.00	
Telephone	39,062.00					
Trustee Fees				213,000.00		
Total Expenses	718,879.88	190,696.39	350,844.46	942,116.09	342,315.09	

Oher Costs:

Program Loan losses
Loan Interest Cost
Organizational Subsidies
Amort - Purch'd Servicing & Orig Fees
Advertising - New Bond COI

Total Other Costs

COM

Per

Vermont Housing Finance Agency

Fiscal Year 2002 Budget Compilation

Capital Budget Summary

Cost Center:	FY 2002 Capital Items Total Budgeted
Leasehold Improvements	
Exterior window painting	7,000.00
Driveway brick repair	2,500.00
Gutters (annex)	2,500.00
Elevator tower repair	2,500.00
Stairwell painting	6,000.00
Heater (boardroom)	2,200.00
Outside planters and benches	6,500.00
Carpet replacement	21,000.00
Total Leasehold Improvements	**50,200.00**
Computer Equipment	
Windows 2000 client licenses	1,480.00
Custom Mitas programming	25,000.00
PCAnywhere licenses	1,400.00
Adobe licenses	3,200.00
Windows 2000 servicer license	650.00
Visual basic	1,745.00
SPSS upgrade	500.00
HP 8000 printers (3)	10,000.00
Desktop upgrades ($15 @$1,500)	22,500.00
PCAnywhere desktops (2)	2,600.00
Network switch	1,500.00
UPS	3,000.00
Server relocation	4,200.00
Total Computer Equipment	**77,775.00**
Furniture and Fixtures	
Copier machine	10,000.00
Office Furniture	2,000.00
Miscellaneous furnishings	3,000.00
Total Furniture & Fixtures	**15,000.00**
Total Fixed Asset Additions	**142,975.00**

VHFA FY2002 Initiatives and Goals

Fiscal Year 2002 looks to be as busy and exciting as FY2001 has been. Outlined below are program operations projections, as well as new initiatives the Agency will pursue over the next fiscal year.

Homeownership

- Production is projected at 750 loans totaling $55 million versus 800 loans totaling $60 million budgeted in FY2001. We are projecting slightly less production in light of smaller interest rate advantages to conventional rates, along with a tighter supply of affordable housing units.

- Loan Losses are projected at $900,000 for next year, in line with where we anticipate we will end up as actual losses for FY2001. We expect delinquencies to trend about the same as FY2001, but see more of a backlog of properties hung up in the foreclosure and bankruptcy processes.

- Marketing and Advertising – We anticipate spending an additional $72,000 in FY2002 for a "General Advertising" campaign, which will include general promotion of our programs, and/or focusing on housing issues around the State. We have not undertaken a campaign of this magnitude in the past two years.

- Organizational Subsidy – The Agency will continue to support the HomeOwnership Centers at the same level as in past years, and we will also include additional funding for the Franklin County Homeownership Center to come on line in FY2002. We currently provide $20,000 per center, plus $6,000 in cooperative advertising support. The Agency has also budgeted $5,000 for support of other Co-sponsorships with non-profit organizations

- Homeownership Programs – We are continuing to work toward developing a program which will allow VHFA to offer refinancing options to targeted households, with specific focus on mobile homes in approved parks and the re-sale of land trust homes. In addition, we will continue to work toward a goal of improving and offering a purchase repair and/or substantial construction program. We would anticipate implementing this early in FY2002.

- Research – As part of our strategic planning initiatives, we will be undertaking a study to identify any areas in the State (if any) where our products and services are not meeting the housing needs. Once areas are identified, we will develop a plan to improve our programs (either current or new programs) in the affected areas.

- Purchasing Servicing – We intend to continue our efforts to consolidate smaller servicers and servicers who are under performing. Those lenders that are targeted have outstanding portfolio balances of $27 million, with an anticipated acquisition cost of approximately $200,000.

Development

- Production – Production is estimated at 15 loans totaling $20 million in FY2002. This is based on a review of all the projects that we have been approached on for financing and/or tax credits, with some guesses as to which ones will be ready to close during the year based on where each one is in design and permit processes. Production is expected to encompass the following:

Projects	Construct Loans	Permanent Loans	Total Loans	Volume
10	8	7	15	$20 million

- <u>Tax Credits</u> – 9% Tax Credits available for allocation increased in calendar year 2001 from $750,000 to $2,000,000. We anticipate that $1.6 million of these will actually be allocated in FY2002.
  - Allocated Credits (9%): 8 to 10 tax credit applications Fall round.
    10 to 15 applications in the Spring of 2002.
  - Non-allocated Credits (4%): At least 8 projects noted above will also apply for 4% credits.

Multifamily Management

- <u>Preservation Activities</u> – We have identified three or four projects that are targeted for acquisition and/or preservation with loan opportunities of 3.5 million dollars. Other preservation opportunities will also be connected with the restructuring of existing project loans.

- <u>Loan Workouts and Restructuring</u> – Although there may be other ongoing projects that require hand holding, Templeton Court, and Winchester Place will be the two that require plans for major restructuring. Templeton presents the most pressing potential for significant loss to VHFA ranging from $600,000 to as much as $1 million in FY2002. Winchester Place will require that a plan be put in place and negotiations underway with Saint Michaels College to avoid potential loss in 2005 when the Merchants Bank is anticipated to abandon its current level of financial support for the project.

- <u>Compliance Monitoring</u> – Support Section 8 Contract Administration, Tax Credit Compliance Monitoring and service more than 123 multifamily projects. Based on Development production and tax credit allocations noted above, we anticipate the following additions to the Multifamily portfolio:

  - New Projects 4: Permanent Loans 7: New Tax Credit Projects: 9

Finance

- <u>Bond Issuance</u> – Provide efficient bonding mechanisms/capital generation for two Single Family and 10-15 Multifamily financings. Comply with federal MRB regulations, for appropriate arbitrage yield allowances and maximize allowable earnings.

- <u>Financial Measurements</u> – Maintain the target of 1% of the outstanding loan balances as a surplus benchmark.

- <u>Support</u> – Continue to provide support to the various Agency programs, which includes:
  - Collect single family loan detail information and funds from 23 servicers, who submit 400 monthly reports on a portfolio of 6,800 loans totaling $400 million, which includes monthly scheduled collections of $3.2 million and payoffs of about $2 million (40 loans).
  - Self service 240 multi-family mortgage loans totaling balances of $110 million ($1.5 million processed monthly) and 260 Rural Development loans, as well as several loan loss recovery loans.
  - Process accounting records for 42 'companies' with 300 individual trust statements, which includes the management of $260 million of deposits in over 40 different investment contracts and the management of debt for liquidity purposes.

Administration

- Legislative/ Regulatory –Work with the Congressional Delegation on the passage of S.677/ H.951; a homeownership development credit program that will best suit Vermont; a new funding program for rental production; exit tax relief, and miscellaneous tax credit revisions. Work with NCHSA, AAHSA and HUD on the implementation of combining housing tax credits and 202 funding; possibly develop a pilot project. Work with the other state housing agencies in the development of a state housing investment plan to be presented to the legislature. Continue advocacy f or increasing housing resources and permit reform to encourage the development economical residential development in growth areas.

- Capital Development – Participate on the NCHSA Task Force on GSE's. Continue to enhance relationships with the GSE's for the expansion of capital sources for VHFA. Develop more proactive opportunities for socially conscious private investors to participate in VHFA financed projects.

- Public Awareness Campaign – VHFA will participate in a state-wide affordable housing awareness initiative, which will provide education/awareness to the various community members – legislators, local officials, residents, etc. – with the goal to broaden public acceptance for the necessity and value of affordable housing within all communities and to increase over time the availability and quality of affordable homes for Vermonters.

- Legal – The Agency will continue with its review of legal services, which will include a complete analysis and documentation of all legal services utilized by the Agency.

- Information Systems – Multifamily Mitas conversion should occur during the first half of the year, which will complete our DOS to Windows conversions. Our network platform will then be able to move to Windows 2000 from Windows 95, which will allow for increased functionality and efficiencies. We will also begin the process for identifying core software application alternatives (Mitas replacement).

- Human Resources – HR will work with consultants to develop a comprehensive performance appraisal system for the Agency, which will focus on improved productivity, recognition of accomplishments and job satisfaction. We will also implement a new report writing system, which will be tied to our payroll system.

- Pension – We will continue to pursue approval from the IRS for the 501 ©3 classification, which will allow the Agency to offer more investment options.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: June 12, 2001

RE: FY2002 Budget Supplement

At the Budget Committee meeting of the VHFA Board of Commissioners, staff was requested to give further thought to several issues. First was to come up with more detailed plans for the proposed advertising budget. Secondly, we were asked to make provisions in the budget that would support an effort to increase the Agency's presence in southern Vermont. The discussion around expanding our presence and how we might accomplish this included an increase in our reliance and support of the Homeownership Centers covering southern Vermont. Below are some thoughts and recommendations from the staff around these three issues.

ADVERTISING:
Even though there is a sizeable increase in the Advertising budget this year over last year, we regularly budgeted and spent much larger amounts in years past. The increase recognizes that VHFA has not had an advertising campaign in the last two years to promote its programs, image or housing issues in general. Our thoughts are to put money back in the budget and develop a plan that will accomplish two primary objectives: to promote our programs and bring attention to housing issues around the State. There are some challenges in developing an ad campaign and overall marketing plan that accomplishes these somewhat different objectives but we will be working toward that end and will report back to the Board over the next few months.

EXPANDED PRESENCE:
As part of this discussion and specific plans to expand our presence, it will be very important to define what we mean by increased "presence" and "underserved areas", who we are targeting, and that we have measurement criteria for tracking results. Presence could be interpreted as production, organizational support or participation. The Board should also be aware that while we focused this discussion on southern Vermont, we have a strategic planning initiative to identify underserved areas Statewide which may mean increased efforts elsewhere as well. We have a draft outline of our approach to quantifying this and are waiting for the 2000 census data before taking the next steps.

Below are several staff recommendations to consider for ways to increase our presence.

1) Offer additional REALTOR classes in southern Vermont from one to two classes per year.

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2) Greater staff participation in builder events and meetings. We must recognize that our current programs offer very little in the way of direct benefit to builders.

3) Concentrate more effort to identify and increase the number of participating lenders in southern Vermont.

4) Increase Lender and REALTOR visits and cold calls.

5) VHFA could consider hosting a Homebuyer Fair in southern Vermont or offer to sponsor events and other organizations in the area that support our mission directives.

6) Increase co-operative advertising initiatives with partners in southern Vermont.

7) Other thoughts include re-establishing a newsletter explaining and promoting VHFA programs to lenders and REALTORS twice each year.

INCREASED ORGANIZATIONAL SUPPORT:
Rely more heavily on the Homeownership Centers to assist us with our expansion plans by providing additional support to them, increasing their capacity to expand into underserved areas. We see three potential possibilities:

- Increase Homebuyer Education Fees paid to the HOC's from $250 to $300 for each loan purchased where borrowers received Homebuyer Education/Counseling. Increase in budget would be $5,000.

- Provide funding to hire a consultant to work with the Rockingham Area Community Land Trust to develop a business plan and proposal to form a collaboration between RACLT and BACLT to expand Homeownership Center services to cover more of southeastern Vermont. We would intend to use the same consultant and follow the same model used to expand Homeownership Center services in Franklin and Grand Isle counties. The cost for the consultant would be approximately $7,500.

- Although not directly related to "expanding VHFA presence", we have been approached by CVCLT on behalf of the Homeownership Centers and Neighborhood Reinvestment to sponsor a "Loan Servicing and Default Intervention" training program being offered by The Neighborhood Reinvestment Training Institute. This training is targeted for September 2001. This training will allow several centers to continue to meet the certification requirements to be a "Full Cycle Lender" and would allow Central Vermont's Homeownership Center to become a recognized NeighborWorks® Homeownership Center. This training would benefit VHFA borrowers by increasing the capacity for the Centers to do delinquency intervention counseling. Underwriting the cost of this one-week course would cost VHFA approximately $16,000.

Recommended Actions:
Review the recommendations listed above and amend the proposed budget by any amounts noted for those specific suggestions that have identified affects on the budget and provide feedback on the suggestions and add any new ideas the Board feels the staff should explore further.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake EMD

RE: Status of Private Activity Volume Cap

DATE: June 21, 2001

As the Agency prepares for the issuance of a series of multifamily bonds, the current status of the private activity volume cap is useful information for your consideration. In January of this year, the Emergency Board accepted the recommendation of the State's bond issuing agencies and allocated $77,750,000 of the State's private activity volume cap to the Agency (the "2001 State Allocation"). This amount was added to the Agency's carryforward of the prior year's unused volume cap as indicated in the chart below.

Since January, the Agency has allocated a total of $40,000,000 ($20 million for Home Ownership and $20 million for Multifamily) of the Agency's 2001 State Allocation. The Agency has also issued a total of $22,670,000 ($18,615,000 in Home Ownership bonds and $4,055,000 in Multifamily bonds) in private activity bonds.

The following chart shows the status of the Agency's available private activity volume cap.

			Allocated by VHFA Board	
		Unallocated by VHFA	Homeownership	Multifamily
Carryforward from 2000			7,000,000.00	13,424,000.00
2001 State Allocation		77,750,000.00		
VHFA Board Allocation		(40,000,000.00)	20,000,000.00	20,000,000.00
2001 Private Activity Bonds Issued			(18,615,000.00)	(4,055,000.00)
Balance as of 6/21/01	75,504,000.00	37,750,000.00	8,385,000.00	29,369,000.00

Please feel free to call me at 652-3402 if you have any questions before the Board meeting.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: John Fairbanks, Public Affairs Coordinator JF

RE: Proposal for a VHFA strategic communications plan

DATE: June 20, 2001

One of my first initiatives at VHFA will be a strategic communications plan for the Agency. After several discussions with various staff members and a review of the Agency's overall strategic plan, I am convinced a communications plan is a necessary element to the continued success of the Agency's efforts. Given the Agency is planning a commitment of new resources, including $70,000 for media and outreach and the upgrading of Craig Bailey's position to full-time, it stands to reason there should be a plan in place to make best use of those resources and help increase the odds of a good return on that investment.

This plan will incorporate new and existing Agency communications activities and will contain the following seven components:

- Internal and external communications environment analyses—measuring VHFA's strengths and weaknesses in communications and the opportunities and challenges for getting our messages to target audiences.
- Audience identification—a list of who we are trying to reach (e.g., lenders, media, legislators, public) and what we want them to do.
- Communications objectives—a list of goals for our communications efforts to reach identified audiences.
- Message development—persuasive messages to help us reach our communications objectives.
- Strategies and vehicles—the various communications vehicles (print, audio, video, computer, meetings, etc.) and how we will use them to reach our audiences.

- Calendar/assignments/budget—a schedule of tasks to be completed, including a timeline, a staff member who is responsible for the completion of each task, and a description of resources (financial and otherwise) that will be dedicated to each task.

- Evaluation—a process for determining how we will measure our success.

The aim of this plan is to complement our existing efforts and to help VHFA's different departments work more efficiently together to deliver messages to target audiences. Additionally, the plan will respond to several priorities of the Board and staff, including:

- Increasing awareness of issues relating to affordable housing, and the lack of it in Vermont.

- Making the best use of money allocated for advertising.

- Increasing VHFA's presence—however that is defined—in Southern Vermont.

- Coordinating with partner organizations on communications/outreach efforts.

The plan follows a model developed by Radiant Communications, a Washington, D.C.-based strategic communications firm that offers training and consulting to non-profit organizations. I have worked with Radiant over the past two years as part of a five-member team that has trained more than 150 organizations in this model, and it has a solid track record of success.

This plan would also draw upon the experience of VHFA staff, particularly the Homeownership department and its marketing outline, the materials developed by the Minnesota Housing Partnership, and the advice of people from VHFA's partner organizations.

Writing this plan will require formation of a Communications Action Team, usually comprised of 3-5 people who are key staffers in developing communications efforts. Craig and I will be on the Team, and the other members will be selected from Administration, Homeownership and Multifamily. This team would be responsible for directing the preparation of the plan and getting input from the various departments so that everyone is kept informed and the pieces come together as seamlessly as possible. Writing the plan should take approximately six weeks. At that time, the plan would be submitted for Board review and approval. The efforts detailed in this plan will be monitored to keep track of progress and/or make necessary adjustments, and it would be subject to an annual review.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: June 22, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

Administration and Public Affairs

I have attached a summary of H. 483, the housing bill that came out of this year's legislative session, and a summary provided by the Affordable Housing Coalition. Although there was a lot of attention to housing and the outcomes were positive, things were not quite as fruitful as we had hoped. There will be a number of study committees to follow up on issues related to planning and development. Two items that directly affect VHFA are the increase in the state housing credit by $50,000, and the creation of an annual "housing investment plan" which would include VHFA activities. DHCA (Greg Brown and Kathy Beyer) will take the lead on this, and hopefully we can use this as opportunity to educate the legislature about how housing funding interrelates and what VHFA's role is.

On June 8 and 9, I participated in the annual Governor's Summit sponsored by the Vermont Council on Rural Development. This includes practically all of the state and quasi-state department heads and executive directors, as well as representatives of the congressional offices and some federal programs. This year their topic was housing. It was a great opportunity to interact in a retreat setting with folks you often don't see outside of Montpelier. The group came up with a number of recommendations, which were presented to the Governor on the second day. I'll provide you with the written summary once I receive it.

Related to federal issues, I have spent some time with staff of Congressman Sander's office providing input to a version of the National Affordable Housing Trust Fund that he plans to introduce. Sen. John Kerry is introducing a similar bill. This bill would provide significant resources for the production of rental housing for the very low income. It recommends using the FHA surplus to fund this. The Sanders bill is far better than the Kerry bill, and contains a small state minimum, however there are still some aspects that will make it difficult for production in Vermont. I do expect there will be a number of other housing production bills introduced and probably likely to end up on next year's agenda.
I have not heard much on the progress of the homeownership housing tax credit, which was presented as part of the Administration's initiatives.

I am pleased to have John Fairbanks with us and we are quickly educating him on the world of housing. In the last three weeks, the Agency has had several successes getting the message about the need for affordable housing into Vermont media. During National Homeownership week, I was interviewed on WKDR,

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Burlington; WDEV, Waterbury; WTSA, Brattleboro; WWCR, St. Albans; and statewide on Vermont Public Radio, talking about housing issues generally and about our new income and home price limits. We also published an op-ed, "Expanding Home Ownership Dream," in the June 6th Rutland Herald and appeared that same day with VHFA staffer Kelly Deforge on the "Housing and Communities" program on Chittenden County public access television, discussing home ownership in general and the value of Homeownership Centers. In addition, we are working with the Bennington Banner on a column discussing how VHFA can help prospective homebuyers.

On May 31, I spoke at the groundbreaking for Westgate Apartments in Brattleboro. Sen. Leahy and Governor Dean were there. This is one of the HUD note sale properties and the last of the "Gates". There are still a few pieces to pull together to complete financing, but hopefully the redevelopment will start at the end of the month. On Monday I participated in the ribbon-cutting ceremony at the new Anderson Parkway neighborhood in South Burlington, an event that received good media coverage. At the event Rep. Sanders announced the introduction of his housing bill. Anderson Parkway is a unique project with tax credit rentals, a congregate care building for disabled adults and two homeownership units, behind the former Chappell's Florist on Williston Road.

On Thursday John Fairbanks represented VHFA at the ribbon cutting of Crystal Lake Apartments in an RD project in Barton. Also this month, I attended the annual meeting of the Vt. Mortgage Bankers and the Greater Burlington Industrial Corp.

Craig Bailey, VHFA's Web/Graphic Designer, has recently redesigned our website and did an excellent job. In addition to its fresh new look, the site now features a site-wide search function, which should make information easier to locate. Please take a look at www.vhfa.org.

Homeownership Programs

Program activity is strong with on average $1.5 million to $2.0 million in reservations each week. Our MOVE Program interest rate of 6.50% with no points enjoys a .75% to .875% advantage over conventional interest rates.

On June 13th VHFA was host to Homeownership Program Directors and some of their staff from the other housing finance agencies in New England. This group has been meeting a couple of times a year and it has proven to be a great opportunity to discuss common issues and share information. They plan to meet again this fall.

VHFA's delinquency rate as of May 31, 2001 was 5.98% down from last months 6.10% and last years rate of 7.23%. It's good news that delinquencies continue to decline even though VHFA's total number of loans outstanding has decreased each month since January. In addition, the majority of our 17 REOS have either been sold, are under contract, or have offers pending.

Development

Staff has been very busy preparing for the numerous pre-closings and closings scheduled for June and July. This week Dave, Joe, and Cindy are in Seattle for the national NCHSA Housing Tax Credit meeting. During the conference, two of the days are dedicated to HFA staff only to discuss a variety of issues related to their role as credit allocator and monitor. They will also meet with the IRS on technical issues.

Finance

Staff have been busy finishing the FY2002 proposed budget and preparing for the 2001 audit. We also are preparing for a multi-family bond issue and a small taxable single-family issue, which we will discuss at the Board meeting.

Other

On May 22-23 I participated in the Community Development Board retreat. I will be on vacation in Spain from July 11-17. NCHSA will be sponsoring the HFA Executive Directors annual meeting at the Stoweflake in Stowe from July 22-25.

H. 483 – SECTION-BY-SECTION SUMMARY

SECTION 1: PURPOSE
To address the growing statewide shortage of affordable housing.

SECTION 2: CHAPTER 117 REVIEW COMMISSION
Creates an 11 member "blue ribbon" commission to review and recommend changes to Chapter 117 of title 24, the state's Municipal and Regional Planning and Development Act, to facilitate the development of affordable housing without sacrificing the law's original intent of ensuring responsible municipal control of land use. The commission's charge will be to look at:

* Increasing flexibility in managing land development and conservation so as to encourage affordable housing;
* Improving the efficiency and effectiveness of the local review process, including reconciling the municipal planning law with Act 250 and achieving consistency between local zoning ordinances and municipal and regional plans;
* Advisability of creating a state review process for local permitting decisions that adversely affect affordable housing projects and creating a comprehensive review process for affordable housing;
* Improving the coordination between local and state permitting to eliminate redundancy and reduce the time and expense involved;
* Reducing the time it takes for the Environmental Court to decide appeals of local permitting decisions affecting affordable housing, reviewing the definition of "interested party," and the possibility of expedited appeals for affordable housing projects;
* Encouraging cities and towns to adopt zoning practice that encourage development of affordable housing.

Members of the commission shall include:

* Commissioner of the Department of Housing and Community Affairs (DHCA)
* Secretary of the Agency of Natural Resources (ANR)
* Regional planning commission representative
* Two representatives from the real estate and development community – one for-profit, one non-profit
* Individual with natural resources management expertise
* Individual with Act 250 expertise
* Individual with municipal zoning and planning law expertise
* Municipal zoning or planning official
* Land use planner experienced in smart growth concepts
* Representative of the League of Cities and Towns.

The last nine members are gubernatorial appointees. The commission shall report back to the legislature by January 15, 2002.

SECTION 3: TRAINING FOR MEMBERS OF LOCAL REVIEW BOARDS AND LINKAGE OF ECONOMIC DEVELOPMENT WITH HOUSING
(a) TRAINING -- This section of the act requires the Agency of Commerce and Community Development (ACCD) to work with the Regional Planning Commissions to design and implement a comprehensive training program for local zoning boards, planning commissions and development review boards.

The program shall be designed to encourage creation of municipal development review boards, increase awareness of the importance of affordable housing, promote planning tools that stimulate affordable housing development, promote the application of smart growth concepts and increase the speed and efficiency of the local permitting process. The training program shall be implemented by November 15, 2001, and a progress report submitted to the legislature by March 1, 2002.

(b) LINKAGE -- Section 3 also directs the Secretary of ACCD to review and propose changes to the guidelines of the Vermont Economic Progress Council (VEPC) which will help link economic development with the development of affordable housing. The Secretary shall issue a report by October 1, 2001.

SECTION 4: AFFORDABLE HOUSING INCENTIVES AND VERMONT HOUSING BUDGET

(a) INCENTIVES – This section directs DHCA to create a set of incentives to stimulate affordable housing development at the local level. The Department shall compile a list of state discretionary grant and loan programs currently offered by the ANR, Labor and Industry (L & I), and Transportation and add criteria that would create incentives for communities and developers to build more affordable housing and to adopt local ordinances and policies that promote affordable housing (such as density bonuses, identifying land suitable for affordable housing development, providing town land for housing, inclusionary zoning, and expediting the local permit process for affordable housing, among others). The Commissioner shall submit a report to the legislature by November 15, 2001.

(b) VERMONT HOUSING BUDGET AND HOUSING INVESTMENT PLAN -- Section 4 also requires the Commissioner of DHCA annually to develop a "Vermont housing budget" that includes all state fund line items of $50,000 or more appropriated through the following agencies: VHCB, ACCD, Agency of Human Services and "any other entity that fits the funding criteria."

This section of the bill also calls for creation of an annual "housing investment plan," which incorporates federal resources available to the state for affordable housing. The plan shall address investments in single and multi-family housing, mobile homes, and housing for the homeless and people with special needs. The plan shall also identify areas of the state with the greatest need, recommend ways to maximize the use of state and federal funds, as well as improve coordination among agencies. Both the budget and the plan shall be submitted to the legislature by January 15 of each year.

SECTION 5: CONTINUATION OF THE JOINT HOUSING COMMITTEE

Extends the committee's sunset from July 1, 2001 to July 1, 2005

SECTION 6: TASK FORCE ON REDEVELOPMENT OF UPPER STORIES OF DOWNTOWN BUILDINGS

Creates a 15 member task force to recommend statutory, regulatory and policy changes that would promote redevelopment of upper story downtown buildings and encourage housing and mixed use development in town centers. The task force is to include the commissioners of L & I and DHCA; two House members; two Senators; the state historic preservation officer; and 8 appointees of the secretary of ACCD, including a business owner, developer, architect, fire safety official, land use planner, town government official, local downtown program manager, and someone with knowledge of handicapped accessibility standards. The task force shall report back to the Legislature by January 1, 2002.

SECTION 7: STATE LOW INCOME HOUSING TAX CREDIT

Increases the state's annual tax credit allocation by $50,000, from $100,000 to $150,000.

VERMONT AFFORDABLE HOUSING COALITION

2001 STATE LEGISLATIVE WRAP-UP

VT HOUSING & CONSERVATION BOARD ANNUAL APPROPRIATION

$11.6 million

[Includes $11.1 million in property transfer tax revenues plus $500,000 in loan repayments, interest and other miscellaneous revenue]

$3.75 million - one time funding for housing, broken into two categories:

- $1.75 million in expected FY 2002 surplus, including . . .
- $300,000 for Vermont Center for Independent Living's Home Access Program
- $500,000 for emergency housing needs
- $2 million in FY 2002 contingent surplus

[Funds become available to VHCB if revenue forecasts hold steady until July 2001; if not they become available if there is a surplus at the end of FY 2002.]

HOMELESS PREVENTION & ASSISTANCE

TEMPORARY ASSISTANCE - Maintains last year's $150,000 increase to a total of approx. $410,000 (50% TANF funds, 50% General Funds)

- Maintains increased eligibility of up to 56 days for those with a continued need after the 28 day limit

BACK RENT PROGRAM - Level-funded at $400K; no programmatic changes

HOMELESS SHELTERS AND SERVICES - Annual Appropriation—level funding at $500,000; One-time -- $134,000 in expected surplus for three projects:

- Rutland County Housing Coalition
- ACCAG's Hill House project
- CVOEO's St. Albans Abuse and Rape Crisis Center

HOME ACCESS PROGRAM - $500,000 total

- Approx. $200,000 in regular annual funding from VHCB
- $300,000 included in VHCB one-times above

OTHER HOUSING-RELATED APPROPRIATIONS

ASSISTIVE COMMUNITY CARE SERVICES PROGRAM (ACCS) - New $307,000 general fund appropriation through Department of Aging and Disabilities, which intends to provide 1:1 match through other funds for residential care and assisted living

DOWNTOWN REDEVELOPMENT - $1 million in expected surplus, $1 million in contingent surplus

MUNICIPAL AND REGIONAL PLANNING FUND - $3.77 million, including $2.69 million for Regional Planning Commissions and $754,000 for municipal planning

ACT 250 REFORM (H. 475)

- In towns without zoning, brings subdivisions of six or more lots under Act 250 review
- Limits liability of property owner for violations of Act 250 permit conditions by future owners
- Allows district environmental commissions to withhold new Act 250 permits from applicants who are in violation of permit conditions, court orders, administrative orders, etc.
- Implements a pilot project for on-the-record review of no more than 12 projects around the state, provided that everyone who has party status agrees to the procedure
- Directs district commissions, when reviewing a project under criterion 10 (conformance with town plan) to consider a town's zoning by-laws when the plan itself is ambiguous
- Allows appellants to file for a seven day stay of construction pending filing of their appeal
- Creates a study committee to recommend additional Act 250 reforms
- Implements a pilot project for an Act 250 facilitator to help applicants through the permit process
- Implements a pilot project for an Act 250 mediator to help resolve disputes between applicants and appellants
- Eliminates the 800 foot rule, which requires projects served by roads longer than 800 feet to undergo Act 250 review

ECONOMIC JUSTICE

- $3.827 million for wage increases for mental health service providers, and $385,000 for benefit increases
- $125,000 in expected surplus for Individual Development Accounts, plus $25,000 in contingent surplus
- S. 103 increasing the minimum wage to $6.75 an hour passed the Senate, but has an uncertain future in the House next year

RENTAL HOUSING CODE ENFORCEMENT (H. 423)

[Bill remains in House General Affairs committee, which held one public hearing and took an additional day of testimony on the bill. Though House General is expected to take up the bill again next year, its fate is uncertain.]

- Institutes a comprehensive state rental housing code enforcement system within Labor and Industry
- Creates statewide apartment registry and accessible unit sub-registry
- Funds inspection program and registry through an annual registration fee of $50

ON SITE SEPTIC BILL (S. 27)

[Bill passed Senate; referred to House Natural Resources committee, which heard testimony but took no action and intends to take up the bill next year, once the Agency of Natural resources has issued draft regulations for alternative septic systems. The Administration maintains most of S. 27 can be achieved administratively.]

- Allows for alternative septic systems
- Closes ten acre loophole two years after rules governing alternative septic systems go into effect

Vermont Housing Finance Agency

VHFA Board Human Resources Committee Meeting Minutes

Office of the Associated General Contractors
148 State Street
Montpelier, Vermont

Thursday, April 19, 2001 at 10:30 a.m.

PRESENT: Tom Candon (Chair), Jim Douglas, Dagyne Canney, Lisa Randall, Sarah Carpenter, Pat Loller

Copied: VHFA Board of Commissioners (upon approval of Committee)

1. <u>Legal Services</u>

- Ms. Carpenter led a discussion about VHFA's legal services analysis. After several months of reviewing the Agency's legal needs, Ms. Carpenter's recommendation is to hire in house legal counsel on a part-time basis to coordinate all of the Agency's legal services.

- Ms. Carpenter is recommending that we hire Elizabeth Mullikin Drake to fill this position.

- Mr. Candon asked how this would affect Mr. Jarrett's current agreement with VHFA. The Agency has been working on a month-to-month agreement with Carroll & Scribner since last June, which includes a monthly retainer. This agreement will be terminated effective July 1, 2001, however we will continue to use Carroll & Scribner (Mr. Jarrett) for multifamily development closings, which is a substantial portion of the Agency's current business with them.

- Staff will commence running all legal services needs through Ms. Drake, who in turn will determine the most appropriate course of action.

- With Ms. Drake assuming the role of Legal Counsel for the Agency, a full Board approval is needed to reflect this change (needed for bond documents, etc.).

2. <u>Salary Budget</u>

- There was discussion regarding the 5% salary increase recommendation for FY2002. Ms. Canney was concerned about the availability of staffing in Chittenden County and wanted to make sure this was part of our thought process when determining our recommendation. She also wanted to make sure that our current salary ranges fit within the current market demands. Ms. Carpenter reported that we had done a complete analysis last June and anticipated adjusting the ranges in FY2003. Ms. Loller also completed a local survey regarding anticipated salary increases within Chittenden County and 5% was within the reported ranges.

- It is anticipated that we will need to increase staff by a .5 FTE for the Web/Graphic Design position, which was not included in the FY2002 budget total, but was included as a footnote. An increase of .2 FTE for our Applications Specialist was included within the FY2002 budget amount.

- The HR Committee agreed that the 5% salary increase pool was appropriate for the given economy. They also approved the inclusion of $20,000 as a recognition and salary adjustment pool.

3. **Pension**

- Ms. Carpenter updated the Committee regarding the status of our pension plan review and the process for obtaining a 501(c)3 approval through the IRS. We will complete the IRS application within the next month or so and anticipate a response within 4-6 months. A positive response to this request will allow us to offer 403-B pension products to staff, which will streamline our current situation of two separate investment vehicles for staff (pension and deferred compensation plan).

- We will commence the process for hiring a new fund manager, which would coincide with any plan changes. Mr. Douglas offered the services of Marie Duquette to assist in the RFP preparatory process. Ms. Randall also recommended that we consider utilizing a non-affiliated pension consultant prior to working with legal counsel (Steve Magowan).

4. **Health Insurance**

- After a review of MVP, Blue Cross/Blue Shield and Cigna, the Agency decided to renew with BC/BS effective March 1st. The premium increase was 16%, however employee contributions of 20% of the premium expense up to 2% of their salary will offset some of this increase.

The meeting adjourned at 12:00 noon.

Sincerely,

Patricia M. Loller

Patricia M. Loller
Director of Administration

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board Human Resources Committee Members

FROM: Sarah Carpenter, Executive Director

DATE: April 13, 2001

RE: Legal Services

As you are aware, we have been evaluating the Agency's legal needs and expenses for the past several months. My recommendation to the HR Committee and the Board is to hire in-house counsel for 24 hours per week.

This position will be responsible for the coordination of all Agency legal needs, which include, but are not limited to:

- Corporate issues
- Serving as liaison to bond counsel (Kutak Rock)
- Overseeing Multifamily loan restructuring
- Overseeing work assigned to out sourced attorneys, such as multifamily closings sent to Carroll and Scribner (Glenn Jarrett) and REO/foreclosure attorneys.

I anticipate our legal expenses to remain flat during FY2002 with the addition of this position, however we expect to recognize substantial gains in our legal productivity. During our review, it was identified that there were several small items that have been left unattended or not completed. It has become clear to Executive Management that it is very important that the Agency have legal counsel supervising all our legal needs.

If this position is approved, Glenn Jarrett's current retainer of $5,000 per month will terminate effective June 30, 2000. We will continue to retain Glenn on a hourly basis for Multifamily closings going forward. These fees are generally reimbursed by the projects.

Attached is a legal expense analysis for the past 4 years for your review and further discussion at the HR meeting if there are questions. We have not shown any revenue offsets, which come from a variety of sources.

VERMONT HOUSING FINANCE AGENCY
LEGAL EXPENSE ANALYSIS
Fiscal years 1998-2001

Fiscal Year	Acquired Home	General Fund	Bond Funds	In-House Legal	Total Legal
1998	155,239	30,756	43,223	81,430*	**310,648**
1999	183,136	38,600	84,302	80,701*	**386,739**
2000	171,541	100,354	107,117	0	**379,012**
2001	134,793 ($168,491)**	58,901 ($78,534)**	68,387 ($85,484)**	18,900 ($31,380)**	**280,981** ($363,889)**

Note:
* In FY98and FY99 includes salaries **and** benefits for in-house counsel. In FY01, legal consulting fees replaced in-house legal.
** Annualized expenses

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board Human Resources Committee Members

FROM: Sarah Carpenter, Executive Director

DATE: April 19, 2001

RE: **FY2002 Salary Increases**

Historical Information

Fiscal Year Ending	FTE's	Annual Avg. % Increase	Gross Payroll
June 1998	44.4		$1,569,893
June 1999	35.4	4%	$1,598,740
June 2000	36.7	4%	$1,525,254
June 2001	36.8	5%	$1,560,300 (projected)* $1,571,299 (budget)
June 2002	36.8	5% (Recommendation)	$1,678,020 (Budget)

* Under budget due to lengthy vacancies during the FY year.

** Budget numbers do not include possibility of increasing Web/Graphic Design position to full time for new initiatives. Still under review (additional $20,000)

FY2002

- **Propose 5% increase for FY2002**, with additional $20,000 for recognition and any necessary market adjustments
- 2001 Budget vs. 2002 Budget — 6.8% Increase
- 2001 Actual Projected vs. 2002 Budget — 7.5% Increase
- 2001 Actual Projected vs. 2002 Budget (Excluding 1/2 E. Drake) — 6% Increase

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR THE BOND BUILDING AND PERMANENT FINANCING FOR THE ALLOCATED BUILDING OF THE LIME KILN PROJECT, SOUTH BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of two (2) to be formed limited partnerships in which the Sponsor or its subsidiaries will be general partners (the "Borrowers") involving the construction of two (2) buildings containing twenty-four (24) units each (the "Bond Building" and the "Allocated Building" respectively) for a total of forty-eight (48) units of rental housing in the City of South 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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Bond Building and a mortgage loan for permanent term financing for the Allocated Building, with the interest rates 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;

WHEREAS, the limited partnerships are expected to qualify as housing sponsors 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 May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrowers will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrowers. 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 issuance of the Bonds for the purpose of financing one or more loans to the Borrowers 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for each of the Bond Building and the Allocated Building respectively, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 Barre, Vermont, on May 17, 2001.

Sarah E. Carpenter

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

AMENDED RESOLUTION RE: COMBINED LETTER OF INTEREST AND COMMITMENT LETTER FOR WESTGATE APARTMENTS, BRATTLEBORO

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 Housing Vermont (the "Sponsor") on behalf of one or more to-be-formed limited partnerships for the permanent term financing of the acquisition and rehabilitation of ninety-eight (98) unit family rental project in seventeen (17) buildings located on Westgate Drive in the Town of Brattleboro (the "Development: and

WHEREAS, the Development has been the subject of a previous resolution of the Board in August 2000 which remains in effect subject to the changes authorized in this resolution; and

WHEREAS, a change in the collateral security for the permanent term financing has become necessary since the Board last considered the Development; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. Because of events that have transpired since August, 2000, the Executive Director is authorized, in her discretion, to modify the terms of the Agency's previous approval in accordance with the Underwriting Guidelines, including, but not limited to,

   a) to change the source, amount and amortization of any of the loans from tax-exempt bond proceeds and taxable bond proceeds; and
   b) to structure the collateral security of the VHFA loans to correspond to the loans to be made on the entire project rather than a portion of the project.

2. The Board's August 2000 resolution is reaffirmed to the extent its terms are not inconsistent with the terms of 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 Barre, Vermont, on May 17, 2001.

Sarah E. Carpenter

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

Kari Caragher

From: Kari Caragher
Sent: Thursday, July 19, 2001 2:33 PM
To: 'mmoore@dol.state.vt.us'
Subject: Notice of Meeting

The Vermont Housing Finance Agency will have a Board meeting on Tuesday, July 24, 2001 at 10:00 a.m.

If anyone would like to participate in the meeting they may do so at the Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont.

We just confirmed this date with our Board of Commissioners, I apologize for the short notice. I thought email would be a faster way to notice it. Thank you.

Kari Caragher

Office Administrator
Vermont Housing Finance Agency
kcaragher@vhfa.org
(802) 652-3413 Phone
(802) 864-8081 Fax

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Vermont Housing Finance Agency

BOARD AGENDA
Via Conference Call

Tuesday, July 24th at 10:00 a.m.

1. <u>FINANCE</u>

A. Single Family Bond Financing	(Enclosure)
B. Multifamily Bond Financing	(Enclosure)
C. University of Vermont Financing	(Discussion)

2. <u>PROGRAM OPERATIONS</u>

A. Templeton Discussion	(Enclosure)

3. <u>ADMINISTRATION</u>

A. August Board Meeting Date	(Discussion)

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Vermont Housing Finance Agency

Board Meeting
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Tuesday, July 24, 2001 at 10:00 a.m.
Via Conference Call

Present: Chairperson Randall
Staff: Ms. Caragher, Mr. Schoenbeck, Ms. Mullikin Drake, Ms. Crady, Mr. Falzone, Mr. Adams, Mr. Fairbanks

Via Telephone: Commissioners Canney, Candon (designee of Costle), Douglas, Lafayette
Other: Ms. Carpenter (VHFA), Mr. Amsden (Kutak Rock), Ms. Adams (Kutak Rock)

Single Family Bond Financing

Chairperson Randall called the meeting to order at 10:05 a.m. Mr. Schoenbeck briefly reviewed the proposed single-family bond financing and related memos and documents provided Commissioners. VHFA is in need of funds for the single-family mortgages. VHFA have note maturities in September that carry approximately $35 million in volume cap to be used for bond/note issuance. This financing will provide VHFA with approximately $31 million of single-family mortgage proceeds.

Mr. Schoenbeck reported that the rates are looking very good as of Friday, July 20th with the standard program at 6.5% (with 0 points) and the cash assistance program at 6.95% (with 0 points). Mr. Schoenbeck added that VHFA expects to carry bond insurance to ensure that VHFA receives an AAA rating. Mr. Amsden added that he would like to make an amendment to the resolution that indicates that the notes will be subject to the maturity terms in the Series Certificate.

After a brief discussion, Mr. Douglas made a motion to approve the Nineteenth Supplemental Single Family Housing Bond Resolution with Mr. Amsden's amendment. The motion carried unanimously after being seconded by Mr. Candon.

Private Activity Bond Volume Cap

Next, Ms. Mullikin-Drake discussed the allocation of 2001 private activity bond volume cap. There is approximately $37 million remaining in unallocated 2001 private activity bond volume cap. VHFA is seeking approval to allocate $26 million of the $37 million for single-family bond issues, which would carry VHFA through 2001. Ms. Carpenter noted that the remaining $11 million would remain unallocated for VHFA to use during 2001 for anything in the pipeline.

Ms. Lafayette asked how this year's allocation compares to previous years allocations. Mr. Schoenbeck indicated that this year's allocations are not much different than previous years. Multifamily has produced more activity than usual this year, which is why its allocation was slightly higher. Mr. Douglas made a motion to approve the "Resolution Re: Allocation of 2001 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Ms. Canney.

Multi-Family Bond Financing

Mr. Schoenbeck updated the Board on the multi-family bond financing. Fannie Mae has agreed to purchase $13 million of bonds to fund projects already approved by the Board. Approximately $7 million are short-term bonds to provide construction financing for 5 projects. The remaining $6 million are longer bonds providing financing to 6 projects.

Mr. Schoenbeck noted that the universal resolution that the Board adopted back in March gave VHFA staff the authority to use $15 million for multi-family financings. Although the entire $15 million has not been entirely used, Mr. Schoenbeck anticipates that it won't be long before staff will present the Board with another universal resolution for multi-family financings.

University of Vermont Financing

Mr. Schoenbeck indicated that the University of Vermont (UVM) has approached VHFA and asked if VHFA would consider being a conduit issuer of bonds to finance their student housing project. Ms. Mullikin-Drake indicated that VHFA staff had a conference call meeting with the developer of the student housing project to get more information about this project. The structure that the developer is proposing is a structure that has been used around the country. The developer noted that UVM would create a new 501c 3 corporation and then this corporation would have a conduit issuer who would issue the bonds to finance the housing. At this time, the project amount needed for the student housing is estimated at $22 million. UVM is also looking to add more parking, which would be an additional $15 million. Ms. Mullikin-Drake indicated that VHFA probably would not be interested in the parking piece of the financing.

Mr. Schoenbeck stated that if VHFA did finance the project, VHFA would receive an annual fee of approximately $50,000. Ms. Carpenter indicated that staff had spoken to the other bond issuers in Vermont to see if they were interested in this project. Mr. Rode (Municipal Bond Bank) felt that the Bond Bank couldn't get involved with the financing unless there was a change made to their statute. VEDA indicated that they were interested and would like to receive more information. VHFA advised VEDA to contact the UVM developer for that information and also suggested that they pursue the $15 million parking expansion piece, as it is more in line with what they do. *{Mr. Candon left the meeting at this time, which still left a quorum for the remainder of the meeting}.*

Some Board members expressed their interest in seeing VHFA diversify and develop a relationship with UVM to encourage more housing in the Burlington area. The Board had some questions about the reason UVM wants to have a conduit issuer, but advised VHFA staff to continue talking with UVM about possible financing for their student housing project. Ms. Mullikin-Drake indicated that staff would let the developer know that VHFA is still interested in the project, and would pursue discussions. VHFA has not made a commitment to finance the project at this time.

Templeton

Mr. Adams stated that towards the end of June, VHFA received a complete report from Dave Anderson regarding the Templeton project. In his report, Mr. Anderson indicated that he feels good about the foundations that are on the site, and noted that the current foundations could essentially be used if new units are rebuilt (all except for one area). Ms. Carpenter indicated that after reviewing the report, a 26 – 28 unit project could be accommodated on the property. At this time, staff would like direction from the Board on how to tell VSHA to proceed.

It was suggested that we discuss Templeton in August when all of the Board members are present. Ms. Carpenter indicated that because the already scheduled August Board meeting on the 16th falls on the Battle of Bennington Day, that some members would like to reschedule. Chairperson Randall suggested a new meeting date of August 23rd at 8:30 a.m. The Board members that were present agreed with the new date and time. Chairperson Randall asked Ms. Caragher to email the Board with the new date of August 23rd and a starting time of 8:30 a.m. in Burlington.

With a Board meeting now scheduled in August, it was agreed that the Templeton discussion would be tabled until then.

Ms. Carpenter sadly announced that Ms. Caragher would be leaving VHFA on August 3rd to join Husky Molding Injections Inc. as their HR Coordinator. The Board wished Ms. Caragher well and noted she would be missed.

With no further business, Mr. Douglas made a motion to adjourn at 11:00 a.m. The motion carried unanimously after being seconded by Ms. Lafayette.

Sincerely,

Sarah E Carpenter

Sarah E. Carpenter
Executive Director and Secretary

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: JULY 20, 2001

RE: SINGLE FAMILY BOND FINANCING

As we discussed at the last Board meeting, we will shortly need funds for single family mortgages and we are coming up to a note maturity date in early September that avails us of about $35 million in volume cap for bond/note issuance. Our current single family bonding schedule assumed an August 16th Board meeting for sale approval which may not take place as scheduled and we are therefore seeking approval for the financing on the conference call scheduled for Tuesday. We are providing you (by separate email) a draft copy of the Preliminary Official Statement (P.O.S.) and a draft copy of the Nineteenth Supplemental Single Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. We expect that the other normal documents connected with this contract including bond insurance reimbursement provisions and purchase contracts will be substantially the same as the Series 14 bonds. The provisions in Section 2.01 mandate the limits of the financing, i.e. a bond financing of $35 million and note financing not exceeding $35 million. Section 2.05 requires a yield calculation that would result in a no point mortgage rate of no more than 7.50%, and bonds maturing no later than May 1, 2034. The Series Resolution also authorizes entering into the purchase contract with the Underwriters (section 2.05) and authorizes the Reimbursement Agreement terms and conditions with the bond insurer.

This financing will provide us with about $31 million of mortgage proceeds. The current projected rate on the Series 14 mortgage funds is a "standard" mortgage at 6.50% and a cash assistance option mortgage at 6.95% with no points. We expect to obtain bond insurance, which will increase our rating to AAA. The suggestion by PaineWebber of extending the note terms was a critical component of helping keep the mortgage rates at the low levels projected.

An analysis of the projected transaction prepared by Al Hans and associates of U.S. Bancorp Piper Jaffray is also being faxed with this memo.

Recommended Action
Approval of the Nineteenth Supplemental Single Family Housing Bond Resolution.

MEMORANDUM

DATE: July 20, 2001

TO: Vermont Housing Finance Agency

FROM: U.S. Bancorp Piper Jaffray

RE: Pre-Sale Report
$32,500,000 Single Family Housing Bonds, Series 15A (AMT)
$16,500,000 Single Family Housing Notes, Series 15B (AMT)
$16,500,000 Single Family Housing Notes, Series 15C (AMT)

Introduction

The Agency is being asked to approve a series resolution for the sale of its Single Family Housing Bonds Series 15A, and Single Family Housing Notes Series 15B and 15C. Proceeds from the Series 15A Bonds will be disbursed to fund qualified mortgage loans, the debt service reserve fund, and to pay for the cost of issuance. Proceeds from the Series 15B and 15C Notes will be invested into investment agreements that will be used for the redemption of these notes on their respective maturity dates. The Agency expects to refund these notes into long-term, fixed-rate bonds in the future to provide funds for the mortgage loan program. The preliminary sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	$32,500,000
Principal Amount of Notes	33,000,000
Premium for Downpayment Assistance Program	210,000
Total Sources of Funds	$65,710,000
Program Account for Mortgage Loans	$30,845,000
Program Account for Downpayment Assistance	210,000
Program Account for Note Proceeds	33,000,000
Debt Service Reserve Fund	1,105,000
Cost of Issuance	175,000
Underwriter's Discount	375,000
Total Uses of Funds	$65,710,000

Structure

The bond/note structure is similar to the Agency's Series 14 issue with the following changes. The downpayment assistance funded from the premium PAC bond will be reduced from $458,030 to $210,000 based upon the Agency's demand to date for downpayment assistance loans. The second change is that the note maturities have been extended by six and twelve months based upon the Agency's need for funds in future years. The structure reduces the maximum allowable interest rate on the mortgage loan by approximately 35 basis points in comparison to a stand-alone bond issue. The Agency's cost of providing this additional mortgage subsidy to homebuyers and of issuing the notes is approximately equal to retainable net investment earnings from the note issue. As a result, the Agency is able to offer a more competitive mortgage loan rate at no additional cost. The structure also provides a method of preserving the Agency's bonding authority.

Mortgage

Funds expected to be available for mortgage loans totals $30,845,000. This consists of $18,845,000 available for the regular program, $7,000,000 available for the downpayment assistance program, $3,000,000 available for the one step rate program, and $2,000,000 for the three step rate program at the rates shown in the table below. The expected maximum allowable interest rates, which include an additional 25 basis points for expected loan losses, are shown in the chart below. The 25 basis points for projected loan losses is permitted, but not required to be included in the loan rate. Although the Agency prefers to take the full spread on most of its issues, the establishment of the final loan rate will take into account conventional rates.

Loan Type	Origination Fee and Discount Points	Mortgage Loan Rate
Fixed Rate	0	6.50%
DPA Rate	0 (3 pts. to buyer for downpayment)	6.95%
One Step Rate (4rd year)	0	5.75/6.75%
Three Step Rate (annual)	0	5.25%/5.75%/6.25%/6.75 %

Market Conditions

There has been substantial new issue activity in the municipal market place and specifically for single family housing bonds. Thirty year, AMT single family housing bonds are currently at 5.50% to 5.55%. Expected interest rates in today's market are approximately ten basis points lower than the Series 14 sale that was sold in April.

Reinvestment rates for the mortgage loan program account have decreased significantly as a result of the rate reductions by the Federal Reserve. Current short-term investment rates are about 3.75%. The Agency's blended bond yield is expected to be about 5.00%, resulting in negative arbitrage of 1.25%. The bond/note structure has already reduced the negative arbitrage by 0.35%. The Agency's financing team will be looking at additional methods to reduce negative arbitrage. A step rate coupon on the PAC bond may be able to provide additional relief.

Summary

The proposed bond structure with today's interest rate levels will result in full-spread loan rates slightly lower than the Agency's current program rates. The bond/note structure will help minimize negative arbitrage while providing a lower mortgage rate. The utilization of a PAC bond continues to have strong demand from buyers. It is an effective way to reduce interest rates and provide funds for downpayment assistance loans. Evensen Dodge recommends that the Agency proceed with the proposed bond issue.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: JULY 20, 2001

RE: MULTI-FAMILY BOND FINANCING

We have successfully completed negotiations with Fannie Mae on the sale of approximately $13 million of bonds to fund project previously approved by the Board. About $7 million will be 12-18 month bonds providing construction financing for Maple Tree Place, Green Mountain Seminary, Baldwin Block, Lime Kiln and Westgate. Longer bonds are providing permanent funding for Maple Tree Place, Lime Kiln, Westgate, Jeffersonville, Lake Champlain Apartments and Hillside Mobile Home Park. The bonding approval was granted in March when the Board approved the $15 million global Resolution for multi-family financing. We have been providing interim financing on a number of these projects pending the sale. Fannie Mae was very accommodating in pricing this financing and Piper Jaffray (our financial advisor) came up with a saving idea that broke a stalemate with Standard and Poor's for rating the short bonds. We will be able to provide long term rates of 7% or less and taxable rates of 8.5% based on the prices obtained from Fannie Mae. They also bought the short bonds at 4% for a year and 4.5% for 18 months. Issuing these bonds under the Multi-family Mortgage Bond Resolution provides the AA rating necessary for Fannie Mae to purchase the bonds.

Piper Jaffray is including an analysis of this sale under separate cover, which will also be faxed to you. Please call me if you have any questions on this transaction.

Recommended Action
None required.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

RE: **Templeton Court Apartments – Foundations Update**
Dave Anderson Report

DT: July 19, 2001

Recently we received the report from David Anderson giving us his opinion on the engineering work and the structural integrity of the foundations at Templeton Court. Dave's opinion is based on a review of engineering reports provided by Stevens & Associates who are registered, professional engineers, in the State of Vermont and located in Brattleboro. Dave has had several meetings with the staff at the VSHA and the Engineers at the project site. A copy of his letter, dated June 21st and the report from Robert K. Stevens, P.E. are attached for your information.

Dave indicates that with the exception of the east end of building #3, all foundations are adequate to support the proposed reconstruction. The questionable foundation for building #3 is a moot point, since that portion of the building will be demolished and not rebuilt to create open space and drainage in that area of the project. The other two buildings are built entirely on ledge which is reported to be stable. The foundations show no signs of movement or stress cracks over their 25 year history.

Drainage will be an issue that will require some combination of raising the height of the foundation walls, along with removal of ledge in several areas. Dave felt that these solutions were achievable leaving the question of cost and financial feasibility still to be answered.

We had asked Dave to render an opinion on the number of units the site could sustain, given the need to solve the drainage issues, create additional open space, and retain adequate parking. Dave was not specific in his response but felt that 28 units would be the maximum the project could support. He also felt that reducing the project to something less than 26 units is not necessary, from a site mitigation standpoint.

The ultimate number of units we decide on must balance the need to minimize the loss of financial resources with the need to cure the overall stigma and quality of life for the current residents. The project as it currently exists is comprised of 36 units and 120 bedrooms. The most recent proposal received from VSHA reduces the number of units to 28 but cut the number of bedrooms dramatically to 64.

In July of 2000, VSHA commissioned a report for the purpose of developing a proposal that was intended to resolve both the financial and social issues in Templeton. The report was the effort of Neil Husher of Vermont Architects Collaborative (architectural and design issues), Jeff Kantor (financial viability) and Kathryn Chaffee (social and community aspects). Interviews were conducted with the project residents, community groups, and social services agencies among others. The first 25 pages of this report define the scope of the report, summarize the physical and social issues and offers extensive

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recommendations. The essence of this report concluded two major things: First that the project needed major redevelopment to cure the physical issues, and secondly, that most of the other problems in one way or another were related to the extremely high density and the number of children. The most critical recommendations from this report were as follows:

- Reduction in the number of units from 36 to 26.
- Strong on-site management.
- Increased security.
- Greater resident involvement in the decision-making process.
- Improved coordination of the Social Services.
- Cure project maintenance issues through complete redevelopment of the site.
- Increase the amount of safe and observable recreational areas.

The proposal we received from VSHA appears to encompass all of the recommendations in one form or another. I will be happy to provide a copy of the July report if any of you would like to look through it.

It would be my recommendation based on the input from Dave Anderson and the report noted above that the correct number of units in the project lies somewhere from 26 to 28 units. In the proposals that VSHA has submitted, the only difference between 26 and 28 units is two, single bedroom flat style units. I am not sure that these additional units will make or break the social issues. There is no change in the overall building dimensions for either proposal. Bedrooms are reduced dramatically in either scenario from 120 bedrooms to either 62 or 64 units respectively. I don't think it would be a tremendous hardship to design both proposals given their similarity in overall building design, and to have Jeff Kantor provide a financial analysis of both.

The next steps would be for VSHA to start the design process. Dave Anderson will be retained by VHFA to be closely involved with the design, review progress drawings and keep an eye on potential options and construction costs.

Board Action:

The staff is recommending that VSHA proceed to the feasibility and design phase of the project using up to 28 units. We are asking the Board's concurrence with this recommendation. The staff will come back to the Board once the project redevelopment cost and financial feasibility have been established.

DAVID M. ANDERSON

- Project Management
- Construction Consulting

36 Russell Road
Tunbridge, VT 05077-9537
Office (802) 763-7768
Fax (802) 763-2829

June 21, 2001

Mr. David Adams
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

RE: Templeton Court; Foundation review

Dear David:

On Wednesday, June 20, 2001, I met with Mike Momaney from VSA, and Bob Stevens from Stevens & associates, PC, the Civil Engineer, at the site in White River Junction. The purpose of the meeting was to review thee attached report, Stevens's structural assessment of the foundations at Templeton Court.

We reviewed the report's findings and then walked the exterior perimeter of each foundation. Bob did not have a copy of the earlier SVE report, which reported, based on their investigation the east end of Building #3 was constructed on fill of questionable bearing capacity. Mike will send a copy to Bob and he will review and amend his report if required. The point is moot since the proposed plan demolishes this section of Building #3 and the balance of the building foundations are constructed on ledge,

The other two buildings are built entirely on ledge. The ledge in this case as defined by Stevens is of good quality and appears to be very stable. As evidence, the foundations have had a minimum of cracks over their 25+ years of life. The cracks that are evident are minimal and explainable by normal events and not lack of structural stability. The only area of concern is the east end of #3 and as we said, that condition is moot. Ledge is a very good bearing material for foundations because it has great capacity and is generally stable.

The issue is drainage. Water is the enemy of any foundation and especially if it is shallow and subject to frost action. The drainage can be made to work at each building. Some combination of raising the buildings and removing ledge will have to be accomplished in order to produce a drainage system that adequately protects the foundations.

The next step, if approved, should be to form a design team of Stevens and the Architect to start a design process for the site. If such a process is authorized I have indicated that I would like to have the opportunity to review the progress drawings to keep an eye on potential options and costs.

If you have any questions or require additional information, please free to call me.

Sincerely,

David M. Anderson

CC: Joe Erdelyi

STEVENS & ASSOCIATES, P.C.
Consulting in the Design & Development of Livable Communities
ENGINEERS LANDSCAPE ARCHITECTS PLANNERS SURVEYORS

June 5, 2001

Mike Momaney
Housing Foundation, Inc.
One Prospect St.
Montpelier, VT 05601

Re: Perimeter Foundation Assessment
Templeton Court
Project #1-035

Dear Mike:

On May 30, 2001, Stevens & Associates, P.C. conducted a structural assessment of the perimeter foundations at Templeton Court in White River Jct., VT. The preliminary assessment was conducted to determine their serviceability for re-use and to address concerns regarding frost heaves and slippage where foundations rest on bedrock at or near grade. A previous assessment of the entire building was conducted in December of 1997.

The perimeter foundations consist of a 24 inches wide, 12 inches deep footing with 12" reinforced wall, ranging from 6 inches to 6 feet in height. The walls support continuous loads from the exterior framed walls with brick veneer on most of the elevations. The assessment consisted of a visual review for line, grade, lateral movement, and distress. A discussion of considerations for building on bedrock and how they apply to this building is also included.

Summary

In our opinion, based on conditions observed, the perimeter foundations are in good condition and are suitable for proposed continued use. Surface grading problems need to be addressed and perimeter drains installed. If buildings are reconstructed, the foundation walls should be extended and the buildings raised where necessary to affect proper surface drainage.

122 BIRGE STREET P.O. BOX 1586
BRATTLEBORO, VT 05302
802-257-9329 FAX: 802-258-3892
INFO@STEVENS-ASSOC.COM

Findings

The line, grade, lateral movement, and distress was visually reviewed on the interior and exterior of the perimeter foundations, except for a small area in the southeast corner of Building #1 where the crawl space was inaccessible. Foundations observed were generally plumb and straight. No stress cracks were observed in the concrete walls or brick veneer above. No evidence of efflorescence, erosion, degradation, or freeze/thaw damage was observed. Two small areas of de-lamination due to reinforcement corrosion were observed; one was interior in Building #2, and the second on the exterior of Building #3. One vertical crack in the brick veneer at an interior corner of Building #2 was observed, however no corresponding evidence of settlement was observed in the foundation. Foundation walls do have several vertical shrinkage cracks, generally hairline in width with no widening or lateral displacement.

Three areas of walls less than 24 inches in total height were observed. A 25foot section on Building #3 on the south elevation, approximately 12 inches high with 10 inches of earth cover on the outside. At this location, the ledge face continues upward at the exterior and it is an area of poor surface drainage.

A 25' long section, approximately 24" high overall, sits at the top of a sloped ledge face on Building #1. The sloped ledge face is not observable above grade outside indicating it does not continue through or beyond the footing.

At the southeast corner of Building #1 approximately 30 lineal feet of footing is exposed at the outside and framing starts 6 inches to 8 inches above bedrock. Although difficult to observe, none of these areas showed significant lateral movement or visual signs of distress. This shallow section on Building #3 may have slight lateral movement.

Conclusions & Recommendations

When assessing an existing building, the best indication of how a structure will perform is the measure of its past performance. That is not to say if building new you would construct the building in the same manner. Often in design, we balance the magnitude of failure and incomplete knowledge of subsurface conditions with the relative cost of increasing the safety factors.

In this case, the perimeter foundation is in extremely good condition. The two areas of reinforcement corrosion are due to lack of adequate cover, the brick veneer crack can be attributed to normal differential movements and the lack of any expansion joints in the brick veneer. The vertical cracks in the foundation walls are shrinkage cracks due to curing and are always present unless construction joints are provided.

Issues of sliding, frost heaves, and bedrock integrity are considerations when building on bedrock, particularly with shallow footing depths.

Sliding on a sloping rock face can occur with an inclined face combined with lateral forces due to earth pressure or earthquakes. The sliding is resisted by the concrete to bedrock friction, which is a function of the building weight and surface texture of the rock.

Although the bearing surface of the bedrock at this site is not observable, the slopes on either side, and the geometry of the footings exposed, do not indicate an excessive inclined face. The lateral earth loads are negligible on the shallow footings and the exposed ledge face indicates some interlocking texture.

Lateral earthquake loads will be resisted by the floor diaphragm and opposing foundation backfill. The relatively light loads, ability of the foundation to bridge small deficiencies, significant frictional resistance, and lack of any historical indication sliding failure indicates the structure has an adequate factor of safety against sliding. Additional safety factors could be provided by coring through the footing into ledge and pinning the two together with grouted reinforcing.

Frost heaving occurs due to water in pore spaces freezing, causing a volume expansion of approximately 10%. Significant heaving occurs with the formation of ice lenses. The lenses grow in thickness due to capillary migration of water in frost-susceptible soils close to the water table. Upon the melting of the lenses, the soil structure is destabilized and settlement occurs.

In this situation, a thin layer of water between the bedrock face and footing undoubtedly freezes at the shallow footing locations. This volumetric change in itself is not enough to cause a problem, as confirmed by a lack of historical distress in the structure. Without the pore space distribution of frost-susceptible soil, there is no mechanism of water migration to feed a frost lens. The source of water is most likely surface water due to poor grading. With temperatures below freezing, the source freezes and no additional water migrates.

There is one condition in which freezing of water in the foundation backfill can exert a lateral pressure on the footing. The shallow foundation location at Building #3 forms a notch against the exposed ledge face. There may have been some lateral movement of the wall at this location. Only a few inches of wall are visible and this misalignment, if any, is slight. This can easily be addressed with the provision of a foundation drain. This portion of Building #3 should have the foundation raised in order to construct proper surface grading and provide cover for foundation drainage.

The final consideration in building on bedrock is the rock's integrity. With the exception of a few rock types, the strength of bedrock will be greater than the strength of the concrete. This is not the case if the bedrock is badly fractured or in a loose state where slippage or frost weathering can occur.

The bedrock observed at this site appears to be metamorphic and high quality. There were no indications of severe fractures, weathering, or loose fragments, either in crawl spaces or exposed outside. A quantitative measurement, or rock quality designation (RQD), can be obtained by core-sampling the rock. The historical use of this site and conditions observed should provide sufficient evidence of rock quality.

In summary, the perimeter foundations at Templeton Court are in good condition, and that is the best indication of their serviceability for future use. Some minor repairs are needed, and the walls should be extended/rebuilt where necessary to correct grading. Concerns about founding on bedrock do not appear to be issues on this site. Additional precautions could be taken by pinning the footings and taking core samples. The surface and subsurface drainage are the principal causes of stress to the walls and the historical distress to this structure.

Please call if you have any questions.

Sincerely,

Robert K. Stevens

Robert K. Stevens, P.E.

STATE OF VERMONT
ROBERT K. STEVENS
No. 6630
REGISTERED
PROFESSIONAL ENGINEER

RESOLUTION RE: ALLOCATION OF 2001 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board ("2001 Allocation"); and

WHEREAS, the Agency has allocated $40 million of the 2001 Allocation and desires to elect to utilize another $26 million dollars of the 2001 Allocation for qualified mortgage bonds and mortgage credit certificates;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate $26 million of its 2001 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended 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 by conference call at Burlington, Vermont, on July 24, 2001.

Sarah E. Carpenter

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

usbancorp
Piper Jaffray®

MEMORANDUM

DATE: July 20, 2001

TO: Vermont Housing Finance Agency

FROM: U.S. Bancorp Piper Jaffray

RE: Post Sale Report
$3,060,000 Multi-Family Mortgage Bonds, 2001 Series A (AMT)
$1,015,000 Multi-Family Mortgage Bonds, 2001 Series B (Non-AMT)
$1,730,000 Multi-Family Mortgage Bonds, 2001 Series C (Taxable)
$5,400,000 Multi-Family Mortgage Bonds, 2001 Series D-1 (AMT)
$1,700,000 Multi-Family Mortgage Bonds, 2001 Series D-2 (AMT)

Introduction

The pricing of the bonds with Fannie Mae occurred on Friday, July 20, 2001 and the issue is scheduled to close on Thursday, July 26, 2001.

Proceeds from the 2001 Series A-D Bonds will be disbursed to fund mortgage loans for nine projects, to fund the debt service reserve fund, and to pay for cost of issuance. The sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	$12,905,000
Excess DSRF – Existing Bond Issues	28,354
Total Sources of Funds	$12,933,354
Program Account for Mortgage Loans	$11,860,195
Debt Service Reserve Fund	998,159
Cost of Issuance	75,000
Total Uses of Funds	$12,933,354

Structure

Each series of bonds are structured as one term bond with sinking fund payments to accommodate the private placement of bonds with Fannie Mae. The sinking fund payments have been structured based upon the expected loan payments on each of the components of the project's loan, except for the Series D bonds as described below. The bonds were priced based upon the average life of each series.

Interest Rates Bonds

Bond Series	Maturity Date	Average Life	Interest Rate
A	8/15/32	18.5 years	5.50%
B	8/15/31	16.9 years	5.40%
C	8/15/32	16.8 years	7.27%
D-1	8/15/31	18.5 years	3.85%/5.50%
D-2	8/15/31	18.5 years	4.20%/5.50%

Series A is subject to alternative minimum tax and its interest rate is based upon recent bond issues of other state housing finance agencies. Series B is not subject to alternative minimum tax and is 0.10% lower than the AMT interest rate due to the difference in tax status. Series C is taxable and is priced based upon the FNMA MBS market that is currently at a 170-175 basis point spread to thirty-year governments.

Series D-1 and Series D-2 bonds will fund loans that are expected to make payment in full by either August 15, 2002 or February 15, 2003. The bonds have been structured as long term bonds in order to decrease the debt service reserve fund requirement and in order to maintain the Aa3/AA- credit ratings. The initial interest rate of 3.85% on the D-1 bonds changes to 5.50% on August 15, 2002. The initial interest rate of 4.20% on the D-2 bonds changes to 5.50% on February 15, 2003. This step rate bond provides the Agency with a lower interest rate during the time the loans and bonds are expected to be outstanding and provides Fannie Mae a higher rate if the bonds are not redeemed as expected.

Arkansas was the only multifamily sale during the past couple of weeks. It was rated AAA, totaled $5.3 million, and has interest rates of 5.65% in 2033 and 5.55% in 2021. Single family bond issues rated AAA during the past two weeks had interest rates in 2033 of 5.50% to 5.55%. The Agency's rates compare very favorably to these bond issues considering the Agency's lower credit ratings and the perceived riskier nature of multifamily lending.

Mortgage

Series A loans have an interest rate of 6.95% that results in a 1.46% interest rate spread. Series B loans have an interest rate of 6.90% that results in a 1.49% interest rate spread. Series C loans have interest rates of between 7.75% to 8.50% that results in a 1.01% spread. Series D loan have interest rates of 4.00% and 4.50% that results in a 1.31% interest rate spread. The average interest rate spread on the total bond issue is 1.28%.

Summary

In a reflection of the mortgage loans that it is financing, the bond structure is complex and has a lot of different types of bonds. Fannie Mae provided good one-stop shopping to meet all of the Agency's needs. The interest rates are competitive and transaction costs have been minimized for this smaller multifamily bond issue. The Agency continues to maintain its Aa3/AA- credit ratings as it grows the size of it multifamily portfolio.

VERMONT HOUSING FINANCE AGENCY

NINETEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING
BOND RESOLUTION

Adopted July 24, 2001

04-93048.02

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MUNICIPAL BOND INSURANCE POLICY

NINETEENTH 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

Section 1.01. Short Title. This resolution is hereinafter sometimes referred to as the "Nineteenth Supplemental Resolution."

Section 1.02. 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 Nineteenth 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 2.03(a)(iv) hereof.

"*Adjusted Rate Bonds*" means all Series 15A Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 15A 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 15A Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

"*Adjustment Option Period*" means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 15A Bonds in accordance with Section 2.03 hereof.

"*Adjustment Rating Certificate*" means (i) 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 15A 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 2.03(a)(vi) hereof, accompanied by (ii) 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 15A 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 15A 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 15 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 15A Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 15 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 15 Obligations, means the Trustee.

"*Beneficial Owner*" means the person or entity that is considered to be the beneficial owner of any Series 15 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"*Bond Counsel*" means Kutak Rock LLP, 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 2.02 hereof.

"*Bond Insurer*" means the provider of municipal bond insurance with respect to the Series 15A Bonds, as shall be set forth in the Series Certificate.

"*Bond Year*" means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 15 Obligations and end on March 31, 2002.

"*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 15 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 15 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 15A Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) 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 (iv) 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, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) 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 (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 15 Loan Loss Claim Fund.

"*Loan Loss Claim Fund Withdrawals*" means amounts withdrawn from the Series 15 Loan Loss Claim Fund pursuant to Section 3.06(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 scheduled payment when due of the principal of and interest on the Series 15A 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 30 days prior to the Adjustment Date.

"*Official Statement*" means the Official Statement of the Agency describing the Series 15 Obligations, dated the date of execution of the Purchase Contracts.

"*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 15 Obligation, the stated principal amount thereof.

"*Pro-Forma Adjusted Interest Rate*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Pro-Forma Tender Bonds*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Purchase Contracts*" means, collectively, the Series 15 Bond Purchase Contract and the Series 15 Note Purchase Contract.

"*Record Date*" with respect to the payment of interest on a Series 15 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 15 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 15 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 15 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, UBS PaineWebber Inc., Salomon Smith Barney Inc. 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 remarketing of Series 15A Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

"*Remarketing Projection of Revenues*" means a Projection of Revenues satisfying the requirements of Section 2.03(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 2.03(a)(v) hereof.

"*Representation Letter*" means, with respect to the Series 15 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 Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 15 Obligations which Series Certificate shall establish certain terms of the Series 15 Obligations as provided herein.

"Series 14 Bonds" means the $31,635,000 aggregate principal amount of the Agency's Single Family Housing Bonds, Series 14A issued on April 26, 2001.

"Series 14 Notes" means, collectively, the $17,500,000 aggregate principal amount of the Agency's Single Family Housing Notes, Series 14B and the $17,500,000 aggregate principal amount of the Agency's Single Family Housing Notes, Series 14C issued on April 26, 2001.

"*Series 15A Bonds*" means the Series 15A Bonds of the Agency authorized by this Nineteenth Supplemental Resolution.

"*Series 15A Bond Purchase Contract*" means the Purchase Contract by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 15A Bonds, if any, providing for the terms and conditions of the sale of the Series 15A Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency's Series 14 Bonds.

"*Series 15 Bond Reserve Requirement*" means an amount with respect to the Series 15 Obligations at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 15A Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 15A Bonds.

"*Series 15 Contingency Account*" means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

"*Series 15 Contingency Account Deposits*" means the Series 15 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 15 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: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 15 Contingency Account.

"*Series 15 Contingency Account Surety Bond*" means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 15 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

"*Series 15 Contingency Account Deposit Provider*" means the Bond Insurer as provider of the Series 15 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 15 Contingency Account Deposit.

"*Series 15 Cost of Issuance Account*" means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

"*Series 15 Funded Loan Loss Claim Fund Requirement*" means, at any date of computation, an amount equal to the Series 15 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 15 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 15 Loan Loss Claim Fund.

"*Series 15 Loan Loss Claim Fund*" means the fund so designated and created pursuant to Section 3.01(a) hereof.

"*Series 15 Loan Loss Claim Fund Deposit Provider*" means the Bond Insurer as provider of the Series 15 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 15 Loan Loss Claim Fund Deposit.

"*Series 15 Loan Loss Claim Fund Deposits*" means the Series 15 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 15 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: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 15 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Series 15 Loan Loss Claim Fund Requirement*" means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all

Loans purchased under the Resolution from amounts on deposit in the Series 15A Program Account plus (2) the aggregate amount, if any, then held in the Series 15A Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 15 Loan Loss Claim Fund, or (ii) 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 15 Loan Loss Claim Fund Surety Bond*" means the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 15 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

"*Series 15 Notes*" means the Series 15B Notes and the Series 15C Notes of the Agency authorized by this Nineteenth Supplemental Resolution.

"*Series 15 Note Purchase Contract*" means the Purchase Contract by and between the Agency and UBS PaineWebber Inc. providing for the terms and conditions of the sale of the Series 15 Notes in substantially the form of the Note Purchase Contract executed in connection with the issuance by the Agency of its Series 14 Notes.

"*Series 15 Obligations*" means, collectively, the Series 15A Bonds, the Series 15B Notes and the Series 15C Notes.

"*Series 15 Rebate Account*" means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

"*Series 15 Rebate Requirement*" with respect to the Series 15 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 3.05 hereof.

"*Series 15 Reimbursement Agreements*" means, as applicable, (i) the agreement by and between the Agency and the Series 15 Loan Loss Claim Fund Deposit Provider in connection with the Series 15 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 15 Contingency Account Deposit Provider in connection with the Series 15 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

"*Series 15A Tender Bonds*" means the Series 15A Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"*Series 15A Tender Bonds Proceeds Subaccount*" means the Series 15A Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

"*Series 15A Program Account*" means the Series 15A Program Account established pursuant to Section 3.01(b) hereof.

"*Series 15B Program Account*" means the Series 15B Program Account established pursuant to Section 3.01(b) hereof.

"*Series 15C Program Account*" means the Series 15C Program Account established pursuant to Section 3.01(b) hereof.

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

"*Underwriters*" means, collectively, UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., as underwriters of the Series 15A Bonds and UBS PaineWebber Inc. as underwriter of the Series 15 Notes.

"*Yield*" means the yield on the Series 15 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 15 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 Nineteenth Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 15A Bonds, May 1 and November 1 of each year commencing on May 1, 2002, any redemption date of any Series 15A Bonds and any other date on which interest on the Series 15A Bonds is required or permitted by the Resolution to be paid and (ii) with respect to the Series 15 Notes, May 1 and November 1 of each year commencing on May 1, 2002 and on the maturity date thereof.

Section 1.03. Authority. This Nineteenth 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 15 OBLIGATIONS

Section 2.01. Series 15 Obligations; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one Series of Bonds to be designated "Single Family Housing Bonds, Series 15A" in an aggregate Principal Amount not to exceed $35,000,000. In addition, the Agency hereby authorizes the issuance of two Series of Notes to be designated "Single Family Housing Notes, Series

15B" and "Single Family Housing Notes, Series 15C" in aggregate Principal Amounts not to exceed $17,500,000 and $17,500,000, respectively. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 15 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 15 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 15 Obligations as provided herein and from the investment of the proceeds of the Series 15 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 15 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 15 Obligations are being issued. For purposes of Section 204(B) of the Resolution, all Series 15 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 203(B) of the Resolution and all Series 15A Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

(b) The Series 15A 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 15A Program Account, the Series 15 Cost of Issuance Account, the Series 15 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 15 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series 15B Program Account and the Series 15C 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 15 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" or "RC", as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 15A Bonds shall be dated August 1, 2001. The Series 15A 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 August 1, 2001, or if the date of authentication of any Series 15A 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 15A Bond shall be payable on May 1, 2002 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Subject to Section 2.03 hereof, the Series 15A 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 15A Bonds exceed a Yield which would result in an interest rate on the zero point

Mortgage Loans to be financed with the proceeds of the Series 15A Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 15A Bonds be later than May 1, 2034.

(e) The Series 15 Notes shall be dated the date of their initial authentication and delivery. The Series 15 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 15 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 15 Notes shall be payable on May 1, 2002 and semiannually thereafter on May 1 and November 1 of each year and on the maturity date thereof. The Series 15 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 either Series of the Series 15 Notes mature later than August 1, 2004.

(f) The Principal Amount and Redemption Price of the Series 15 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 15 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 15 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 15 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 15 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 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 15 Obligations of any registered owner of Series 15 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 15 Obligations on account of which such payment is made.

(g) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 15 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 15 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.

Section 2.02. 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 15 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 15 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 15 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 15 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 15 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 15 Obligations, (ii) 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 15 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 15 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 15 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 15 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 15 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 Nineteenth 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 15 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 15 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 15 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 15

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 15 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 15 Obligations.

(d) Notwithstanding any other provision of this Nineteenth Supplemental Resolution to the contrary, so long as any Series 15 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.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 15A 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 15A 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 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 15A Bonds remains on deposit in the Series 15A Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 15A Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) 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 (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 15A 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 15A Bonds (not in excess of the amount then on deposit in the Series 15A 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 (A) 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 15A Bonds (calculated as of the original date of authentication and delivery of the Series 15A Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 15A 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 15A Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 15A 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 (D) 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 15A 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 with 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 33 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 15A 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 15A Bonds (hereinafter refereed to as "Series 15A Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 15A Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 15A Bonds are to be tendered, Series 15A 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 15A Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 15A

Bonds of all maturities Outstanding. If less than all Series 15A Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 15A 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 15A 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 15A 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 15A 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 15A 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 15A Tender Bonds for which they were exchanged;

(C) that the Holders of Series 15A Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 15A 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 15A 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 15A 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 facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 15A 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 15A Tender Bonds in accordance with Section 2.03(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 15A 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 15A Tender Bonds, all of such Series 15A 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 15A 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, facsimile 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 15A 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 (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 15 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 15 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 15A 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 15A 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 15A Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 15A 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 15A 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 15A 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 15A 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 15 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 15 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 15A Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 15A Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 15 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 15 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 15 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) 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 (B) either (1) 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 (2) 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 (3) 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 15A 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 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 15A Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 15A 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 (including any initial issue premium paid with respect to the related maturity of the Series 15A Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 15A Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 15A 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 15A Tender Bonds issued in exchange for or upon the transfer of Series 15A 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 15A 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 15A 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 15A 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 15A 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 15A 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 15A Tender Bonds who has received notice that such Holder's Series 15A Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile 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 15A 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 15A 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 15A Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 15A Tender Bonds tendered for exchange and of the same maturity as the Series 15A Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 15A Tender Bonds for Adjusted Rate Bonds in the case of Series 15A 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 Fifteenth (15th) 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 15A 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 15A Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 15A 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 15A 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 15A Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 15A Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 15A 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.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 15A Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 15A Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 15 Obligation.

Section 2.04. Redemption Provisions.

(a) The Series 15A Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 15A 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) The Series 15A Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 15A 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 15A 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 15A Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 15A 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 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 15A Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 15A Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Series 15A 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 15A Bond or any defect therein shall not affect the redemption of any other Series 15A 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 15A 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 15A Bonds on the redemption date therefor). If any Series 15A Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 15A Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 15A Bonds on the redemption date therefor.

(f) The Series 15 Notes shall be subject to redemption prior to maturity as set forth in the Series Certificate.

Section 2.05. Sale of Series 15 Obligations.

(a) The Series 15 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 15 Obligations on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contracts are hereby approved, subject to such changes, additions and deletions as may be approved by the Chair, the Executive Director, or any other Authorized Officer and the execution and delivery thereof on behalf of the Agency by the Chair, the Executive Director or any other Authorized Officer of each Purchase Contract is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 15A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 15A Bonds in excess of 7.50% per annum nor may any Series 15 Obligation mature later than May 1, 2034.

(b) The distribution of the preliminary Official Statement in substantially the form presented on the date hereof by the Underwriters is hereby authorized in all respects. The final Official Statement in substantially the form of the preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 15 Obligations, is hereby approved and the execution and delivery thereof to the Underwriters is hereby authorized in all respects.

(c) The Series 15 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under the Purchase Contracts 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 related Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 15 OBLIGATIONS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 15 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 15 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 15A Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 15 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 15 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Nineteenth Supplemental Resolution.

(b) There are hereby established in the Program Fund separate accounts designated the "Series 15A Program Account," the "Series 15B Program Account," the "Series 15C Program Account" and the "Series 15A Premium Account" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Nineteenth Supplemental Resolution. There is also hereby established in the Series 15A Program Account a separate subaccount designated the "Series 15A 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 15A Tender Bonds Proceeds Subaccount shall be considered for all proposes of the Resolution as on deposit in the Series 15A Program Account.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 15 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 15 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 15 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Nineteenth Supplemental Resolution. The Series 15 Contingency Account shall be deemed to be Additional Security for the Series 15A Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 15 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Nineteenth Supplemental Resolution.

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 15 Obligations, the proceeds of sale of the Series 15 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 15 Obligations, the Agency shall deliver to the Trustee cash, the Series 15 Loan Loss Claim Fund Surety Bond or Series 15 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 15 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 15 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 15A Bonds, the Agency shall deliver cash, the Series 15 Contingency Account Surety Bond or Series 15 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 15 Contingency Account Deposit is other than cash, the Series 15 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 15 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 15 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided, amounts deposited in the Series 15A 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 504 of the Resolution. Amounts deposited in the Series 15A 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 701 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 15 Obligations in accordance with Section 207 of the Resolution.

Notwithstanding anything herein to the contrary, on the date of issuance of the Series 15 Obligations, the Trustee shall apply funds on deposit in the Series 15A 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 15A 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 15A Program Account shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. 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 15 Obligations.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on (i)February 1, 2003, (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 11C Bonds which are being refunded with the proceeds of the Series 15A Bonds remains on deposit in the Series 15A Program Account, other than amounts deposited therein pursuant to Section 506(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 15 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 15A Bonds in accordance with Section 2.04(c) hereof on or before March 8, 2003, (or on such date prior thereto as the Agency in its discretion may direct the Trustee) and (ii) January 15, 2004, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing the new money proceeds of the Series 13B Bonds which are being refunded with the proceeds of the Series 15A Bonds remains on deposit in the Series 15A Program Account, other than moneys deposited therein pursuant to Section 506 (B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 15 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 15A Bonds in accordance with Section 2.04(c) hereof on or before February 28, 2004, (or 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 15A Program Account allocable to such amounts on such dates 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 February 1, 2003 and January 15, 2004, as applicable, to retain in the Series 15A Program Account all or any portion of the amount then held therein allocable to the new money proceeds of the Series 11C Bonds being refunded with proceeds of the Series 13B Bonds which are being refunded with the proceeds of the Series 15A Bonds or the new money proceeds of the Series 15A Bonds, as applicable as aforesaid to such later date or dates as shall be specified in such certificate if such certificate is accompanied by (i) 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 (ii) 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 15 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 15A Program Account, any amount remaining on deposit in the Series 15A Program Account on the date or dates specified in such certificate shall be transferred by the Trustee on such date to the Series 15 Special Redemption Account and shall be applied to the redemption of Series 15A 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 15A Program Account allocable to the new money proceeds of the Series 11C Bonds being refunded with proceeds of the Series 15A Bonds shall be deemed to be spent for the purchase of Loans prior to the new money proceeds of the Series 13B Bonds being refunded with proceeds of the Series 15A Bonds.

(d) Amounts on deposit in the Series 15B Program Account and the Series 15C Program Account shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 15 Notes.

(e) Amounts of deposit in the Series 15A Premium Account of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in the Series 15A Premium Account to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 15A Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 15A Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 15A Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 15A Premium Account allocable to the initial issue premium paid with respect to the Series 15A Bonds, shall be transferred to the Series 15A Tender Bonds Proceeds Subaccount or the Special

Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 15A Bonds.

Section 3.04. Application of Series 15A Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 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 15A Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Series 15A Program Account and deposit in the Series 15A Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 15A Bonds so certified and (ii) from the Series 15A Premium Account and deposit in the Series 15A Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 15A Tender Bonds. 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 504 of the 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 15A Tender Bonds Proceeds Subaccount to the Series 15 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 15A Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 15A Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 15A 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 15A Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 15A Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 15A Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 15A 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 return the entire balance then remaining in the Series 15A Tender Bonds Proceeds Subaccount to the Series 15A Program Account and the Series 15A Premium Account, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 15 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 509(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 509(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 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 15 Contingency Account Surety Bond or the Series 15 Contingency Account Deposit, as applicable, for the credit of the Series 15 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 509(G) of the Resolution upon any redemption of Series 15A 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 15 Contingency Account Deposit, with the prior approval of the Series 15 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 15 Contingency Account or to give notice to the Series 15 Contingency Account Deposit Provider and to draw upon the Series 15 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 15 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 15 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 509(G) of the Resolution with respect to the purchase or redemption of Series 15A 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 15 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 15 Contingency Account Deposit is held under the Resolution for the account of the Series 15A Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 15 Contingency Account Deposit and return it to the Series 15 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 15 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 15 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 15 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 15 Contingency Account Deposit Provider pursuant to the Series 15 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 15 Reimbursement Agreement and the Series 15 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 15 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 15 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 15 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 15 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 15 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 15 Contingency Account Deposit the Trustee shall draw upon the Series 15 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 15 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 15 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 15 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 15 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 15 Contingency Account and *second*, from amounts drawn on any Series 15 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 15 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 15 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 15 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 15 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 15 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 15 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 15 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 15 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Nineteenth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 15 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 15 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 15 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(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 15A Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 15 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 15 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 15 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 15 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 15 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 15 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 15 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 15 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 15 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 15 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 15 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 15 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 15 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Nineteenth Supplemental Resolution shall obligate the Agency to deposit in the Series 15 Loan Loss Claim Fund an amount which would cause the balance in the Series 15 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 15 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 (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 15A Program Account plus (B) the aggregate amount, if any, then held in the Series 15A Program Account which may be applied to the purchase of such Loans, or (ii) 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 15 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 15 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 15 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 15 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 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 15 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 15 Loan Loss Claim Fund exceeds the Series 15 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 15 Loan Loss Claim Fund exceeds the Series 15 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit exceeds the Series 15 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 15 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 15 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 15 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 15 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 15 Loan Loss Claim Fund Deposit Provider pursuant to the Series 15 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 15 Reimbursement Agreement and the Series 15 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 15 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 15 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 15 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 15 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 15 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 15 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 15 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 15 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 15 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 15 Loan Loss Claim Fund Deposit and deposit in the Series 15 Loan Loss Claim Fund an amount sufficient to cause the Series 15 Funded Loan Loss Claim Fund Requirement to equal the Series 15 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 15 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 15 Loan Loss Claim Fund Requirement shall be reduced to zero 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 15A Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 15A 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 15 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 15 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 15 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 15 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 15 Rebate Requirement.

(b) Within 30 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 15 Rebate Requirement for such Bond Year.

(c) Within 60 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 15 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 60 days after the Series 15 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 15 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, 1600 W. 1200 S., Ogden, UT 84201 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 15 Rebate Requirement, the amount in the Series 15 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 15 Obligations the amount on deposit in the Series 15 Rebate Account exceeds the Series 15 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 3.07, 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 3.07. 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 15 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.

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 15 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 15A Bonds to the Series 15 Loan Loss Claim Fund to the extent the amount therein is less than the Series 15 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 15 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) $10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 15 Loan Loss Claim Fund Deposit Provider in connection with the Series 15 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 15 Contingency Account Deposit Provider in connection with the Series 15 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy 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 unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 15 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 15 Loan Loss Claim Fund Deposit Provider or the Series 15 Contingency Account Deposit Provider under either of the Series 15 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(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 15 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 15 Obligations, other than amounts held in the Rebate Fund, the Series 15 Contingency Account and the Series 15 Loan Loss Claim Fund and the amounts attributable to the Series 15 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 15 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 15 Reimbursement Agreements constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 15 OBLIGATIONS

Section 4.01. Form of Series 15 Obligations.

(a) All Series 15 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 Nineteenth Supplemental Resolution, as the Chair, 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 15 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 Nineteenth Supplemental Resolution, as the Chair, 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

Section 5.01. Authorization of Officers. The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Director of Finance, Director of Homeownership Programs 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 Nineteenth Supplemental Resolution, the Resolution, the Purchase Contracts, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

Section 5.02. Series Certificate. The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Director of Finance are hereby authorized to execute the Series 15 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 15 Loan Loss Claim Fund Deposit Provider and the Series 15 Contingency Account Deposit Provider, as applicable.

Section 5.04. Purchase Contracts. The Purchase Contracts are hereby approved in substantially the forms of the Purchase Contracts executed in connection with the issuance by the Agency of its Series 14 Bonds and Series 14 Notes with such changes, omissions, insertions and revisions thereto as the Chair, 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 Contracts and, upon such execution, to deliver them to the underwriters of the Bonds.

Section 5.05. 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.

Section 5.06. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 14 Bonds and Series 14 Notes with such changes, omissions, insertions and revisions thereto as the Chair, 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.

Section 5.07. Amendment of Resolution. Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 1012 of the Resolution by adding to the end of such Section 1012 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 1002 and 1010.

This amendment to Section 1012 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 and any direct institutional purchaser of the Series 15 Obligations, as initial beneficial owners of the Series 15 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed $40,000,000 in connection with the issuance of the Series 15 Obligations.

Section 5.09. Effective Date. This Nineteenth Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 15 Obligations.

Section 6.02. 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) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 15A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 15A Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone

of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 15A Bonds and the amount required to pay principal of the Series 15A Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 15A Bonds a new Series 15A Bond or Series 15A Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 15A Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 15A Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 15A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 15A Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 15A Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 15A Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 15 Policy Payments Account of the Debt Service Fund (which Series 15 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 15A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 15A Bonds referred to herein as the "Series 15 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 15A Bonds and shall deposit any such amount in the Series 15 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 15A Bonds in the same manner as principal and interest payments are to be made with respect to the Series 15A Bonds under the sections hereof regarding payment of Series 15A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 15 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 15 Policy Payments Account following a payment date with respect to the Series 15A Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 15A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. 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 15A Bonds, including, without limitation, notice of any redemption of or defeasance of Series 15A Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 15A Bonds;

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

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 15A Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 15A Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with issuance of the Series 15A Bonds;

(xii) all reports, notices and correspondence with respect to the Series 15A Bonds to be delivered under the terms of the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(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 15A 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 15A 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 30 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 15A 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 15A Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 15A Bonds.

Section 6.04. Consent of the Bond Insurer. No modification, amendment or supplement to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the Series 15A Bonds that requires the consent of the owners of the Series 15A Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Nineteenth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 15A Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the Series 15A Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. 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 Series 15A Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 15A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 15A Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 15A Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 15A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 15A Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 15A Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 15A Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 15A 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 15A 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.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 15A Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 15A Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 15A Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 15A Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses. Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 15A 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 Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds; (b) the pursuit of any remedies under the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 15A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 15A Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 6.10. Additional Bonds. No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

Section 6.11. The Bond Insurer as Beneficiary Hereof. To the extent that this Nineteenth 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.

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Nineteenth 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 15 Obligations, any right, remedy or claim under or by reason of this Nineteenth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Nineteenth 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 15 Obligations.

Notwithstanding anything in the Resolution or this Nineteenth Supplemental Resolution to the contrary, any reference in the Resolution or the Nineteenth Supplemental Resolution with respect to the ratings maintained in the Series 15 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 15 Obligations.

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EXHIBIT A

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 15A Tender Bonds Selected
For Tender on [______________]

The Howard Bank, N.A.
Burlington, VT 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 15A Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 15A 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**

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Nineteenth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 15A 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

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 by conference call at Burlington, Vermont on July 24, 2001.

Sarah E. Carpenter

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

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vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: August 17, 2001

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on August 23, 2001, at 8:30 a.m. at Vermont Housing Finance Agency's office, 164 Saint Paul Street, Burlington, Vermont.

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on August 23rd!

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

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Vermont Housing Finance Agency

BOARD AGENDA
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 23, 2001 at 8:30 AM

1. Approval of the minutes of June 28, 2001 and July 24, 2001 {Enclosures}

2. DEVELOPMENT
   - A. Multifamily Construction Loan Application for Falcon Manor, Williston {Erdelyi/Enclosure}
   - B. Multifamily Construction and Permanent Loan Application for Smiths Housing, Middlebury {Reid/Enclosure}
   - C. Maples II, Rutland Construction/Permanent Tax Exempt Loan Request {Adams/Enclosure}
   - D. Waiver of Rehabilitation Requirement in Mixed Use Development Rules {Drake/Enclosure}

3. HOMEOWNERSHIP
   - A. Summary of Homeownership Activities {Crady/Enclosure}

4. MULTIFAMILY
   - A. Templeton Court Apartments {Adams/Enclosure}
     1. Foundations Update
     2. Dave Anderson Report

5. FINANCE
   - A. General Fund Budget Performance {Schoenbeck/Enclosure}
   - B. Series 15 Bond Post-Sale Report (Piper Jaffray Review) {Schoenbeck/Enclosure}
   - C. Multi-Family General Authorizing Resolution {Drake/Enclosure}

6. ADMINSTRATION
   - A. Executive Director's Report {Carpenter/Enclosure}
   - B. Housing VT. Board Member Approval {Carpenter/Verbal}
   - C. NCSHA – Boston {Carpenter/Verbal}

7. Any other business to come before the Board.

vhfa
Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 23rd, 2001 at 8:30 AM

PRESENT: Chairperson Randall, Commissioners Canney, Candon (Designee of Costle), Young (designee of Douglas),Lafayette, Beyer
Staff: Ms. Carpenter, Ms. Loller, Ms. Kendrick, Ms. Crady, Ms. Drake, Mr. Schoenbeck, Mr. Adams, Mr. Falzone, Mr. Erdelyi
Mr. Richardson (Capital Ideas, Inc.), Mr. Bove (Victoria Place Apts), Ms. Villone (Cathedral Square), Mr. Douscevicz (Yandow Douscevicz Construction), Mr. Williams (V.S.H.A.), Mr. Momaney (V.S.H.A.), Mr. Giebink (GMDG), Ms. Kuegel (V.S.H.A.), Ms. Owens (Housing Vermont), Mr. Kantor (consultant to V.S.H.A)

MINUTES

Mr. Candon made a motion to approve the June 28, 2001 minutes. The motion carried unanimously after being seconded by Ms. Lafayette.

Mr. Candon made a motion to approve the July 24, 2001 minutes. Ms. Lafayette seconded the motion with one change to confirm the spelling of Mr. Rode's name. The motion was unanimously approved.

DEVELOPMENT

Falcon Manor

Joanne Villone from Cathedral Square and Jim Douscevicz from Yandow Douscevicz Construction were both present.

Mr. Erdelyi said Falcon Manor is a project that was contemplated along with Eagle Crest. When Eagle Crest was built a lot was learned from that project and, because of that additional information, the builders have changed their proposal based on that experience. One example is Falcon Manor will have a greater number of two bedroom units as the two bedroom units at Eagle Crest were rented quickly. Ms. Villone stated that most of the applicants for the units are Chittenden County residents. There are 40 people on the waiting list and another 35 people qualified from McAuley Square. The leasing of space for adult day care by VNA will generate $30,000 year.

Some of the specifics in the staff memorandum were discussed. The applicants updated the Board on the status of the project's permits. Ms. Villone stated the wastewater permit was received which was the last permit needed for the project to move forward and will become final by September 9th. Act 250 approval should be received by the end of August. The VNA will be paying $30,000/year for leasing space for the adult day care.

Ms. Lafayette inquired as to what contact had there been with the Williston Select Board? Mr. Douscevicz said they were completely through the process with the Williston Select Board and the project is not subject to the town's phasing requirement.

Ms. Beyer asked how would the perpetual covenant work? Mr. Erdelyi replied that a perpetual covenant is not required for a project that uses 4% tax credit. There will be a 30-year covenant: a 15-year period of tax credit compliance and a 15-year extended use period.

Ms. Beyer made the motion to approve the Resolution Re: Construction And Permanent Financing For Falcon Manor, Williston. Mr. Candon seconded the motion and it was approved unanimously.

Smiths Housing

Mr. Adams discussed the staff memorandum. He noted there are some environmental findings but the budget includes that work. Mr. Adams also stated the per square foot cost is on the high side at $171 per square foot for acquisition and hard costs which is primarily driven by the cost for the two unit carriage house. Chairperson Randall asked whether tearing down the carriage house and rebuilding would be cheaper. Ms. Owens stated the carriage house could not be torn down and rebuilt because it is designated as a historic building. Ms. Owens said the residents of Middlebury are very supportive of seeing these buildings renovated.

Ms. Beyer and Ms. Lafayette asked questions regarding the Section 8 vouchers needed for the project. Ms. Owens stated that the application for Section 8's would be made in September. She also stated that since Section 8 rent is helping to cover permanent debt, Housing Vermont will have to see how much debt can be carried if Section 8 is not approved.

A concern was raised by Ms. Beyer regarding the lack of coordination between the two Addison County non-profit developers. She also recommended that this type of high cost project not be encouraged in the future and requested that Housing Vermont deliver this recommendation to Addison County Community Action Group. Mr. Candon also raised concerns around the type and cost of the project and felt that the cost per unit and nature of this project were beyond what we should consider.

Ms. Canney asked if "general occupancy", as used in the staff memorandum, is a new term. Mr. Erdelyi said yes and that it is distinguished from "elderly" which means occupancy restricted to 55 or over. "General occupancy" is used when the project is not a senior-restricted project. Previously, staff would describe projects with all one-bedroom units as "family" housing unless they were for senior occupancy only. "General occupancy" replaces "family" as a description of the type of housing.

Ms. Beyer made the motion to approve the Resolution re: Construction And Permanent Financing for Smiths Housing, Middlebury. Ms. Lafayette seconded the motion. The motion passed with Mr. Candon opposed.

Maples II

Mr. Adams presented the staff memorandum and noted that the per unit operating cost of $277 is the lowest seen in the Agency's management files. VHFA would require the City of Rutland to enter into an agreement that acknowledges and agrees to allow excess cash flows from Maples I, to fund an operating deficit account for Maples II, up to and to maintain a balance of $50,000.

Mr. Giebink from Green Mountain Development Group (GMDG) gave a brief presentation of GMDG's work on Maples II and other senior living communities. He noted that the need is high in Rutland.

Ms. Canney made the motion to approve the Resolution Re: Construction And Permanent Financing For Maples II, Rutland. Mr. Candon seconded the motion and it was approved unanimously.

Waiver Of Rehabilitation Requirement In Mixed Use Development Rules

Ms. Drake and Mr. Richardson were present to give details about the project that is raising this issue (Victoria's Apartments). Ms. Drake said the Agency has adopted rules that would allow for mixed-use developments (those with both housing and non-housing facilities in the same development) to be financed. The discussion was limited to the waiver of the rehabilitation requirement. The Victoria Apartments project is in a gray area. There are existing buildings that are commercial and housing, however, substantial demolition will take place and then new construction. The rules allow for a waiver but the conditions of the waiver have to be that the Board would find that complying with the requirement would be an undue hardship on the project and not violate the statutory mandates of the Agency. Ms. Drake reviewed her interpretation of the statute and stated that the Board could waive the rehab requirement and allow for a new construction project. A short presentation of Victoria's Apartments followed.

Mr. Bove said there are three building occupying the present space, which are in very bad shape. The corner building is called the General Stannard house. All three buildings are historic. The state will allow two of the buildings to be torn down in exchange for taking care of the General Stannard house, fixing it up, tearing off the porch, tearing up the asphalt that is on the east side of the building, planting grass and bushes and fixing up the brick. A four-story building will be constructed of which the first floor will be commercial and the remaining three floors will be apartments. Mr. Richardson stated there would be 18 two-bedroom apartments, 15 one-bedroom apartments and 1 three-bedroom apartment. A 25% vacancy rate on the commercial income is being assumed so the performa calls for

$72,000/year in commercial income. The developer is guaranteeing $75,000 in income whether it's leased or not. The property is on a ground lease to Mr. and Mrs. Bove, Sr., parents of Rick Bove and his brother, Mark, who are the developers. That ground lease of $48,000/year is subordinate to the mortgage. Two thirds of the commercial space is already occupied. The building will be of steel construction and will cost $90.00 per square foot. Mr. Richardson said all the permits have been granted and the project has been through Act 250. Construction is scheduled to start in September. Mr. Richardson thinks people with Section 8 vouchers will occupy 50% of the units. There will be one elevator and one stairway. Mr. Erdelyi clarified that the Agency's loan will be requested for the newly constructed building only.

Chairperson Randall requested a technical review of rules currently in place. Ms. Drake said "residential housing" is defined as housing and non-housing facilities that are necessary and convenient as determined by the Agency. What the rules have done is try to define what "necessary and convenient" is. The mixed-use rules describe the necessary findings that the Board must make with respect to Mixed Use Developments, including whether the non-housing facilities or the commercial space is necessary and convenient to the residential housing. If the non-housing facilities are necessary and convenient, they must also constitute all or a part of an existing structure or structures to be acquired and rehabilitated. Ms. Drake said the general application of the rules is limited to rehab. Mr. Candon asked why isn't rehab leveling it if the area isn't decent and putting up a new unit? Ms. Carpenter said that demolition is a form of rehab. Ms. Drake said generally the Agency has not used mixed-use rules but rather the multi-family housing development rules. Mr. Richardson said several banks have turned them down flat.

No motion was needed on this discussion at this time.

HOMEOWNERSHIP

Ms. Crady reported that the goal for loan purchases in FY 2001 was achieved, activity is very strong but have seen a slow down in the past week and are averaging about 2 – 2 ½ million in reservations per week. 30% of the activity is the cash assistance option. VHFA continues to work with MGIC to achieve a 24-hour turn around time for loan approvals once they receive a file.

MGIC has committed to 24-hour turn around time going forward by hiring another underwriter for their Burlington office. Ms. Canney asked how is VHFA communicating that information to the lenders? Ms. Crady said Ms. Deforge (VHFA Outreach Coordinator) has been getting the word out to lenders by phone and through the mail. The Homeownership Dept. is currently in the process of getting all the e-mail addresses so that lenders can be updated through e-mail. Ms. Crady asked Ms. Canney if she heard of any problems to let her know.

Ms. Crady reported on the collection side, FY 2001 loan losses are about $300,000 below budget. Ms. Crady stated it looks like that figure will hold true for the audit.

Mr. Adams is working to finalize agreements with First Brandon, Wells River and Passumpsic, to consolidate servicing with Graystone Mortgage. Mr. Adams stated this week he came to a verbal agreement with Graystone who acquired some servicing some years back so they actually service one hundred or so loans for themselves and they've agreed to sell us that servicing as well.

Ms. Crady said she is in the process of notifying Charter One that they are in default and may no longer service for VHFA. There are numerous issues including delinquent taxes, overall delinquency levels and the lack of customer service. Chairperson Randall asked if VHFA would purchase the servicing from Charter One or just take it. Mr. Adams answered that VHFA would exercise its rights under the mortgage loan servicing agreement with Charter One, if we are unable to resolve the issues where Charter One is out of compliance with our Service Agreement or performance does not improve.

MULTIFAMILY MANAGEMENT

Templeton Apartments

Mr. Adams provided an update to the Board regarding the engineering studies that were conducted on the foundations at Templeton Court Apartments in White River Jct. Mr. Adams noted that VHFA hired David Anderson to review the engineering work and reports conducted by Stevens and Associates for the Housing Foundation Inc. Mr. Anderson was asked to provide his professional opinion as to the qualifications of the engineering firm, and the work that they did in order to establish a comfort level the redevelopment on the site using substantially the existing foundations was structurally safe. He was also to recommend the maximum number of units that could be built and yet achieve a desirable level of open space, parking areas and appropriate site drainage.

Mr. Andersons report found indicated that he was satisfied with the Engineering team, the work they did and their recommendations. The foundations were noted to be adequate for redevelopment subject to some landscaping, ledge removal, and increasing the foundation heights in some locations. He also noted that the maximum number of units that the project is able to support and still cure the site drainage issues, need for open space, and parking was no more than 28 units.

Richard Williams, Michael Momaney, Susan Kugal from the Vermont State Housing Authority and Jeffrey Kantor, were present and answered various questions asked by the Board regarding Social Services being provided, along with other questions regarding the foundations and redevelopment potential.

After some discussion, the general consensus of the Board was to consider the report from Mr. Anderson to be favorable enough to consider redevelopment of the site. Any redevelopment proposal would require the close review and involvement of Mr. Anderson on behalf of VHFA. It was noted that a project of 26 to 28 units appeared to be the maximum number of units the site could support. Any proposal to be considered by VHFA would be subject to acceptable sources of funding and long-term financial feasibility. We would not reject a proposal strictly based on our previous concerns regarding the structural integrity of the foundations.

FINANCE

General Fund Budget Performance

Mr. Schoenbeck presented the memorandum on the budget performance through June 2001. These are preliminary results as the auditors begin their work on site on Monday, August 27th. Mr. Schoenbeck said the Interim Budget Report Expenses and Other Costs FY 2001 thru 6/30/2001 and the Interim Budget Report Income and Fund Transfers FY 2001 thru 6/30/2001 were outstanding as far as hitting the estimated marks.

Mr. Schoenbeck said in recapping the memo, income items came in at 101% of income. Our transfers are at 94%. The bond programs are low because loan losses were $300,000 less than expected. Therefore, the YTD surplus was much higher than expected. Expenses were 93% of operating expenses and 88.5% of total expenses.

Mr. Schoenbeck stated the capital budget came in higher than the original budget by about $50,000. Expenses for the building repointing, roof work and windows ran higher than expected. Also the interior painting project had been budgeted as an expense item vs. a capital expenditure. In addition, many computer viruses have come up and VHFA spent additional money on protecting the agency's system by installing firewalls. That added to the cost.

Mr. Schoenbeck said basically the budget is in good shape.

Mr. Candon asked if loan losses were budgeted for $ 1.2 million in 2002? Mr. Schoenbeck said they were budgeted lower at $900,000.

Mr. Schoenbeck was speaking with an analyst, Mr. Tencer from S & P, who was quite impressed with VHFA's delinquency performance as VHFA had met and exceeded its goal for reducing delinquencies.

Mr. Candon asked why the liability insurance was off so much? Ms. Carpenter stated that VHFA has anticipated purchasing Directors and Officers liability coverage. Ms. Drake is working with the State to determine whether we can/want to participate in the State self - insurance plan.

Ms. Beyer said she thought VHFA was going to have a $54,000 fund surplus. Mr. Schoenbeck said the general fund balance is increasing more than expected and that the total fund balances will be relatively the same but because of the savings on loan losses, which are involved in the single-family fund balances, there is an expected bond surplus pending the audit results.

Ms. Carpenter also pointed out that some of the budget overages had been anticipated and were moved into next year's budget. Pension savings was due to changes in staff throughout the year. Occupancy was over expended in capital but under expended in expense because VHFA chose to capitalize some of the work that had originally budgeted as expense. Mr. Candon asked if there was any more work to be done in that area? Ms. Loller said there is a bid out for painting the windows. The sills and sub sills have been replaced and painted. Because of the lead paint, this will be an expensive project. Ms. Loller said the elevator shed had needed work and the roof is in need of repair.

Mr. Schoenbeck said what he expects after the full audit is completed with all the bond program activity, is that this is going to be quite a successful year and it is going to increase the fund balances which will enable VHFA to provide more housing assistance. Mr. Schoenbeck said it is critical that the future flow of funds from bond programs will be able to fund operations and loan programs VHFA plans to have over the remaining life of the bonds. The resources available are not dedicated to the general fund. VHFA has structured the earnings to accumulate in the bond programs to support the bond ratings as opposed to building up the general fund balance.

Series 15 Bond Post-Sale Report (Piper Jaffray Review)

Mr. Schoenbeck said the rating agency had a positive response to VHFA's performance. This latest bond issue, which was sold last week, was one of the most difficult to date. With the last single family bond issue VHFA instituted what is called a "pac bond" which is a planned amortization class which means collections on mortgages are dedicated to a class of bond to give the purchaser a sense of when the bonds are going to be redeemed so it allows a sale of a longer bond with a shorter life expectation, which results in a better rate. Last time VHFA sold those at a premium, which resulted in the funds, that we needed to fund the down payment assistance option. Because of negative arbitrage, meaning we can't invest the money we're selling at as high of a rate as we're paying on it, they've added a new twist, a step coupon on this planned amortization fund.

Mr. Schoenbeck said these bonds are difficult to explain and sell but this results in rates, which are the lowest in VHFA history. The no point rate is 6.3%. VHFA has sold these bonds and the closing will be on the 5th and 6th of September and will probably be announced on September 10th. VHFA is also trying to use up the Series 14 money. Mr. Fairbanks will do a media release so people will know about VHFA's new rates.

Multifamily General Authorizing Resolution

Ms. Drake said this past spring the Board adopted a resolution that authorizes the staff to issue bonds up to a certain maximum amount without coming back to the Board on every individual bond issue. The first one was for $15 million. VHFA has $795,000 remaining in that first resolution. This is another resolution, identical to the last, that would give the staff authority to issue up to another $15 million. This authority covers bond issues using both volume cap and non-volume cap. Basically any amount of multifamily bonds VHFA issues would come under this, including taxable bonds. It could be a combination of public sale, private sale to FannieMae or small construction loan bonds with local banks.

Mr. Schoenbeck said that he just received word this week that KeyBank is interested in pursuing the privately placed construction loan bonds. KeyBank has approved transactions with VHFA up to $10 million.

Mr. Candon made the motion to approve the Resolution Authorizing The Issuance And Sale Of A Maximum Of $15,000,000 Of Bonds In One Series To Finance Multi-family Projects. The motion carried unanimously after being seconded by Ms. Canney.

ADMINISTRATION

Executive Director's Report

Ms. Carpenter said the ED Report was pretty straightforward. It has been a busy month. Mr. Fairbanks is not in attendance because he's at an Upper Valley Housing Report Planning Meeting in NH.

Housing Vermont

A few months ago, VHFA put forward the name of Fred Kenney as a nominee. He declined. It is proposed to nominate Barbara Grimes as VHFA's choice to the Housing Vermont Board.

Ms. Lafayette made the motion to approve this nomination. Ms. Canney seconded the motion, which carried unanimously.

Ms. Carpenter spoke briefly about the upcoming NCSHA Conference to be held in Boston at the end of the month. If anyone wishes to attend, they should contact Ms. Loller.

Ms. Loller handed out to each Board member their photo and asked them to let her know if they would like their photo replaced with a newer one for the Annual Report, which is due out by November 1st. Any changes would need to be in by the third week in September.

Chairperson Randall said she sent Ms. Caragher a card signed by the Board of Directors expressing their appreciation.

The location for the next Board meeting was discussed. Williamstown was one option. Eagles Crest was another option. Chairperson Randall mentioned that the Board hasn't had a meeting in Addison County but none of VHFA's facilities have meeting space available. Chairperson Randall asked Ms. Loller to pick the location and notify the Board members and ask if they prefer a morning or afternoon meeting. The next meeting is scheduled for September 20th. The retreat is October 10th and 11th at the Grand Isle Lake House.

Ms. Lafayette made the motion to adjourn. Ms. Beyer seconded the motion and it carried unanimously.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

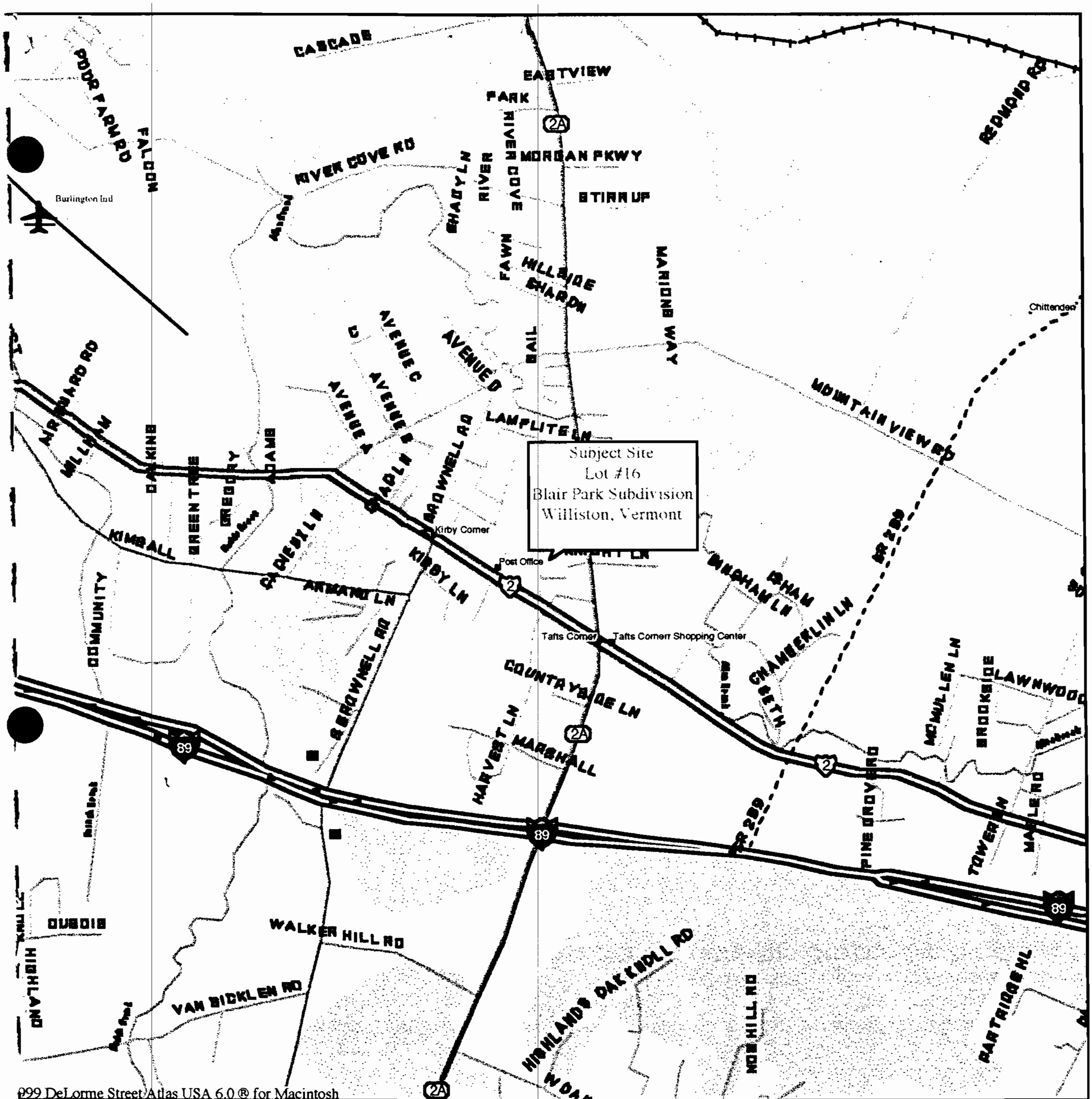
DATE: August 16, 2001

RE: Multifamily Construction Loan Application for Falcon Manor, Williston

Name:	Falcon Manor	**Location:**	Williston
Housing Type:	Senior	**Unit Type:**	Flats
Total Units:	61	**Unit Sizes:**	19 1-Br, 600 sf; 42 2-Br, 850 sf
Total Development Cost:	$5,256,917	**Per S.F. Devel Cost (land plus hard construction cost:**	$76.81
Loan Requested:	$4,185,000 construction and permanent loan	**Housing Credits:**	$66,555
Other Funding:	Deferred Developer's Fee Loan, Equity from Housing Credits (4%)		
Sponsors:	Yandow/Dousevicz Construction		

The sponsors have applied for funding to construct a new building across the street from their Eagle Crest development, a 60 unit senior housing project VHFA financed in 1999. Eagle Crest is fully occupied and was rented up by seven months after its completion. Falcon Manor will be managed by Cathedral Square Corporation, who also manages Eagle Crest. The development would be 61 units of senior housing with a la carte services, plus an adult day care facility for 30 people operated by the Visiting Nurses Association. The three-story building would be served by an elevator and would have underground parking, a common room, a VNA exam room, and a kitchen and dining room. The sponsors intend to offer a noontime meal five days a week if there is a demand. The only other outside funding source is tax credit equity, which will be privately raised; the project has local permits and anticipates Act 250 approval by the end of August. The sponsors anticipate starting construction in September and completion within a year. An as-completed appraisal has been ordered but not yet obtained. A Level I Environmental Site Assessment has been completed and no conditions were found. VHFA will have a review of the construction budget done for cost reasonableness as usual. The pro forma budget is attached.

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/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



g 14.00
Apr 20 11:18 2001
ale 1:31,250 (at center)
000 Feet
1000 Meters

Local Road	Railroad	Sand/Rock
Major Connector	Point of Interest	River/Canal
State Route	Airfield	City Park
Primary State Route	Sched Service Airport	
Road Under Construction	Locale	
Interstate/Limited Access	Land	
US Highway	Water	
Rest Area with facilities	Woodland	

Falcon Manor, Williston

16-Aug-01 **Falcon Manor**

Total Residential Units:	61	Increase in Income from LIHTC Units:	1.50%
Housing Credit Restricted Units:	25	Increase in Income from Market Units	2.00%
Percent Restricted:	40.98%	Increase in Income from Other Sources:	1.50%
Total Development Cost:	5,256,917	Expense increase:	3.00%
Total Development Cost per Unit:	86,179	Vacancy Rate:	5%
Total Development Cost Per SF:	95.30	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	66,555	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	66,555	Sponsor's Estimated Yield:	84.99%

	3.54%	(Aug 2001)
LIHTC - 4%	3.54%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	4,184,917	79.61%	7.00%	40	30
Developer Loan	512,000	9.74%	1.00%	10	10
Partner's Equity	560,000	10.65%	N/A	N/A	
TOTAL SOURCES	5,256,917	100.00%			

USES

Acquisition	268,825	5.11%
Construction Hard Costs	3,968,000	75.48%
Soft Costs	1,020,092	19.40%
TOTAL USES	5,256,917	100.00%
Gap	(0)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	19	1,712,660		
2 Br	95,890	42	4,027,380		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		61	5,740,040		
Projected total cost, excluding cash accounts			5,211,917	Cost Overage %	110%
	(over)/under		528,123		

General Partner's Capital Contribution	5,657	1.00%
Limited Partner's Capital Contribution	560,004	99.00%
Total Equity	565,661	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	25
Total Units	61
Unit Fraction	40.98%
Tax Credit Square Footage	18,000
Total Residential Square Footage	47,100
Square Footage Fraction	38.22%
Applicable Fraction	38.22%

15-Aug-01 **Falcon Manor**

#		Budget	Non-tax credit Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	255,000					
2	Property transfer Tax	3,825					
3	Demolition (without replacement)	0					
4	Property Appraisal	3,000					
5	Legal - Title and Recording	7,000					
	Subtotal - Acquisition	268,825					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	3,165,200		3,165,200	3,165,200		
8	Accessory Buildings	0		0	0		
9	Sitework	350,000		350,000	350,000		
10	Commercial Space Costs (if any)	213,000		213,000	213,000		
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	100,000		100,000	100,000		
15	Construction Management	0		0	0		
16	Construction Bond Fee	0		0	0		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	139,800		139,800	139,800		
20	Other (____________________)	0		0	0		
	Subtotal - Hard Costs	3,968,000					
	SOFT COSTS						
21	Architectural	70,000		70,000	70,000		
22	Engineering	0		0	0		
23	Legal/Accounting	8,000		8,000	8,000		
24	Relocation	0		0	0		
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	60,000		60,000	60,000		
28	Independent Market Study	8,000		8,000	8,000		
29	Construction Period Insurance	14,000		14,000	14,000		
30	Construction Interest	186,092		186,092	186,092		
31	Construction Loan Origination Fee	69,000		69,000	69,000		
32	Taxes During Construction	3,000		3,000	3,000		
33	VHFA Inspector	4,000		4,000	4,000		
34	Marketing	10,000					
35	Tax Credit Fees	1,500		1,500	1,500		
36	Soft Cost Contingency	0		0	0		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	6,000					
39	Other (______________)	0		0	0		
	SYNDICATION COSTS						
40	Organizational (Partnership)	7,500					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	512,000		512,000	512,000		
45	Other Partnership Fees	0		0	0		
46	Consultant Fees	15,000		15,000	15,000		
	RESERVES						
47	Working Capital	0					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	45,000					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,020,092					
	TOTALS	5,256,917	0	4,919,592	4,779,792	0	
LESS	Amount of Non-qualified Financing						
LESS	Adjustment for per unit cost limits	1		0			
LESS	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	4,919,592		0 Annual Historic Credit	
TIMES	Adjusted for QCT/DDA	100.0%		4,919,592			
TIMES	Applicable Fraction	38.22%	0	1,880,099			
	Total Qualified Basis		0	1,880,099	4,779,792	Long Term Depreciable Basis	
TIMES	Applicable Percentage		3.54%	3.54%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	66,555	173,811	Annual Depreciation	

Total Tax Credits Requested	66,555
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	560,000
Estimated Yield - Housing Credit Syndication	84.99%
Equity Gap	560,000
Credits Needed to fill Equity Gap	66,555

139,800	Short Term Depreciable Basis
7	Depreciation Schedule
19,971	Annual Depreciation

15-Aug-01 **Falcon Manor**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	13	521		81,276
2 Br		850	12	625		90,000
3 Br			0	0		0
4+ Br			0	0		0
	Totals	18,000	25			171,276

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	6	850		61,200
2 Br		850	30	975		351,000
3 Br			0	0		0
4+ Br			0	0		0
	Totals	29,100	36			412,200
All Units						
	Grand Totals	47,100	61			583,476

Less Vacancy	5.00%	(29,174)
	NET RENT	554,302

OTHER INCOME

Laundry	7,200
Parking	
Commercial Space Income (VNA)	30,000
Other Cable TV	2,976
TOTAL INCOME	594,478

15-Aug-01 **Falcon Manor**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	30,720	2,560	42	5.2%
Supportive Services	20,000	1,667	27	
Audit/Accounting	4,000	333	5	
Legal	1,500	125	2	
Marketing	5,000	417	7	
Other	18,837	1,570	26	
TOTAL ADMINISTRATIVE	80,057	6,671	109	
Utilities				
Electricity	25,000	2,083	34	
Fuel	16,000	1,333	22	
Water and Sewer	5,600	467	8	
Fire Alarm / Emergency	2,700	225	4	
Other		0	0	
TOTAL UTILITIES	49,300	4,108	67	
Maintenance				
Maintenance / Janitor Payroll	20,135	1,678	28	
Janitor Supplies	3,400	283	5	
Exterminating	0	0	0	
Trash Removal	3,060	255	4	
Snow Removal	5,000	417	7	
Grounds	2,000	167	3	
Repairs Material	200	17	0	
Repairs Contract	500	42	1	
HVAC Repairs / Maintenance	500	42	1	
Elevator Contract / Repairs	1,800	150	2	
Painting and Decorating	500	42	1	
Other	400	33	1	
TOTAL MAINTENANCE	37,495	3,125	51	
Real Estate Taxes	40,000	3,333	55	per unit month excl. ds & res. 295
Property Insurance	9,300	775	13	
Replacement Reserves	19,200	1,600	26	
Primary Debt Service	312,077	26,006	426	
Other "must pay" debt service		0	0	
Other		0	0	
Total	547,429	45,619	748	

form revision date: 2/27/97

15-Aug-01 **Falcon Manor**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
LIHTC Rent		171,276	173,845	176,453	179,100	181,786	184,513	187,281	190,090	192,941	195,835	198,773	201,754	204,781	207,852	210,970
Market Rent		412,200	420,444	428,853	437,430	446,179	455,102	464,204	473,488	482,958	492,617	502,469	512,519	522,769	533,225	543,889
Other Income (Includes VNA)		40,176	40,779	41,390	42,011	42,641	43,281	43,930	44,589	45,258	45,937	46,626	47,325	48,035	48,756	49,487
Vacancy and other losses		(29,174)	(29,714)	(30,265)	(30,826)	(31,398)	(31,981)	(32,574)	(33,179)	(33,795)	(34,423)	(35,062)	(35,714)	(36,377)	(37,054)	(37,743)
Total Operating Income		594,478	605,353	616,431	627,714	639,208	650,915	662,841	674,988	687,362	699,967	712,806	725,885	739,208	752,779	766,603
Operating Expenses																
Total Expenses (excl. Reserves)		216,152	222,637	229,316	236,195	243,281	250,579	258,097	265,840	273,815	282,029	290,490	299,205	308,181	317,426	326,949
Reserves		19,200	19,488	19,780	20,077	20,378	20,684	20,994	21,309	21,629	21,953	22,282	22,617	22,956	23,300	23,650
Total Operating Expense		235,352	242,125	249,096	256,272	263,659	271,263	279,091	287,149	295,444	303,982	312,773	321,822	331,137	340,727	350,599
Net Operating Income		359,126	363,229	367,335	371,442	375,549	379,652	383,750	387,840	391,919	395,984	400,033	404,063	408,071	412,052	416,004
Less Primary Debt Service		312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
DCR		115.08%	116.39%	117.71%	119.02%	120.34%	121.65%	122.97%	124.28%	125.58%	126.89%	128.18%	129.48%	130.76%	132.04%	133.30%
Cumulative Cash Flow																
Beginning Balance		45,000	38,811	36,662	38,678	44,985	55,710	70,984	90,937	115,701	145,409	180,197	220,198	265,550	316,391	372,857
Deposits		47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
Interest	3.0%	2,761	2,699	2,758	2,941	3,254	3,699	4,280	5,001	5,866	6,880	8,045	9,366	10,846	12,491	14,304
Withdrawl for payment of dev fee loan		(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	0	0	0	0	0
Withdrawal for distributions	56,000	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(56,000)	(56,000)	(56,000)	(56,000)	(56,000)
Ending Balance		38,811	36,662	38,678	44,985	55,710	70,984	90,937	115,701	145,409	180,197	220,198	265,550	316,391	372,857	435,089
Cumulative Replacement Reserves																
Beginning Balance		0	19,392	39,269	59,640	80,514	(20,511)	175	21,381	43,116	65,393	(34,193)	(12,029)	10,693	33,985	57,859
Deposits		19,200	19,488	19,780	20,077	20,378	20,684	20,994	21,309	21,629	21,953	22,282	22,617	22,956	23,300	23,650
Interest	2.0%	192	389	590	797	1,009	2	212	427	647	873	(119)	106	336	573	815
Withdrawals	2,007	0	0	0	0	(122,412)	0	0	0	0	(122,412)	0	0	0	0	(122,412)
Ending Balance		19,392	39,269	59,640	80,514	(20,511)	175	21,381	43,116	65,393	(34,193)	(12,029)	10,693	33,985	57,859	(40,088)

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR FALCON MANOR, WILLISTON

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

WHEREAS, an application has been submitted to the Agency by Yandow/Dousevicz Construction (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of a three-story building containing sixty-one (61) units of rental housing for seniors in the Town of Williston (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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates 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;

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 Joe Erdelyi dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and the Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrower. 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 issuance of the Bonds for the purpose of financing one or more loans to the Borrower 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 23, 2001.

Sarah E. Carpenter

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

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: August 16, 2001

RE: Multifamily Construction and Permanent Loan Application for Smiths Housing, Middlebury

Name:	Smiths Housing	**Location:**	Middlebury
Housing Type:	General Occupancy	**Unit Type:**	Flats & Townhouses
Total Units:	17	**Unit Sizes:**	1 BR 591 s.f.; 2 BR 850 s.f;. 3 BR 1,000 s.f.
Total Cost:	$2,761,506	**Per S.F. Devel Cost:**	$211
Loan Requested:	$1,520,000 construction $235,800 permanent	**Housing Credits:**	$75,707
Other Funding:	VHCB, HOME, VCDP, AHP, REEP, VHCB Lead, Historic Credits		
Sponsors:	Housing Vermont & Addison County Community Action Group (ACCAG)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of a subsidiary of Housing Vermont and ACCAG) is seeking $1,520,000 in tax exempt construction financing and $235,800 in permanent financing to acquire four buildings on two parcels in downtown Middlebury. The tax exempt construction loan will enable the partnership to obtain 4% Housing Credits. Three buildings located at 76-88 South Pleasant Street will be rehabilitated, one will be demolished and a new building constructed in its place. The historic Clinton Smith main house is a brick Queen Anne-style building with seven units. The carriage house behind it has two units. A garage on the same parcel will be demolished and in its place a four-unit building will be constructed. The fourth building (4 units) located at 32 Seminary Street is currently owned by ACCAG and in need of rehabilitation. This property houses individuals with special needs who obtain services from the mental health agency in Addison County. In addition, the operating budget for the development has funding to support services for these households. The total number of units will be 17, 15 of which will be tax credit. The developer hopes to secure ten project-based Section 8 vouchers to serve low income households. The project is all permitted and has all of its other funding secured. The sponsor plans to begin construction in October and complete it by July 2002. ACCAG will manage the property once completed. A Phase 1 Environmental Site Assessment was performed and contained recommendations based on findings which do not appear significant. The loan will be conditioned upon following the recommendations. An as-built appraisal has been ordered but is not yet 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/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

Marble Ledge
Muddy Branch
Axinn
HAMILTON RD
HORSE FARM RD
SHEEP FARM RD
23
PARK
POND LN
EXCHANGE
HAPPY VALLEY RD
GRANDVIEW
7
HALPIN RD
ELLEN
PAINTER RD
GREY LEDGE RD
JUNIPER LN
PAINTER HILLS RD
Chipman Hill
SPRINGSIDE RD
SEYMOUR
ORCHARD LN
OTTER CREEK LN
PLEASANT VIEW
MORNINGSIDE
SEWER PLANT RD
EXCHANGE
CHIPMAN HTS
LOCUST LN
COLONIAL
PETERSON
CAMBREL
WASHINGTON
ELM STEWART LN
NORTH
MAPLE
METHODIST LN
SEMINARY
Middlebury
Post Office
GORHAM LN
MURDOCK
FORBES
EAST RD
LITTLE POND RD
HOG HOLLOW RD
Washington Street Plaza
Frank Mahady State And County Corthouse
Vermont Folklore Center
SHANNON
MILL
Library
BAKERY
125
Middlebury College
30
SCHOOL
Mary Hogan Elementary School
BUTTOLPH
SEMINARY
QUARRY RD
CHARLES
THOMAS
DWIRE
Middlebury Jr/SR High School
HILLCREST
STORRS
BENEDICT LN
GREEN MOUNTAIN
CHIPMAN PARK
Library
BLANCHARD PARK
FOOTE
CREEK RD
MIDDLE RD
BOARDMAN
SOUTH
Middlebury Country Club
Porter Medical Center
Ledge Creek
HALLADAY RD
SCHOOL HOUSE RD
CADY CROS
CIDER MILL RD
COBBS CORNER RD
CREEK RD
Otter Creek
32 Seminary St.
Clinton Smith Property
Smiths Housing, Middlebury
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16-Aug-01 **SMITHS**

Total Residential Units:	17	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	15	Increase in Income from Other Sources:	3.00%
Percent Restricted:	88.24%	Increase in Income from Commercial:	1.50%
Total Development Cost:	2,761,506	Expense increase:	3.00%
Total Development Cost per Unit:	162,442	Vacancy Rate:	5%
Total Development Cost Per SF:	212	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	75,707	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	75,707	Sponsor's Estimated Yield:	124.00%
Historic Credit:	330,893		
LIHTC - 9%	8.25%	(August 2001)	
LIHTC - 4%	3.54%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - VHFA	235,798	8.54%	7.25%	30	30
HOME	290,000	10.50%	7.00%	30	30
VHCB Lead	45,500	1.65%	7.00%	30	30
VHCB	300,000	10.86%	0.00%	30	30
VCDP Loan	349,000	12.64%	0.00%	30	30
AHP Loan	95,000	3.44%	0.00%	30	30
VHCB Feasibility Grant	6,300	0.23%	N/A	N/A	N/A
ACCAG Note	69,407	2.51%	N/A	N/A	N/A
Old VHCB/VCDP	36,000	1.30%	N/A	N/A	N/A
REEP Grant	10,000	0.36%	N/A	N/A	N/A
Historic equity		0.00%	N/A	N/A	N/A
Tax Credit Equity	1,324,500	47.96%	N/A	N/A	N/A
TOTAL SOURCES	2,761,505	100.00%			

VHFA Construction Loan	1,520,000

USES

Acquisition	500,825	18.14%
Construction Hard Costs	1,734,495	62.81%
Soft Costs	526,186	19.05%
TOTAL USES	2,761,506	100.00%
Gap	1	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	6	540,840		
2 Br	95,890	10	958,900		
3 Br	101,637	1	101,637		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			1,601,377		
Projected total cost, excluding cash accounts			2,744,506	Cost Overage %	58%
		(over)/under	(1,143,129)		

General Partner's Capital Contribution	13,245	1.00%
Limited Partner's Capital Contribution	1,311,255	99.00%
Total Equity	1,324,500	100.00%

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	15
Total Units	17
Unit Fraction	88.24%
Tax Credit Square Footage	11,620
Total Residential Square Footage	13,045
Square Footage Fraction	89.08%
Applicable Fraction	88.24%

form revision date: 2/27/97

16-Aug-01 **SMITHS**

#	SOUTH PLEASANT STREET	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	30,678					
2	Purchase of Building(s)	224,972	224,972		224,972		
3	Demolition (without replacement)	0					
4	Property Appraisal	418	418		418	418	
5	Legal - Title and Recording	1,672	1,672		1,672		
	Subtotal - Acquisition	257,740	227,062				
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	563,391		563,391	563,391	563,391	
7	New Building(s)	0		0	0		
8	Accessory Buildings	0				0	
9	Sitework	29,682		29,682	29,682	14,841	
10	Commercial Space Costs (if any)	0				0	
11	General Requirements	0		0	0	0	
12	Contractor Overhead	0		0	0	0	
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	59,307		59,307	59,307	59,307	
15	Construction Management	0				0	
16	Construction Bond Fee	0				0	
17	Hazardous Materials Abatement	27,742		27,742	27,742	27,742	
18	Survey/Testing	3,222		3,222	3,222	3,222	
19	Furnishings, Fixtures, & Equipment	6,363		6,363		0	
20	Other (________________)	0				0	
	Subtotal - Hard Costs	689,707					
	SOFT COSTS	0					
21	Architectural	62,792		62,792	62,792	62,792	
22	Engineering	0				0	
23	Legal/Accounting	6,118		6,118	6,118	6,118	
24	Relocation	17,947		17,947	17,947	17,947	
25	Environmental Assessment	489		489	489	489	
26	Energy Assessment	0				0	
27	Permits/Fees	3,027		3,027	3,027	3,027	
28	Independent Market Study	0				0	
29	Construction Period Insurance	5,809		5,809	5,809	5,809	
30	Construction Interest	19,034		19,034	19,034	19,034	
31	Construction Loan Origination Fee	0				0	
32	Taxes During Construction	0		0	0	0	
33	Clerk of the Works	6,118		6,118	6,118	6,118	
34	Marketing	816					
35	Tax Credit Fees	1,403		1,403	1,403	1,403	
36	Soft Cost Contingency	1,334		1,334	1,334	1,334	
37	Permanent Loan Origination Fee	11,829					
38	Lender's Counsel's Fee	0				0	
39	Other (_consultants_)	0		0	0	0	
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	Developer's Fees	35,486		35,486	35,486	35,486	
45	Other Partnership Fees	35,486		35,486	35,486	35,486	
46	Consultant Fees	0					
	RESERVES	0					
47	Working Capital	6,934					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	214,622					
	TOTALS	1,162,069	227,062	884,750	1,105,449	863,964	
LESS:	Amount of Non-qualified Financing		0	49,353	0	6,648	
LESS:	Adjustment for per unit cost limits	0.58	0	0			
LESS:	Historic tax Credit (Residential Portion)			171,463	171,463	20% Historic Credit Rate	
	Total Eligible Basis		227,062	663,934		171,463 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%	0	863,114			
TIMES:	Applicable Fraction & bldg adjuster	85.71%	194,615	739,775			
	Total Qualified Basis		194,615	739,775	933,986	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.54%	3.54%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	26,188	33,963	Annual Depreciation	

Total Tax Credits Requested	26,188			6,363	Short Term Depreciable Basis
Estimated Net Syndication Proceeds **(excluding historic credit equity)**					
Estimated Yield - Housing Credit Syndication				7	Depreciation Schedule
Equity Gap			220,816	909	Annual Depreciation
Credits Needed to fill Equity Gap	#DIV/0!				

	CARRIAGE BARN	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	9,522					
2	Purchase of Building(s)	69,828	69,828		69,828		
3	Demolition (without replacement)	0					
4	Property Appraisal	130	130		130	130	
5	Legal - Title and Recording	519	519		519		
	Subtotal - Acquisition	79,999	70,477				
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	234,930		234,930	234,930	234,930	
7	New Building(s)	0		0	0		
8	Accessory Buildings	0				0	
9	Sitework	30,000		30,000	30,000	15,000	
10	Commercial Space Costs (if any)	0				0	
11	General Requirements	0		0	0	0	
12	Contractor Overhead	0		0	0	0	
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	26,493		26,493	26,493	26,493	
15	Construction Management	0				0	
16	Construction Bond Fee	0				0	
17	Hazardous Materials Abatement	8,611		8,611	8,611	8,611	
18	Survey/Testing	1,000		1,000	1,000	1,000	
19	Furnishings, Fixtures, & Equipment	1,975		1,975		0	
20	Other (________________)	0				0	
	Subtotal - Hard Costs	303,009					
	SOFT COSTS	0					
21	Architectural	19,489		19,489	19,489	19,489	
22	Engineering	0				0	
23	Legal/Accounting	1,899		1,899	1,899	1,899	
24	Relocation	5,570		5,570	5,570	5,570	
25	Environmental Assessment	152		152	152	152	
26	Energy Assessment	0				0	
27	Permits/Fees	939		939	939	939	
28	Independent Market Study	0				0	
29	Construction Period Insurance	1,803		1,803	1,803	1,803	
30	Construction Interest	5,908		5,908	5,908	5,908	
31	Construction Loan Origination Fee	0				0	
32	Taxes During Construction	0		0	0	0	
33	Clerk of the Works	1,899		1,899	1,899	1,899	
34	Marketing	253					
35	Tax Credit Fees	436		436	436	436	
36	Soft Cost Contingency	414		414	414	414	
37	Permanent Loan Origination Fee	3,671					
38	Lender's Counsel's Fee	0				0	
39	Other (_consultants_)	0		0	0	0	
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	Developer's Fees	11,014		11,014	11,014	11,014	
45	Other Partnership Fees	11,014		11,014	11,014	11,014	
46	Consultant Fees	0					
	RESERVES	0					
47	Working Capital	2,152					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	66,613					
	TOTALS	449,621	70,477	363,546	432,048	346,701	
LESS:	Amount of Non-qualified Financing		0	19,245	0	2,063	
LESS:	Adjustment for per unit cost limits	0.58	0	0			
LESS:	Historic tax Credit (Residential Portion)			68,928	68,928	20%	Historic Credit Rate
	Total Eligible Basis		70,477	275,373		68,928	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	130.0%	0	357,985			
TIMES:	Applicable Fraction & bldg adjuster	40.00%	28,191	143,194			
	Total Qualified Basis		28,191	143,194	363,120	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.54%	3.54%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	5,069	13,204	Annual Depreciation	

Total Tax Credits Requested	5,069			1,975	Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding **historic credit equity)**					
Estimated Yield - Housing Credit Syndication				7	Depreciation Schedule
Equity Gap			5,069	282	Annual Depreciation
Credits Needed to fill Equity Gap	#DIV/0!				

16-Aug-01 **SMITHS**

#	NEW ADDITION	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	15,000					
2	Purchase of Building(s)	0	0		0		
3	Demolition (without replacement)	0					
4	Property Appraisal	226	226		226		
5	Legal - Title and Recording	906	906		906		
	Subtotal - Acquisition	16,132	1,132				
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	311,921		311,921	311,921		
7	New Building(s)	0		0	0		
8	Accessory Buildings	0					
9	Sitework	30,000		30,000	30,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	34,192		34,192	34,192		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	15,028		15,028	15,028		
18	Survey/Testing	1,746		1,746	1,746		
19	Furnishings, Fixtures, & Equipment	3,447		3,447			
20	Other (________________)	0					
	Subtotal - Hard Costs	396,334					
	SOFT COSTS	0					
21	Architectural	34,015		34,015	34,015		
22	Engineering	0					
23	Legal/Accounting	3,314		3,314	3,314		
24	Relocation	9,722		9,722	9,722		
25	Environmental Assessment	265		265	265		
26	Energy Assessment	0					
27	Permits/Fees	1,640		1,640	1,640		
28	Independent Market Study	0					
29	Construction Period Insurance	3,147		3,147	3,147		
30	Construction Interest	10,311		10,311	10,311		
31	Construction Loan Origination Fee	0					
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	3,314		3,314	3,314		
34	Marketing	442					
35	Tax Credit Fees	760		760	760		
36	Soft Cost Contingency	723		723	723		
37	Permanent Loan Origination Fee	6,408					
38	Lender's Counsel's Fee	0					
39	Other (_consultants_)	0		0	0		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	Developer's Fees	19,223		19,223	19,223		
45	Other Partnership Fees	19,223		19,223	19,223		
46	Consultant Fees	0					
	RESERVES	0					
47	Working Capital	3,756					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	116,263					
	TOTALS	528,729	1,132	501,991	499,676		
LESS:	Amount of Non-qualified Financing		0	3,602	0	0	
LESS:	Adjustment for per unit cost limits	0.58	0	0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		1,132	498,389		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%	0	647,906			
TIMES:	Applicable Fraction & bldg adjuster	100.00%	1,132	647,906			
	Total Qualified Basis		1,132	647,906	499,676	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.54%	3.54%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	22,936	18,170	Annual Depreciation	

Total Tax Credits Requested	22,936
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	
Estimated Yield - Housing Credit Syndication	
Equity Gap	
Credits Needed to fill Equity Gap	#DIV/0!

3,447 Short Term Depreciable Basis

7 Depreciation Schedule

492 Annual Depreciation

	32 SEMINARY STREET	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	17,484					
2	Purchase of Building(s)	128,216	128,216		128,216		
3	Demolition (without replacement)	0					
4	Property Appraisal	251	251		251	251	
5	Legal - Title and Recording	1,003	1,003		1,003		
	Subtotal - Acquisition	146,954	129,470				
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	289,038		289,038	289,038	289,038	
7	New Building(s)	0		0	0		
8	Accessory Buildings	0				0	
9	Sitework	4,656		4,656	4,656	2,328	
10	Commercial Space Costs (if any)	0				0	
11	General Requirements	0		0	0	0	
12	Contractor Overhead	0		0	0	0	
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	29,369		29,369	29,369	29,369	
15	Construction Management	0				0	
16	Construction Bond Fee	0				0	
17	Hazardous Materials Abatement	16,634		16,634	16,634	16,634	
18	Survey/Testing	1,932		1,932	1,932	1,932	
19	Furnishings, Fixtures, & Equipment	3,815		3,815			
20	Other (______________)	0				0	
	Subtotal - Hard Costs	345,444					
	SOFT COSTS	0					
21	Architectural	37,649		37,649	37,649	37,649	
22	Engineering	0				0	
23	Legal/Accounting	3,668		3,668	3,668	3,668	
24	Relocation	10,761		10,761	10,761	10,761	
25	Environmental Assessment	293		293	293	293	
26	Energy Assessment	0				0	
27	Permits/Fees	1,815		1,815	1,815	1,815	
28	Independent Market Study	0				0	
29	Construction Period Insurance	3,483		3,483	3,483	3,483	
30	Construction Interest	11,413		11,413	11,413	11,413	
31	Construction Loan Origination Fee	0				0	
32	Taxes During Construction	0		0	0	0	
33	Clerk of the Works	3,668		3,668	3,668	3,668	
34	Marketing	489					
35	Tax Credit Fees	841		841	841	841	
36	Soft Cost Contingency	800		800	800	800	
37	Permanent Loan Origination Fee	7,092					
38	Lender's Counsel's Fee	0				0	
39	Other (_consultants_)	0		0	0	0	
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	Developer's Fees	21,277		21,277	21,277	21,277	
45	Other Partnership Fees	21,277		21,277	21,277	21,277	
46	Consultant Fees	0					
	RESERVES	0					
47	Working Capital	4,158					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	128,684					
	TOTALS	621,082	129,470	462,389	588,044	456,497	
LESS:	Amount of Non-qualified Financing		0	3,986	0	3,986	
LESS:	Adjustment for per unit cost limits	0.58	0	0			
LESS:	Historic tax Credit (Residential Portion)			90,502	90,502	20% Historic Credit Rate	
	Total Eligible Basis		129,470	367,901		90,502 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%	0	478,271			
TIMES:	Applicable Fraction & bldg adjuster	100.00%	129,470	478,271			
	Total Qualified Basis		129,470	478,271	497,542	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.54%	3.54%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		4,583	16,931	18,092	Annual Depreciation	

Total Tax Credits Requested	21,514		3,815 Short Term Depreciable Basis
Estimated Net Syndication Proceeds (**excluding historic credit equity**)			7 Depreciation Schedule
Estimated Yield - Housing Credit Syndication		21,514	545 Annual Depreciation
Equity Gap			
Credits Needed to fill Equity Gap	#DIV/0!		

16-Aug-01 **SMITHS**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0		0
1 Br		589	5	453		27,180
2 Br		853	9	596		64,320
3 Br		1,000	1	850		10,200
4+ Br			0	0		0
	Totals	11,620	15			101,700

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	1	525	0	6,300
2 Br		825	1	550	0	6,600
3 Br			0	0		0
4+ Br			0	0		0
	Totals	1,425	2			12,900

All Units

Grand Totals	13,045	17	114,600
Less Vacancy		5.00%	(5,730)
NET RENT			108,870

OTHER INCOME

Laundry	1,000
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	109,870

form revision date: 2/27/97

16-Aug-01 **SMITHS**

	Check all Applicable									A					C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at: 30%	50%	60%	65%	80%	100%+
S. Pleasant	1		1			1				1	600	525	38	563					1	
	2		1	1	1	1				2	925	610	47	657	1					
	3		1	1	1	1				1	625	525	38	563	1					
	4		1	1	1	1				2	840	610	47	657	1					
	5		1	1	1	1				2	945	610	47	657	1					
	6		1	1	1	1				2	825	610	47	657	1					
	7				1	1				1	550	405	38	443		1				
Carriage Barn	1					1				2	825	550	47	597					1	
	2			1	1	1				1	550	525	38	563	1					
New Addition	1				1	1	1			1	610	405	38	443			1			
	2			1	1	1	1			2	860	610	47	657	1					
	3			1	1	1				3	1,000	850	54	904	1					
	4				1	1				1	610	405	38	443			1			
32 Seminary	1		1	1	1	1	1			2	840	605	47	652	1					
	2		1	1	1	1				2	840	605	47	652	1					
	3		1		1	1				2	800	550	47	597			1			
	4		1		1	1				2	800	550	47	597			1			
Total # Units	17	0	10	10	15	17	3	0	0	Totals:	13,045	9,550		Total # Units:	10	1	4	0	2	0

16-Aug-01 **SMITHS**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,240	1,020	60	11.1%
Supportive Services	3,800	317	19	
Audit/Accounting	1,020	85	5	
Legal	0	0	0	
Compliance Monitoring	816	68	4	
Marketing	0	0	0	
Other	1,632	136	8	
TOTAL ADMINISTRATIVE	19,508	1,626	96	
Utilities				
Electricity	3,060	255	15	
Fuel - oil	8,160	680	40	
Water and Sewer	5,100	425	25	
Fire Alarm / Emergency	1,428	119	7	
Other	0	0	0	
TOTAL UTILITIES	17,748	1,479	87	
Maintenance				
Maintenance / Janitor Payroll	9,180	765	45	
Janitor Supplies	1,020	85	5	
Exterminating	408	34	2	
Trash Removal	1,836	153	9	
Snow Removal	3,060	255	15	
Grounds	1,428	119	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	2,040	170	10	
Other		0	0	
TOTAL MAINTENANCE	18,972	1,581	93	
Real Estate Taxes	13,260	1,105	65	per unit month excl. ds & res. & services 342
Property Insurance	4,080	340	20	
Replacement Reserves	6,120	510	30	
Primary Debt Service	19,303	1,609	95	
Other "must pay" debt service		0	0	
Other		0	0	
Total	98,991	8,249	485	

16-Aug-01	SMITHS															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		114,600	116,319	118,064	119,835	121,632	123,457	125,309	127,188	129,096	131,032	132,998	134,993	137,018	139,073	141,159
Other Income		1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469	1,513
Vacancy and other losses		(5,730)	(5,816)	(5,903)	(5,992)	(6,082)	(6,173)	(6,265)	(6,359)	(6,455)	(6,552)	(6,650)	(6,750)	(6,851)	(6,954)	(7,058)
Total Operating Income		109,870	111,533	113,221	114,936	116,676	118,443	120,237	122,059	123,908	125,786	127,692	129,628	131,593	133,588	135,614
Operating Expenses																
Total Expenses (excl. Reserves)		73,568	75,775	78,048	80,390	82,801	85,285	87,844	90,479	93,194	95,990	98,869	101,835	104,890	108,037	111,278
Reserves		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Total Operating Expense		79,688	81,987	84,353	86,789	89,297	91,878	94,536	97,272	100,088	102,987	105,972	109,044	112,208	115,464	118,817
Net Operating Income		30,182	29,546	28,868	28,146	27,379	26,565	25,701	24,787	23,820	22,799	21,720	20,583	19,385	18,124	16,797
Less Primary Debt Service		19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303
Less Secondary Debt Service																
Annual Cash Flow		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	(1,179)	(2,505)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	1,179	2,505
Net Cash		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	0	0
DCR		156.36%	153.07%	149.56%	145.82%	141.84%	137.62%	133.15%	128.41%	123.40%	118.11%	112.52%	106.63%	100.43%	93.89%	87.02%
Cumulative Cash Flow																
Beginning Balance		0	10,989	21,558	31,656	41,228	50,219	58,569	66,216	73,093	79,133	84,263	88,407	91,486	93,418	94,115
Deposits		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	0	0
Interest	2.0%	110	325	532	729	914	1,088	1,248	1,393	1,522	1,634	1,727	1,799	1,849	1,875	1,888
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	(1,179)	(2,505)
Ending Balance		10,989	21,558	31,656	41,228	50,219	58,569	66,216	73,093	79,133	84,263	88,407	91,486	93,418	94,115	93,498
Cumulative Replacement Reserves																
Beginning Balance		0	6,181	12,581	19,203	26,056	33,143	40,472	48,049	55,881	63,974	72,334	80,970	89,887	99,094	108,598
Deposits		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Interest	2.0%	61	188	318	453	592	736	885	1,039	1,199	1,363	1,533	1,709	1,890	2,077	2,270
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		6,181	12,581	19,203	26,056	33,143	40,472	48,049	55,881	63,974	72,334	80,970	89,887	99,094	108,598	118,407
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		30,182	29,546	28,868	28,146	27,379	26,565	25,701	24,787	23,820	22,799	21,720	20,583	19,385	18,124	16,797
Plus Reserves		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Less Interest Expense		(124,540)	(101,748)	(77,134)	(39,987)	(39,740)	(39,512)	(39,266)	(39,002)	(38,719)	(38,414)	(38,086)	(37,733)	(37,355)	(36,947)	(36,510)
Less Long Depreciation		(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)
Less Short Depreciation		(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(173,897)	(151,649)	(127,619)	(91,100)	(91,524)	(92,013)	(92,532)	(90,853)	(91,434)	(92,048)	(92,693)	(93,371)	(94,082)	(94,826)	(95,604)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		60,864	53,077	44,667	31,885	32,033	32,204	32,386	31,799	32,002	32,217	32,443	32,680	32,929	33,189	33,461
Plus Tax Credits		406,600	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707					
After Tax Cash Flow		467,464	128,784	120,374	107,592	107,740	107,911	108,093	107,505	107,709	107,924	32,443	32,680	32,929	33,189	33,461
Total Years	15															
Reinvestment Rate	8.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		467,464	128,784	120,374	107,592	107,740	107,911	108,093	107,505	107,709	107,924	32,443	32,680	32,929	33,189	33,461
Future Value of Cash Flows at Yr 15:		1,482,875	378,263	327,371	270,935	251,212	232,972	216,078	198,985	184,594	171,261	47,669	44,461	41,481	38,712	36,138
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-Sep-01	01-Apr-02	01-Sep-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	14,672	73,359	146,718	366,795	366,795	498,841		0								
Present Value of Contributions:	14,672	71,156	138,728	326,353	307,042	392,934	0									
Cash Flows	(1,250,884)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,923,006
IRR:	7.92%															
Equity Yield:	116.14%															

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR SMITHS HOUSING, MIDDLEBURY

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Addison County Community Action Group (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction and rehabilitation of four (4) buildings containing a total of seventeen (17) units of rental housing in the Town of Middlebury (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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates 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;

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 Cindy Reid dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and is a qualified housing sponsor within the

meaning of the Act. The Borrower will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 23, 2001.

Sarah E. Carpenter

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FR: Dave Adams , Chief of Program Operations

DATE: August 16, 2001

RE: **MAPLES II, Rutland**
Construction/Permanent Tax Exempt Loan Request

Name:	Maples II	**Location:**	Rutland
Housing Type:	Elderly Housing	**Unit Types :**	Flats
Total Units:	32	**Unit Sizes :**	26 @ 1bdrm @ 624 Sq Ft 6 @ 2bdrm @ 864 Sq Ft
Total Dev Cost:	$2,286,094	**Per Sq. Ft. Cost:**	$90.00
Loan Requested:	$1,775,000 cons/perm $ 198,000 zero/def	**Housing Credits:** **4% out of cap**	$41,249
Other Funding:	No outside sources: Developer is not taking a developers fee and is deferring some of the land acquisition costs from Maples I & II to Maples III		
Developer/Sponsor:	Green Mountain Development Group, Inc.		

Maples II is the second of a three phase Elderly Housing Project located in Rutland, Vermont. John Giebink and Charlie Brush are the owner/operators of Green Mountain Development Group, Inc. (GMDG). The sponsor is headquartered in South Burlington, VT. Maples I consists 51 elderly housing units and was completed in 2000. Maples I was financed by Key Bank. Key Investment Services was the tax credit investor on Maples I and is the anticipated investor for Maples II and III.

Development costs at $90.00 sq ft ($71,568 per unit) are lower than we generally see. Infrastructure costs paid for in Maples I, combined with a deferral of some of the land acquisition cost to Maples III account for most of this. GMDG has an established track history for completing their projects on time and within budget from their previously completed projects: Pines I, II, III and IV in South Burlington, as well as Quail Hollow, in Lebanon New Hampshire. We have also received a review of the proposed construction budget by Dave Anderson, our construction consultant. Mr. Anderson has been involved with all of these projects and is very familiar with GMDG. Mr. Anderson has indicated that he believes Maples II can be delivered as proposed by GMDG, given their track history, the building model they use, the fact that they will hire the same group of subcontractors and suppliers, along with a recent softening in the construction market for materials and with subcontractors becoming more willing to commit to contract prices further out on the calendar.

Proposed operating expenses we have used to underwrite Maples II are moderately lower than our normal underwriting requirements of $300.00 per unit per month. We would anticipate lower operating expenses given the number of units they can spread their fixed cost over, along with being a newly constructed, elderly housing project. Further support of the lower operating expenses are achieved through economies of scale once Maples II is built to spread some of the fixed expenses over 83 units. In addition, a review of audited financial statements from the Pines and Maples I, indicate a track history of achieving the levels under which we are recommending approval.

This loan request reflects a zero percent deferred loan in the amount of $198,000 which the Board previously approved in October last year. At that time there continued to be a financing gap with the final underwriting which has been reduced to $4,091 as a result of declining interest rates, and extending the term of amortization to 40 years. This remaining gap will be paid for either in construction cost savings or out of pocket by the Developer.

Conditions of approval will include:

Receipt of a market study as part of the appraisal which supports a need and demand for this housing in the Rutland area, and which provides evidence that Maples II will not have an adverse impact on other subsidized projects in the area.

We will also require the City of Rutland to enter into an agreement that formally acknowledges and agrees to allow excess cash flows from Maples I, to fund an operating deficit account for Maples II, up to and to maintain a balance of $50,000.

Other normal conditions as generally required.

Recommendations: 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/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

16-Aug-01 **Maples II, Rutland VT**

Total Residential Units:	32	Increase in Income from Rental Units:	2.00%
Housing Credit Restricted Units:	14	Increase in Income from Other Sources:	2.00%
Percent Restricted:	43.75%	Increase in Income from Commercial:	2.00%
Total Development Cost:	2,290,185	Expense increase:	3.50%
Total Development Cost per Unit:	71,568	Vacancy Rate:	4.50%
Total Development Cost Per SF:	90	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	41,249	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	41,249	Sponsor's Estimated Yield:	73.97%

LIHTC - 9%	8.23%	2/1
LIHTC - 4%	3.55%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,775,000	77.50%	7.00%	40	40
VHFA Zero Percent Deferred	198,000	8.65%	0.00%	0	30
VCDP	0	0.00%	0.00%	0	0
Other Equity	0	0.00%	N/A	N/A	
Deferred Developers Fee	0	0.00%	N/A	N/A	
Tax Credit Equity	313,094	13.67%	N/A	N/A	
TOTAL SOURCES	2,286,094	99.82%			

USES

Acquisition	61,451	2.68%
Construction Hard Costs	1,953,706	85.31%
Soft Costs	275,028	12.01%
TOTAL USES	2,290,185	100%
Gap	4,091	

[redacted]

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	26	2,343,640		
2 Br	95,890	6	575,340		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			2,918,980		
Projected total cost, excluding cash accounts			2,265,185	Cost Overage %	129%
		(over)/under	653,795		

General Partner's Capital Contribution	305	0.10%
Limited Partner's Capital Contribution	304,835	99.90%
Total Equity	305,140	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	14
Total Units	32
Unit Fraction	43.75%
Tax Credit Square Footage	8,750
Total Residential Square Footage	12,690
Square Footage Fraction	40.81%
Applicable Fraction	40.81%

assumptions

16-Aug-01 **Maples II, Rutland VT**

		Budget	Per Unit	Per s.f.	VHFA Terms: 7.5%, 360 mos	VHFA Terms: 0%, 20 yrs def	Developer Terms: Deferred Dev Fee	Debt Terms:	Tax Equity Terms: 4% credits	Other Terms:	TOTAL SOURCES
	ACQUISITION										
1	Land	60,692	1,897	2.39							0
2	Purchase of Building(s)		0	0.00							0
3	Demolition (without replacement)		0	0.00							0
4	Property Appraisal		0	0.00							0
5	Legal - Title and Recording	759	24	0.03							0
	Subtotal - Acquisition	61,451	1,920	2.42							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation		0	0.00							0
7	New Building(s)	1,686,626	52,707	66.55							0
8	Accessory Buildings		0	0.00							0
9	Sitework	114,417	3,576	4.51							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	107,815	3,369	4.25							0
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement		0	0.00							0
18	Off-Site Improvements		0	0.00							0
19	Furnishings, Fixtures, & Equipment	44,848	1,402	1.77							0
20	Other (______________)		0	0.00							0
	Subtotal - Hard Costs	1,953,706	61,053	77.09							
	SOFT COSTS										
21	Architectural	38,919	1,216	1.54							0
22	Engineering	3,986	125	0.16							0
23	Legal/Accounting	17,508	547	0.69							0
24	Relocation		0	0.00							0
25	Environmental Assessment		0	0.00							0
26	Energy Assessment		0	0.00							0
27	Permits/Fees	40,318	1,260	1.59							0
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance	8,480	265	0.33							0
30	Construction Interest	29,176	912	1.15							0
31	Construction Loan Origination Fee	26,625	832	1.05							0
32	Taxes During Construction	3,405	106	0.13							0
33	Clerk of the Works		0	0.00							0
34	Marketing	12,000	375	0.47							0
35	Tax Credit Fees	1,650	52	0.07							0
	Other Professionals	3,600									
	Lender's Inspections	3,000									
36	Soft Cost Contingency		0	0.00							0
37	Permanent Loan Origination Fee		0	0.00							0
38	Lender's Counsel's Fee	5,000	156	0.20							0
39	Other ( )	2,361	74	0.09							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	0	0	0.00							0
45	Other Partnership Fees		0	0.00							0
46	Consultant Fees	54,000	1,688	2.13							0
	RESERVES										
47	Working Capital		0	0.00							0
48	Rent-up (Deficit Escrow) Reserve	0	0	0.00							0
49	Other Operating Reserves		0	0.00							0
50	Sinking Fund	25,000	781	0.99							0
51	Replacement Reserves		0	0.00							0
	Subtotal - Soft Costs	275,028	8,595	10.85							
	TOTAL DEVELOPMENT COSTS	2,290,185	71,568	90	0	0	0	0	0	0	0

16-Aug-01 **Maples II, Rutland VT**

#	Item	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	60,692	60,692				
2	Purchase of Building(s)	0	0				
3	Demolition (without replacement)	0	0				
4	Property Appraisal	0	0				
5	Legal - Title and Recording	759	759				
	Subtotal - Acquisition	61,451					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0		0			
7	New Building(s)	1,686,626		1,686,626	1,686,626		
8	Accessory Buildings	0		0	0		
9	Sitework	114,417		114,417	114,417		
10	Commercial Space Costs (if any)	0		0	0		
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	107,815		107,815	107,815		
15	Construction Management	0		0	0		
16	Construction Bond Fee	0		0	0		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	44,848		44,848	44,848		
20	Other (______________)	0		0	0		
	Subtotal - Hard Costs	1,953,706					
	SOFT COSTS						
21	Architectural	38,919		38,919	38,919		
22	Engineering	3,986		3,986	3,986		
23	Legal/Accounting	17,508		17,508	17,508		
24	Relocation	0		0	0		
25	Environmental Assessment	0		0	0		
26	Energy Assessment	0		0	0		
27	Permits/Fees	40,318		40,318	40,318		
28	Independent Market Study	0		0	0		
29	Construction Period Insurance	8,480		8,480	8,480		
30	Construction Interest	29,176		29,176	29,176		
31	Construction Loan Origination Fee	26,625		26,625	26,625		
32	Taxes During Construction	3,405		3,405	3,405		
33	Clerk of the Works	0		0	0		
34	Marketing	12,000					
35	Tax Credit Fees	1,650					
	Other Professionals	3,600		3,600	3,600		
	Lender's Inspections	3,000		3,000	3,000		
36	Soft Cost Contingency	0		0	0		
37	Permanent Loan Origination Fee	0		0	0		
38	Lender's Counsel's Fee	5,000		5,000	5,000		
39	Other ( )	2,361		2,361	2,361		
	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	0		0	0		
45	Other Partnership Fees	0		0	0		
46	Consultant Fees	54,000		54,000	54,000		
	RESERVES						
47	Working Capital	0					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	25,000					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	275,028					
	TOTALS	2,290,185	0	2,190,084	2,190,084	0	

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	
LESS: Amount of Non-qualified Financing					
LESS: Adjustment for per unit cost limits	1		0		
LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate
Total Eligible Basis		0	2,190,084		0 Annual Historic Credit
TIMES: Adjusted for QCT/DDA	130.0%		2,847,109		
TIMES: Applicable Fraction	40.81%	0	1,161,950		
Total Qualified Basis		0	1,161,950	2,190,084	Long Term Depreciable Basis
TIMES: Applicable Percentage		3.55%	3.55%	27.5	Depreciation Schedule
Total Annual Credit Qualified		0	41,249	79,639	Annual Depreciation

Total Tax Credits Requested	42,752
Estimated Net Syndication Proceeds (excluding historic credit equity)	313,094
Estimated Yield - Housing Credit Syndication	73.97%
Equity Gap	317,185
Credits Needed to fill Equity Gap	42,920

44,848 Short Term Depreciable Basis

7 Depreciation Schedule

6,407 Annual Depreciation

16-Aug-01 **Maples II, Rutland VT**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		624	14	472		79,296
2 Br		864	0	567		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	8,736	14			79,296

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		624	12	775		111,600
2 Br		864	6	925		66,600
3 Br			0	0		0
4+ Br			0	0		0
	Totals	12,672	18			178,200
Common Areas		3,936				
	Grand Totals	25,344	32	1,700		257,496
		Less Vacancy	4.50%			(11,587)
					NET RENT	245,909

OTHER INCOME

Laundry ($13/unit/month)	4,992
Parking	0
Interest Income (1.5% of gross rents)	200
City of Rutland	
Other (see expenses services mngt fee exp offset to)	7,325
TOTAL INCOME	258,426

16-Aug-01

Maples II, Rutland VT

	Check all Applicable								A					C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at: 30%	50%	60%	65%	80%	100%+
Maples II	122				1					1	625	472	0	472						1
Maples II	124				1					1	625	472	0	472			1			
Maples II	126				1					1	625	472	0	472			1			
Maples II	127				1					1	625	472	0	472			1			
Maples II	128				1					1	625	472	0	472			1			
Maples II	129				1					1	625	472	0	472			1			
Maples II	130				1					1	625	472	0	472			1			
Maples II	131				1					1	625	472	0	472			1			
Maples II	132				1					1	625	472	0	472			1			
Maples II	133				1					1	625	472	0	472			1			
Maples II	134				1					1	625	472	0	472			1			
Maples II	135				1					1	625	472	0	472			1			
Maples II	136								1	2	865	925	0	925						1
Maples II	137				1					1	625	472	0	472			1			
Maples II	138								1	2	865	925	0	925						1
Maples II	139								1	2	865	925	0	925						1
Maples II	222				1					1	625	472	0	472			1			
Maples II	224								1	1	625	775	0	775						1
Maples II	226								1	1	625	775	0	775						1
Maples II	227								1	1	625	775	0	775						1
Maples II	228								1	1	625	775	0	775						1
Maples II	229								1	1	625	775	0	775						1
Maples II	230								1	1	625	775	0	775						1
Maples II	213								1	1	625	775	0	775						1
Maples II	232								1	1	625	775	0	775						1
Maples II	233								1	1	625	775	0	775						1
Maples II	234								1	1	625	775	0	775						1
Maples II	235								1	1	625	775	0	775						1
Maples II	236								1	2	865	925	0	925						1
Maples II	237								1	1	625	775	0	775						1
Maples II	238								1	2	865	925	0	925						1
Maples II	239								1	2	865	925	0	925						1
Total # Units	32				14				18	Totals:	21,440	21,458		Total # Units:	0	0	13	0	0	19
										TC Units	8,750	40.81%								
										Mkt Units	12,690	59.19%								

rents

form revision date: 2/27/97

16-Aug-01 **Maples II, Rutland VT**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	15,960	1,330	42	6.2%
Services Management Fee	5,620			
Supportive Services	1,600	133	4	
Audit/Accounting	1,500	125	4	
Legal	500	42	1	
Compliance Monitoring	672	56	2	
Marketing	500	42	1	
Other	690	58	2	
TOTAL ADMINISTRATIVE	27,042	2,254	70	
Utilities				
Electricity	11,520	960	30	
Fuel	11,520	960	30	
Water and Sewer	1,920	160	5	
Fire Alarm / Emergency	640	53	2	
Telephone	1,200	100	3	
TOTAL UTILITIES	26,800	2,233	70	
Maintenance				
Maintenance / Janitor Payroll	6,000	500	16	
Janitor Supplies	900	75	2	
Exterminating	300	25	1	
Trash Removal	1,920	160	5	
Snow Removal	3,000	250	8	
Grounds	4,000	333	10	
Repairs Material	0	0	0	
Repairs Contract	2,400	200	6	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	300	25	1	
Painting and Decorating	1,600	133	4	
Other	3,200	267	8	
Other	0	0	0	
TOTAL MAINTENANCE	23,620	1,968	62	
				per unit month excl. ds & res.
Real Estate Taxes	26,000	2,167	68	277
Property Insurance	2,880	240	8	
Replacement Reserves	9,600	800	25	
Primary Debt Service	132,365	11,030	345	
Other "must pay" debt service		0	0	
Partnership Supervision Fee		0	0	
Total	248,307	20,692	647	

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR MAPLES II, RUTLAND

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

WHEREAS, an application has been submitted to the Agency by Green Mountain Development Group, Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of a building containing thirty-two (32) units of rental housing for seniors in the City of Rutland (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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates 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, including a 0% deferred loan in the amount of $198,000 approved by the Board at its October 2000 meeting;

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 Dave Adams dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and the Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. 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 issuance of the Bonds for the purpose of financing one or more loans to the Borrower 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.

5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 23, 2001.

Sarah E. Carpenter

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

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: Waiver of Rehabilitation Requirement in Mixed Use Development Rules

DATE: August 16, 2001

As you may remember, this last Tax Credit round the Board approved allocation of 9% credit to Victoria's Apartments. This will be a 34 unit housing project in downtown Burlington. The property fronts on Pearl Street and runs from Bove's Restaurant to George Street. The buildings are currently owned by the Bove family, and will be redeveloped to include rental housing on the upper floors with commercial space at street level. The extensive redevelopment will involve a total demolition and new construction on the site of existing mixed use buildings. The developer is using Mike Richardson, Capital Ideas, as their consultant. The Agency has been asked to consider an application for financing this combination multi-family housing and commercial space development.

Existing Agency rules address the making of loans to "Mixed Use Developments" which is allowed; however when the rules were originally adopted, their application was limited to rehabilitation projects. This memo will describe the existing rules and the ability to waive the rehabilitation requirement in any particular case.

Mixed Use Rules. These rules describe the necessary findings that the Board must make with respect to Mixed Use Developments, including whether the non-housing facilities or, in this case, the commercial space is necessary and convenient to the residential housing. This memo will not discuss the details of each finding that will be required after staff underwriting but will rather focus on the limitation that even if the non-housing facilities are necessary and convenient, they must also "constitute all or a part of an existing structure or structures to be acquired and rehabilitated."

Ability to Waive the Rehabilitation Requirement for Mixed Use Rules. Overall the Mixed Use Rules address the statutory requirement that qualified non-housing facilities and services must be "necessary and convenient as determined by the Agency." In the text of the Mixed Use Rules, the Board has the power to waive any part of the Mixed Use Rules upon a determination that their application may result in undue hardship and that such waiver will not result in a violation of the Act. The rehabilitation requirement is

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found only in the rules and does not appear to address the "necessary and convenient" requirement or any other statutory requirement in the Act but rather limits the Agency's ability to finance new construction Mixed Use Developments. Therefore, assuming the Board made a determination that compliance with the rehabilitation requirement of the Mixed Use Rules would lead to undue hardship, the Board could waive this requirement.

During the next month, staff plan to be reviewing and underwriting the loan application for Victoria's Apartments. This information is provided for your consideration of whether VHFA staff should continue to consider the above-described mixed use development application which would require a waiver of the rehabilitation requirement. We would like to get an indication from the Board on its sentiments about this issue before we proceed with loan review.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: August 16, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATIONS

VHFA ended FY 2001 on target with loan purchases of slightly more than our goal of $60 million. Our goal for FY 2002 is $55 million. Activity continues to be very strong with approximately $2.0 in reservations each week. The cash assistance option currently represents approximately 30% of total reservations. Attached are production reports for FY 2001 and July 2001.

MGIC has announced that they have hired another underwriter for their Burlington office. Once that individual is in place they will guarantee a 24-hour turn around time on the review of VHFA loans.

COLLECTIONS

Delinquency levels have remained relatively stable over the past several months. As of July 31, 2001 VHFA owned 15 properties. Since that time 2 have sold and the sale of 4 properties are expected to close before August 31, 2001.

The Board should be aware of issues that exist with VHFA loans serviced by Charter One. We are preparing to declare Charter One in default which will require that they transfer their servicing to VHFA through our sub-servicer, Graystone Mortgage. To my knowledge this is the first time that VHFA has declared a servicer in default and wanted to make the Board aware of the issues prior to sending a letter to Charter One.

For the twelve-month period ending June 30, 2001, VHFA's average delinquency rate was 6.61%. During the same period Charter One's average delinquency rate was 9.25%. Staff has asked Charter One to provide a plan to reduce delinquency levels, which they have failed to do. Staff has also discovered that they have not complied with VHFA's Mortgage Loan Servicing Agreement that requires a servicer to contract with a company that detects property tax delinquencies on an annual basis. There are several loans that we are aware of that have delinquent taxes for the 1999/2000 tax year.

Charter One will still be able to continue to participate in VHFA programs and sell loans servicing released.

VHFA Production Report by Product FY 2002
July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,897,229												4,897,229
HOUSE													0
YESS													0
RURAL DEV.	23,800												23,800
													0
Total	4,921,029	0	0	0	0	0	0	0	0	0	0	0	4,921,029
MOBILE HOME	309,300												309,300

VHFA Production Report By Product FY2001
July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,948,719	6,245,359	6,779,574	5,508,307	6,186,222	7,576,798	4,377,870	1,986,485	2,581,182	2,509,617	1,798,548	4,287,862	56,786,543
HOUSE	142,750	55,000	221,600	89,165	124,500	195,500	99,000	97,000	162,750	125,500	199,000	0	1,511,765
YESS	157,150	100,000	0	170,450	217,455	246,629	126,675	114,820	0	0	0	0	1,133,179
RURAL DEV.	139,900	64,180	57,360	26,640	48,300	54,560	100,500	71,520	0	0	16,000	31,660	610,620
Total	7,388,519	6,464,539	7,058,534	5,794,562	6,576,477	8,073,487	4,704,045	2,269,825	2,743,932	2,635,117	2,013,548	4,319,522	60,042,107
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,093,304	508,419	161,900	700,457	121,235	308,713	615,715	6,351,514

VHFA Production Report- Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900	$466,550	$575,157	$413,400	$734,750	$13,079,048
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070	$574,000	$283,700	$298,150	$331,060	$4,952,558
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$493,315	$253,500	$79,050	$56,300	$187,850	$190,000	$266,500	$3,207,585
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220	$86,450	$126,600	$0	$380,992	$3,090,055
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720	$297,115	$146,655	$0	$327,690	$3,016,308
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0	$0	$226,675	$0	$0	$2,610,382
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400	$390,317	$0	$194,763	$309,275	$2,511,690
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0	$73,700	$58,805	$0	$519,800	$2,253,205
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000	$81,900	$92,000	$64,660	$0	$2,022,792
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500	$76,800	$72,000	$76,500	$0	$2,010,825
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0	$71,250	$78,375	$148,500	$0	$1,928,612
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0	$69,000	$0	$0	$198,550	$1,701,953
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$59,000	$0	$0	$0	$0	$1,670,820
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155	$72,750	$63,650	$0	$224,100	$1,601,862
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0	$120,110	$307,750	$52,250	$246,800	$1,527,310
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0	$231,750	$0	$0	$0	$1,188,475
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0	$0	$48,500	$76,000	$125,010	$1,075,807
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0	$0	$0	$0	$0	$1,012,108
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640	$0	$0	$55,000	$58,685	$979,304
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000	$0	$0	$110,550	$61,750	$975,320
MTG FINANCIAL	$159,610	$176,000	$0	$0	$178,900	$237,905	$0	$101,650	$0	$0	$96,425	$0	$950,490
NCFCU	$268,000	$0	$112,635	$74,690	$101,755	$168,625	$0	$0	$0	$166,000	$0	$0	$891,705
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0	$0	$0	$0	$129,375	$719,525
VHFA (RD)	$213,775	$64,180	$57,360	$26,640	$60,850	$54,560	$100,500	$71,520	$0	$0	$16,000	$31,660	$697,045
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0	$0	$29,450	$73,000	$222,675	$691,300
LYNDONVILLE	$78,375	$281,000	$46,500	$72,000	$0	$53,675	$0	$0	$0	$0	$50,350	$97,500	$679,400
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0	$0	$0	$98,000	$0	$588,869
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0	$75,940	$0	$0	$0	$478,460
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0	$0	$0	$0	$0	$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0	$0	$0	$0	$0	$423,205
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$52,679	$0	$0	$0	$0	$0	$53,350	$376,479
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0	$0	$68,450	$0	$0	$350,700
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0	$0	$0	$0	$0	$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0	$0	$103,500	$0	$0	$103,500
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$7,388,519	$6,464,539	$7,058,534	$5,794,562	$6,576,477	$8,073,487	$4,704,045	$2,269,825	$2,743,932	$2,635,117	$2,013,548	$4,319,522	$60,042,107

VHFA Production Report- Dollar volume by lender FY2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$882,050												$882,050
BANKNORTH	$452,575												$452,575
UNIVERSAL	$374,625												$374,625
SUMMIT	$374,100												$374,100
CTX	$296,054												$296,054
MTG FINANCIAL	$280,470												$280,470
PEOPLES TRUST	$277,055												$277,055
NORTHFIELD	$249,000												$249,000
FACTORY	$236,235												$236,235
UNION	$226,900												$226,900
GMAC	$225,650												$225,650
HERITAGE FCU	$164,400												$164,400
BNK OF BENN	$161,720												$161,720
NCFCU	$152,800												$152,800
NEFCU	$144,050												$144,050
COMMUNITY	$95,545												$95,545
CT RIVER	$73,000												$73,000
LYNDONVILLE	$63,500												$63,500
CITIZENS	$63,000												$63,000
WELLS FARGO	$52,500												$52,500
NAT'L BNK MIDDLE	$52,000												$52,000
VHFA (RD)	$23,800												$23,800
VDCU	$0												$0
VT STATE ECU	$0												$0
CHARTER ONE	$0												$0
BRATTLEBORO	$0												$0
CITIMORTGAGE, IN	$0												$0
KITTREDGE	$0												$0
MASCOMA	$0												$0
N.E. HOME LOAN	$0												$0
PASSUMPSIC	$0												$0
WELLS RIVER	$0												$0
NAT'L CITY MTG	$0												$0
BEACON MTG	$0												$0
FIRST BRANDON	$0												$0
VT FEDERAL CU	$0												$0
FIRST COMMUNITY	$0												$0
TOTAL	$4,921,029	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,921,029

HOMEOWNERSHIP DELINQUENCY REPORT
AS OF: June 30, 2001

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	**6338**	**6382**	**6429**	**6464**	**6483**	**6522**	**6573**	**6600**	**6590**	**6582**	**6542**	**6488**	**6450**	**6496**
Total Portfolio $	**$364.1**	**$367.9**	**$371.2**	**$375.2**	**$377.3**	**$380.7**	**$386.0**	**$388.2**	**$387.8**	**$387.6**	**$385.8**	**$382.6**	**$381.3**	**$379.7**

NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	259	254	263	280	264	274	317	263	276	240	247	230	229	261
60 Days	64	56	72	65	61	60	87	67	68	73	62	62	68	67
90 Days	52	53	47	49	44	43	51	47	56	40	39	39	41	46
Foreclosure	54	55	56	58	61	57	56	55	52	54	51	57	55	55
Total Delq 00-01	**429**	**418**	**438**	**452**	**430**	**434**	**511**	**432**	**452**	**407**	**399**	**388**	**393**	429
Total Delq 99-00	489	500	485	481	509	512	512	535	518	403	485	455	429	486

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	4.09%	3.98%	4.09%	4.32%	4.07%	4.20%	4.82%	3.98%	4.19%	3.65%	3.78%	3.55%	3.55%	4.02%
60 Days	1.01%	0.88%	1.12%	1.01%	0.94%	0.92%	1.32%	1.02%	1.03%	1.11%	0.95%	0.96%	1.05%	1.02%
90 Days	0.82%	0.83%	0.73%	0.76%	0.68%	0.66%	0.78%	0.72%	0.85%	0.61%	0.60%	0.60%	0.64%	0.71%
Foreclosure	0.85%	0.86%	0.87%	0.90%	0.94%	0.87%	0.85%	0.83%	0.79%	0.82%	0.78%	0.87%	0.85%	0.85%
Total Delq 00-01	**6.77%**	**6.55%**	**6.81%**	**6.99%**	**6.63%**	**6.65%**	**7.77%**	**6.55%**	**6.86%**	**6.19%**	**6.11%**	**5.98%**	**6.09%**	**6.61%**
Total Delq 99-00	8.26%	8.45%	8.18%	8.11%	8.42%	8.33%	8.27%	8.57%	8.23%	6.43%	7.72%	7.23%	6.77%	7.92%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$14.5	$14.2	$14.8	$15.4	$14.8	$14.9	$17.6	$14.6	$15.4	$13.0	$13.4	$13.1	$13.2	$14.5
60 Days	$3.5	$2.8	$3.9	$3.7	$3.5	$3.5	$4.8	$4.0	$4.1	$4.3	$3.5	$3.5	$3.8	$3.8
90+ Days	$6.1	$6.3	$6.0	$6.2	$5.9	$5.6	$6.1	$5.6	$6.0	$5.3	$5.1	$5.4	$5.6	$5.8
Total Delq 00-01	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0	$28.5	$24.2	$25.5	$22.6	$22.0	$22.0	$22.6	$24.1
Total Delq 99-00	**$26.9**	**$27.6**	**$27.1**	**$27.0**	**$28.3**	**$28.9**	**$28.7**	**$30.5**	**$28.8**	**$22.5**	**$26.6**	**$25.3**	**$24.1**	**$28.2**

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2002

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	6450	6431												6431
Total Portfolio $	$381.3	$381.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$381.1

NUMBER OF DELINQUENT LOANS

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	229	233												233
60 Days	68	68												68
90 Days	41	40												40
Foreclosure	55	56												56
Total Delq 01-02	393	397	0	0	0	0	0	0	0	0	0	0	0	397
Total Delq 00-01	429	418	438	452	430	434	511	432	452	407	399	388	393	430

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	3.55%	3.62%												3.62%
60 Days	1.05%	1.06%												1.06%
90 Days	0.64%	0.62%												0.62%
Foreclosure	0.85%	0.87%												0.87%
Total Delq 01-02	6.09%	6.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.17%
Total Delq 00-01	6.77%	6.55%	6.81%	6.99%	6.63%	6.65%	7.77%	6.55%	6.86%	6.19%	6.11%	5.98%	6.09%	6.60%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$13.2	$13.4												$13.4
60 Days	$3.8	$4.0												$4.0
90+ Days	$5.6	$5.6												$5.6
Total Delq 01-02	$22.6	$23.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.9
Total Delq 00-01	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0	$28.5	$24.2	$25.5	$22.6	$22.0	$22.0	$22.6	$24.1

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
June 30, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Bank of Bennington	79	2	2.53%	0	0.00%	0	0.00%	0	0.00%	2	2.53%	0	0.00%
Brattleboro Savings & Loan	59	1	1.69%	1	1.69%	0	0.00%	0	0.00%	2	3.39%	0	0.00%
Charter One	335	13	3.88%	1	0.30%	5	1.49%	6	1.79%	25	7.46%	5	1.49%
Citizens Savings Bank	119	1	0.84%	2	1.68%	0	0.00%	0	0.00%	3	2.52%	0	0.00%
Community National Bank	329	5	1.52%	7	2.13%	3	0.91%	5	1.52%	20	6.08%	0	0.00%
Connecticut River Bank	13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	56	4	7.14%	2	3.57%	0	0.00%	0	0.00%	6	10.71%	0	0.00%
First Brandon Nat. Bank	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
GMAC Mortgage	52	2	3.85%	0	0.00%	0	0.00%	0	0.00%	2	3.85%	0	0.00%
Graystone Mortgage Company	1490	65	4.36%	13	0.87%	13	0.87%	11	0.74%	102	6.85%	5	0.34%
Heritage Family Credit Union	42	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	88	0	0.00%	1	1.14%	0	0.00%	0	0.00%	1	1.14%	0	0.00%
Mascoma Savings Bank	17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mortgage Service Ctr. of NE	2747	110	4.00%	35	1.27%	18	0.66%	31	1.13%	194	7.06%	5	0.18%
New England Federal CU	153	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	179	2	1.12%	0	0.00%	1	0.56%	2	1.12%	5	2.79%	1	0.56%
Passumpsic Savings Bank	151	7	4.64%	1	0.66%	0	0.00%	0	0.00%	8	5.30%	0	0.00%
Peoples Trust Co.	91	2	2.20%	0	0.00%	0	0.00%	0	0.00%	2	2.20%	0	0.00%
Randolph National Bank	21	2	9.52%	0	0.00%	0	0.00%	0	0.00%	2	9.52%	1	4.76%
Union Bank	223	10	4.48%	3	1.35%	0	0.00%	0	0.00%	13	5.83%	0	0.00%
Vermont Development CU	158	1	0.63%	1	0.63%	1	0.63%	0	0.00%	3	1.90%	0	0.00%
Wells River Savings Bank	31	2	6.45%	1	3.23%	0	0.00%	0	0.00%	3	9.68%	0	0.00%
Totals	**6450**	**229**	**3.55%**	**68**	**1.05%**	**41**	**0.64%**	**55**	**0.85%**	**393**	**6.09%**	**17**	**0.26%**
Totals Previous Month	**6488**	**230**	**3.55%**	**62**	**0.96%**	**39**	**0.60%**	**57**	**0.88%**	**388**	**5.98%**	**17**	**0.26%**
Totals Same Mo. Last Yr.	**6338**	**259**	**4.09%**	**64**	**1.01%**	**52**	**0.82%**	**55**	**0.87%**	**430**	**6.78%**	**21**	**0.33%**

Note: Of the loans in foreclosure, a total of 20 are performing under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
July 31, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Factory Point Nat. Bank	59	4	6.78%	2	3.39%	0	0.00%	0	0.00%	6	10.17%	0	0.00%
Wells River Savings Bank	31	1	3.23%	1	3.23%	1	3.23%	0	0.00%	3	9.68%	0	0.00%
Mortgage Service Ctr. of NE	2714	122	4.50%	36	1.33%	20	0.74%	31	1.14%	209	7.70%	3	0.11%
Citizens Savings Bank	118	9	7.63%	0	0.00%	0	0.00%	0	0.00%	9	7.63%	0	0.00%
Connecticut River Bank	14	1	7.14%	0	0.00%	0	0.00%	0	0.00%	1	7.14%	0	0.00%
Charter One	332	12	3.61%	2	0.60%	4	1.20%	5	1.51%	23	6.93%	5	1.51%
Union Bank	226	13	5.75%	1	0.44%	0	0.00%	0	0.00%	14	6.19%	0	0.00%
Graystone Mortgage Company	1493	51	3.42%	17	1.14%	9	0.60%	14	0.94%	91	6.10%	4	0.27%
Randolph National Bank	19	0	0.00%	1	5.26%	0	0.00%	0	0.00%	1	5.26%	1	5.26%
Community National Bank	328	6	1.83%	3	0.91%	4	1.22%	4	1.22%	17	5.18%	1	0.30%
Passumpsic Savings Bank	148	5	3.38%	1	0.68%	0	0.00%	0	0.00%	6	4.05%	0	0.00%
GMAC Mortgage	55	2	3.64%	0	0.00%	0	0.00%	0	0.00%	2	3.64%	0	0.00%
Peoples Trust Co.	94	2	2.13%	1	1.06%	0	0.00%	0	0.00%	3	3.19%	0	0.00%
Northfield Savings Bank	182	1	0.55%	1	0.55%	1	0.55%	2	1.10%	5	2.75%	1	0.55%
Bank of Bennington	81	2	2.47%	0	0.00%	0	0.00%	0	0.00%	2	2.47%	0	0.00%
Vermont Development CU	158	1	0.63%	1	0.63%	1	0.63%	0	0.00%	3	1.90%	0	0.00%
Brattleboro Savings & Loan	59	1	1.69%	0	0.00%	0	0.00%	0	0.00%	1	1.69%	0	0.00%
Lyndonville Savings Bank	86	0	0.00%	1	1.16%	0	0.00%	0	0.00%	1	1.16%	0	0.00%
First Brandon Nat. Bank	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mascoma Savings Bank	17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	155	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Totals	**6431**	**233**	**3.62%**	**68**	**1.06%**	**40**	**0.62%**	**56**	**0.87%**	**397**	**6.17%**	**15**	**0.23%**
Totals Previous Month	**6450**	**229**	**3.55%**	**68**	**1.05%**	**41**	**0.64%**	**55**	**0.85%**	**393**	**6.09%**	**17**	**0.26%**
Totals Same Mo. Last Yr.	**6382**	**254**	**3.98%**	**56**	**0.88%**	**53**	**0.83%**	**55**	**0.86%**	**418**	**6.55%**	**23**	**0.36%**

Note: Of the loans in foreclosure, a total of 20 are performing under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FI CE AGENCY
HOMEOWNERSHIP PROGRAM DELINQUENCY STATISTICAL REPORT BY LENDER

Lenders	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	June 2001	July 2001
Bank of Bennington	4.05%	4.05%	4.05%	5.06%	5.06%	6.33%	5.06%	5.06%	6.33%	3.90%	3.85%	2.53%	2.47%
Brattleboro Savings & Loan	4.17%	6.00%	3.92%	5.88%	3.77%	3.51%	0.00%	1.72%	3.33%	3.33%	5.08%	3.39%	1.69%
Charter One	10.38%	11.99%	11.02%	9.21%	9.97%	11.11%	10.57%	10.08%	7.48%	7.12%	8.14%	7.46%	6.93%
Citizens Savings Bank	3.28%	4.07%	3.25%	2.44%	3.97%	4.76%	5.56%	4.80%	6.40%	4.07%	3.31%	2.52%	7.63%
Community National Bank	6.33%	7.55%	8.06%	7.49%	10.45%	9.52%	7.72%	6.27%	7.19%	6.33%	7.88%	6.08%	5.18%
Connecticut River Bank	0.00%	0.00%	0.00%	11.11%	9.09%	7.69%	15.38%	30.77%	8.33%	8.33%	7.69%	0.00%	7.14%
Factory Point Nat. Bank	7.89%	12.20%	7.14%	11.63%	11.63%	13.33%	10.87%	10.87%	12.50%	7.69%	11.32%	10.71%	10.17%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	0.00%
GMAC Mortgage	3.03%	2.70%	0.00%	0.00%	4.76%	2.27%	6.52%	6.52%	2.17%	4.26%	2.13%	3.85%	3.64%
Graystone Mortgage Company	8.01%	7.49%	8.67%	8.39%	7.12%	7.65%	7.37%	7.40%	7.16%	6.80%	6.33%	6.85%	6.10%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.63%	0.00%	0.00%	0.00%	0.00%	0.00%
Lyndonville Savings Bank	3.75%	2.50%	2.44%	1.20%	1.18%	3.49%	3.49%	2.33%	3.49%	1.14%	1.14%	1.14%	1.16%
Mascoma Savings Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	6.67%	6.67%	0.00%	0.00%	0.00%
Mortgage Service Ctr. of NE	18.42%	18.67%	17.81%	13.89%	15.28%	18.06%	6.55%	7.35%	6.39%	6.94%	6.88%	7.06%	7.70%
New England Federal CU	0.92%	0.91%	0.85%	0.80%	0.79%	0.74%	0.00%	0.00%	0.00%	0.67%	0.00%	0.00%	0.00%
Northfield Savings Bank	7.32%	4.85%	5.95%	8.14%	4.55%	6.18%	4.44%	5.03%	5.56%	5.56%	3.33%	2.79%	2.75%
Passumpsic Savings Bank	4.46%	5.13%	4.52%	4.49%	5.13%	10.32%	5.16%	5.81%	2.60%	4.58%	4.58%	5.30%	4.05%
Peoples Trust Co.	5.06%	3.80%	6.33%	7.50%	6.17%	4.76%	3.49%	5.68%	4.55%	4.49%	2.27%	2.20%	3.19%
Randolph National Bank	4.00%	4.00%	0.00%	0.00%	12.00%	12.50%	12.50%	13.04%	8.70%	0.00%	0.00%	9.52%	5.26%
Union Bank	4.43%	5.29%	5.26%	6.13%	7.01%	5.48%	6.79%	5.43%	6.31%	4.50%	4.04%	5.83%	6.19%
Vermont Development CU	4.38%	5.15%	5.71%	6.25%	4.67%	6.33%	3.80%	5.70%	1.28%	1.26%	1.27%	1.90%	1.90%
Wells River Savings Bank	0.00%	0.00%	2.94%	0.00%	2.78%	5.41%	5.56%	5.88%	5.88%	6.06%	9.09%	9.68%	9.68%

REO INVENTORY REPORT
As of June 30, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 3/31/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Lamoureux	3/6/00	Shoreham	$ 71,412	$ 10,269	$ 26,780	$ 15,898	$ 92,563	$ 27,734	$ 20,000	$ 60,000	4/13/00	$ 80,000	4/22/92	SF	Property sold on 7/6/01
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 5,354	$ 6,764	$ 45,549	$ -	$ 47,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Under Contract $47,000; Boundary Issues Have Delayed Closing
Sorrentino	2/5/01	Castleton	$ 59,853	$ 12,069	$ 7,865	$ 16,267	$ 63,520	$ 34,776	$ 17,500	$ 35,000	2/12/01	$ 71,000	3/16/89	SF	Property sold on 7/26/01
Paini	2/12/01	Barre	$ 63,780	$ 4,182	$ 7,099	$ -	$ 75,061		$ 67,000	$ 61,000	10/24/00	$ 70,000	2/1/96	SF	Property sold on 7/12/01
Dudley	3/9/01	Newport City	$ 62,473	$ 3,968	$ 5,869	$ -	$ 72,310	$ -	$ 45,000	$ 44,000	5/16/01	$ 65,500		SF	RD Guaranteed; Offer Pending
Gaboriault	3/20/01	Essex	$ 57,969	$ 4,625	$ 8,614	$ 217	$ 70,991	$ 890	$ 88,000	$ 95,000	4/20/01	$ 74,000	3/8/95	Condo	Under Contract $76,000 net; Closing 8/1/01
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 6,863	$ 9,600	$ 44,853	$ -	$ 19,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	Offer Pending
Huntley	4/25/01	Randolph	$ 50,098	$ 2,516	$ 3,027	$ 11,792	$ 43,849	$ -	$ 57,000	$ 53,000	6/8/01	$ 65,000	4/14/89	SF	Under Contract; Closing 8/13/01
Chicoine/D/Avignon	4/27/01	Ripton	$ 66,519	$ 4,947	$ 8,656	$ 10,127	$ 69,995	$ -	$ 59,000	$ 52,000	5/29/01	$ 71,000	10/12/94	MH	Under Contract $59,000; Closing 8/15/01
Dufresne	5/16/01	Proctor	$ 26,771	$ 5,003	$ 3,828	$ 8,400	$ 27,202	$ -	$ 28,500	$ 30,000		$ 43,500	3/28/84	SF	Public sale $28,500
Deschamp	5/22/01	Richford	$ 57,352	$ 4,216	$ 6,123	$ 14,209	$ 53,482	$ -	$ 58,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Under Contract $58,000; Closing 8/10/01
Brown	6/1/01	Barre	$ 49,398	$ 5,360	$ 7,547	$ 11,280	$ 51,025	$ -	$ 59,900	$ 46,000	2/8/01	$ 59,000	6/24/92	SF	Price Reduction in Process
Laughlin	6/7/01	Pittsford	$ 42,210	$ 6,898	$ 2,468	$ -	$ 51,576	$ -				$ 87,000	8/17/87	SF	Vacant as of 7/17/01 - Values Ordered
Blomquist	6/11/01	Rochester	$ 37,235	$ 5,692	$ 2,276	$ 3,422	$ 41,781	$ -				$ 53,000	7/8/86	SF	Vacant as of 7/12/01 - Values Ordered
Reed-Mason	6/11/01	Castleton	$ 54,196	$ 5,712	$ 4,625	$ 12,200	$ 52,333	$ -	$ 40,000	$ 38,500	4/11/01	$ 63,000	2/8/94	SF	Under Contract $37,700; Closing 9/11/01
Landon	6/15/01	Castleton	$ 43,763	$ 3,711	$ 4,945	$ 13,018	$ 39,401	$ -	$ 29,000	$ 32,500	10/27/00	$ 48,500	5/2/96	SF	Property sold on 7/27/01
Lucas	6/22/01	North Troy	$ 32,477	$ 1,773	$ 2,332	$ -	$ 36,582	$ -	$ 43,000	$ 43,000	6/27/01	$ 38,000	5/2/96	SF	RD Guaranteed
17			$ 861,752	$ 89,244	$ 114,271	$ 133,194	$ 932,073	$ 63,400	$ 677,900	$ 725,000		$ 1,052,000			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

8/13/01
REO JUNE 30, 2001

REO INVENTORY REPORT
As of July 31, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 6/30/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 7,285	$ 6,764	$ 47,480	$ -	$ 45,500	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Was Under Contract; Boundary Issues prevented sale; Researching options
Dudley	3/9/01	Newport City	$ 62,473	$ 3,968	$ 6,445	$ -	$ 72,886	$ -	$ 28,000	$ 44,000	5/16/01	$ 65,500	6/16/95	SF	RD Guaranteed; Under Contract $28,000; Closing 9/4/01
Gaboriault	3/20/01	Essex	$ 57,969	$ 4,625	$ 8,794	$ 2,762	$ 68,626	$ -	$ 76,000	$ 95,000	4/20/01	$ 74,000	3/8/95	Condo	Property Sold 8/1/01
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 7,756	$ 9,600	$ 45,746	$ -	$ 19,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	Offer Pending
Huntley	4/25/01	Randolph	$ 50,098	$ 2,516	$ 3,557	$ 11,792	$ 44,379	$ -	$ 57,000	$ 53,000	6/8/01	$ 65,000	4/14/89	SF	Under Contract $57,000
Chicoine/D/Avignon	4/27/01	Ripton	$ 66,519	$ 4,947	$ 11,103	$ 10,127	$ 72,442	$ -	$ 59,000	$ 52,000	5/29/01	$ 71,000	10/12/94	MH	Under Contract $59,000; Closing 8/29/01
Dufresne	5/16/01	Proctor	$ 26,771	$ 5,003	$ 11,018	$ 8,400	$ 34,392	$ -	$ 28,500	$ 30,000	6/11/01	$ 43,500	3/28/84	SF	Property sold at Public Sale; Proceeds Rec'd 8/13/01
Deschamp	5/22/01	Richford	$ 57,352	$ 4,216	$ 6,763	$ 14,209	$ 54,122	$ -	$ 58,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Under Contract $58,000; Closing 8/31/01
Brown	6/1/01	Barre	$ 49,398	$ 5,360	$ 9,047	$ 11,280	$ 52,525	$ -	$ 59,900	$ 46,000	2/8/01	$ 59,000	6/24/92	SF	Offer Pending
Laughlin	6/7/01	Pittsford	$ 42,210	$ 6,898	$ 5,370	$ -	$ 54,478	$ -	$ 118,000	$ 112,500	7/25/01	$ 87,000	8/17/87	SF	Listed based on MA $118,000
Blomquist	6/11/01	Rochester	$ 37,235	$ 5,692	$ 2,906	$ 3,422	$ 42,411	$ -	$ 40,000	$ 43,000	7/17/01	$ 53,000	7/8/86	SF	Offer Pending
Reed-Mason	6/11/01	Castleton	$ 54,196	$ 5,712	$ 5,807	$ 12,200	$ 53,515	$ -	$ 40,000	$ 38,500	4/11/01	$ 63,000	2/8/94	SF	Under Contract $40,000; Closing 8/20/01
Lucas	6/22/01	North Troy	$ 32,477	$ 1,773	$ 2,444	$ -	$ 36,694	$ -	$ 43,000	$ 43,000	6/27/01	$ 38,000	5/2/96	SF	RD Guaranteed
Bezanson	7/13/01	Bellows Falls	$ 46,245	$ 2,236	$ 4,172	$ 11,750	$ 40,903	$ -	$ -	$ 53,000	8/9/01	$ 65,000	9/25/98	Condo	Waiting for MA to List
Griggs	7/20/01	Newport City	$ 48,483	$ 3,485	$ 1,961		$ 53,929	$ -	$ 29,500	$ 28,000	7/18/01	$ 57,000	9/23/92	SF	Property is in poor condition
15			$ 717,672	$ 64,734	$ 94,428	$ 102,306	$ 774,528	$ -	$ 701,400	$ 773,000		$ 904,500			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

8/13/01

REO July 31 2001

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams *dsa*

DT: July 19, 2001

RE: **Templeton Court Apartments – Foundations Update**
Dave Anderson Report

Recently we received the report from David Anderson giving us his opinion on the engineering work and the structural integrity of the foundations at Templeton Court. Dave's opinion is based on a review of engineering reports provided by Stevens & Associates who are registered, professional engineers, in the State of Vermont and located in Brattleboro. Dave has had several meetings with the staff at the VSHA and the Engineers at the project site. A copy of his letter, dated June 21st and the report from Robert K. Stevens, P.E. are attached for your information.

Dave indicates that with the exception of the east end of building #3, all foundations are adequate to support the proposed reconstruction. The questionable foundation for building #3 is a moot point, since that portion of the building will be demolished and not rebuilt to create open space and drainage in that area of the project. The other two buildings are built entirely on ledge which is reported to be stable. The foundations show no signs of movement or stress cracks over their 25 year history.

Drainage will be an issue that will require some combination of raising the height of the foundation walls, along with removal of ledge in several areas. Dave felt that these solutions were achievable leaving the question of cost and financial feasibility still to be answered.

We had asked Dave to render an opinion on the number of units the site could sustain, given the need to solve the drainage issues, create additional open space, and retain adequate parking. Dave was not specific in his response but felt that 28 units would be the maximum the project could support. He also felt that reducing the project to something less than 26 units is not necessary, from a site mitigation standpoint.

The ultimate number of units we decide on must balance the need to minimize the loss of financial resources with the need to cure the overall stigma and quality of life for the current residents. The project as it currently exists is comprised of 36 units and 120 bedrooms. The most recent proposal received from VSHA reduces the number of units to 28 but cut the number of bedrooms dramatically to 64.

In July of 2000, VSHA commissioned a report for the purpose of developing a proposal that was intended to resolve both the financial and social issues in Templeton. The report was the effort of Neil Husher of Vermont Architects Collaborative (architectural and design issues), Jeff Kantor (financial viability) and Kathryn Chaffee (social and community aspects). Interviews were conducted with the project residents, community groups, and social services agencies among others. The first 25 pages of this report define the scope of the report, summarize the physical and social issues and offers extensive recommendations. The essence of this report concluded two major things: First that the project needed major redevelopment to cure the physical issues, and secondly, that most of the other problems in one way or another were related to the extremely high density and the number of children. The most critical recommendations from this report were as follows:

- Reduction in the number of units from 36 to 26.
- Strong on-site management.
- Increased security.
- Greater resident involvement in the decision-making process.
- Improved coordination of the Social Services.
- Cure project maintenance issues through complete redevelopment of the site.
- Increase the amount of safe and observable recreational areas.

The proposal we received from VSHA appears to encompass all of the recommendations in one form or another. I will be happy to provide a copy of the July report if any of you would like to look through it.

It would be my recommendation based on the input from Dave Anderson and the report noted above that the correct number of units in the project lies somewhere from 26 to 28 units. In the proposals that VSHA has submitted, the only difference between 26 and 28 units is two, single bedroom flat style units. I am not sure that these additional units will make or break the social issues. There is no change in the overall building dimensions for either proposal. Bedrooms are reduced dramatically in either scenario from 120 bedrooms to either 62 or 64 units respectively. I don't think it would be a tremendous hardship to design both proposals given their similarity in overall building design, and to have Jeff Kantor provide a financial analysis of both.

The next steps would be for VSHA to start the design process. Dave Anderson will be retained by VHFA to be closely involved with the design, review progress drawings and keep an eye on potential options and construction costs.

Board Action:

The staff is recommending that VSHA proceed to the feasibility and design phase of the project using up to 28 units. We are asking the Board's concurrence with this recommendation. The staff will come back to the Board once the project redevelopment cost and financial feasibility have been established.

DAVID M. ANDERSON

- Project Management
- Construction Consulting

36 Russell Road
Tunbridge, VT 05077-9537
Office (802) 763-7768
Fax (802) 763-2829

June 21, 2001

Mr. David Adams
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

RE: Templeton Court; Foundation review

Dear David:

On Wednesday, June 20, 2001, I met with Mike Momaney from VSA, and Bob Stevens from Stevens & associates, PC, the Civil Engineer, at the site in White River Junction. The purpose of the meeting was to review thee attached report, Stevens's structural assessment of the foundations at Templeton Court.

We reviewed the report's findings and then walked the exterior perimeter of each foundation. Bob did not have a copy of the earlier SVE report, which reported, based on their investigation the east end of Building #3 was constructed on fill of questionable bearing capacity. Mike will send a copy to Bob and he will review and amend his report if required. The point is moot since the proposed plan demolishes this section of Building #3 and the balance of the building foundations are constructed on ledge,

The other two buildings are built entirely on ledge. The ledge in this case as defined by Stevens is of good quality and appears to be very stable. As evidence, the foundations have had a minimum of cracks over their 25+ years of life. The cracks that are evident are minimal and explainable by normal events and not lack of structural stability. The only area of concern is the east end of #3 and as we said, that condition is moot. Ledge is a very good bearing material for foundations because it has great capacity and is generally stable.

The issue is drainage. Water is the enemy of any foundation and especially if it is shallow and subject to frost action. The drainage can be made to work at each building. Some combination of raising the buildings and removing ledge will have to be accomplished in order to produce a drainage system that adequately protects the foundations.

The next step, if approved, should be to form a design team of Stevens and the Architect to start a design process for the site. If such a process is authorized I have indicated that I would like to have the opportunity to review the progress drawings to keep an eye on potential options and costs.

If you have any questions or require additional information, please free to call me.

Sincerely,

David M. Anderson

CC: Joe Erdelyi

STEVENS & ASSOCIATES, P.C.
Consulting in the Design & Development of Livable Communities
ENGINEERS LANDSCAPE ARCHITECTS PLANNERS SURVEYORS

June 5, 2001

Mike Momaney
Housing Foundation, Inc.
One Prospect St.
Montpelier, VT 05601

Re: Perimeter Foundation Assessment
Templeton Court
Project #1-035

Dear Mike:

On May 30, 2001, Stevens & Associates, P.C. conducted a structural assessment of the perimeter foundations at Templeton Court in White River Jct., VT. The preliminary assessment was conducted to determine their serviceability for re-use and to address concerns regarding frost heaves and slippage where foundations rest on bedrock at or near grade. A previous assessment of the entire building was conducted in December of 1997.

The perimeter foundations consist of a 24 inches wide, 12 inches deep footing with 12" reinforced wall, ranging from 6 inches to 6 feet in height. The walls support continuous loads from the exterior framed walls with brick veneer on most of the elevations. The assessment consisted of a visual review for line, grade, lateral movement, and distress. A discussion of considerations for building on bedrock and how they apply to this building is also included.

Summary

In our opinion, based on conditions observed, the perimeter foundations are in good condition and are suitable for proposed continued use. Surface grading problems need to be addressed and perimeter drains installed. If buildings are reconstructed, the foundation walls should be extended and the buildings raised where necessary to affect proper surface drainage.

122 Birge Street P.O. Box 1586
Brattleboro, VT 05302
802-257-9329 Fax: 802-258-3892
info@stevens-assoc.com

Findings

The line, grade, lateral movement, and distress was visually reviewed on the interior and exterior of the perimeter foundations, except for a small area in the southeast corner of Building #1 where the crawl space was inaccessible. Foundations observed were generally plumb and straight. No stress cracks were observed in the concrete walls or brick veneer above. No evidence of efflorescence, erosion, degradation, or freeze/thaw damage was observed. Two small areas of de-lamination due to reinforcement corrosion were observed; one was interior in Building #2, and the second on the exterior of Building #3. One vertical crack in the brick veneer at an interior corner of Building #2 was observed, however no corresponding evidence of settlement was observed in the foundation. Foundation walls do have several vertical shrinkage cracks, generally hairline in width with no widening or lateral displacement.

Three areas of walls less than 24 inches in total height were observed. A 25foot section on Building #3 on the south elevation, approximately 12 inches high with 10 inches of earth cover on the outside. At this location, the ledge face continues upward at the exterior and it is an area of poor surface drainage.

A 25' long section, approximately 24" high overall, sits at the top of a sloped ledge face on Building #1. The sloped ledge face is not observable above grade outside indicating it does not continue through or beyond the footing.

At the southeast corner of Building #1 approximately 30 lineal feet of footing is exposed at the outside and framing starts 6 inches to 8 inches above bedrock. Although difficult to observe, none of these areas showed significant lateral movement or visual signs of distress. This shallow section on Building #3 may have slight lateral movement.

Conclusions & Recommendations

When assessing an existing building, the best indication of how a structure will perform is the measure of its past performance. That is not to say if building new you would construct the building in the same manner. Often in design, we balance the magnitude of failure and incomplete knowledge of subsurface conditions with the relative cost of increasing the safety factors.

In this case, the perimeter foundation is in extremely good condition. The two areas of reinforcement corrosion are due to lack of adequate cover, the brick veneer crack can be attributed to normal differential movements and the lack of any expansion joints in the brick veneer. The vertical cracks in the foundation walls are shrinkage cracks due to curing and are always present unless construction joints are provided.

Issues of sliding, frost heaves, and bedrock integrity are considerations when building on bedrock, particularly with shallow footing depths.

Sliding on a sloping rock face can occur with an inclined face combined with lateral forces due to earth pressure or earthquakes. The sliding is resisted by the concrete to bedrock friction, which is a function of the building weight and surface texture of the rock.

Although the bearing surface of the bedrock at this site is not observable, the slopes on either side, and the geometry of the footings exposed, do not indicate an excessive inclined face. The lateral earth loads are negligible on the shallow footings and the exposed ledge face indicates some interlocking texture.

Lateral earthquake loads will be resisted by the floor diaphragm and opposing foundation backfill. The relatively light loads, ability of the foundation to bridge small deficiencies, significant frictional resistance, and lack of any historical indication sliding failure indicates the structure has an adequate factor of safety against sliding. Additional safety factors could be provided by coring through the footing into ledge and pinning the two together with grouted reinforcing.

Frost heaving occurs due to water in pore spaces freezing, causing a volume expansion of approximately 10%. Significant heaving occurs with the formation of ice lenses. The lenses grow in thickness due to capillary migration of water in frost-susceptible soils close to the water table. Upon the melting of the lenses, the soil structure is destabilized and settlement occurs.

In this situation, a thin layer of water between the bedrock face and footing undoubtedly freezes at the shallow footing locations. This volumetric change in itself is not enough to cause a problem, as confirmed by a lack of historical distress in the structure. Without the pore space distribution of frost-susceptible soil, there is no mechanism of water migration to feed a frost lens. The source of water is most likely surface water due to poor grading. With temperatures below freezing, the source freezes and no additional water migrates.

There is one condition in which freezing of water in the foundation backfill can exert a lateral pressure on the footing. The shallow foundation location at Building #3 forms a notch against the exposed ledge face. There may have been some lateral movement of the wall at this location. Only a few inches of wall are visible and this misalignment, if any, is slight. This can easily be addressed with the provision of a foundation drain. This portion of Building #3 should have the foundation raised in order to construct proper surface grading and provide cover for foundation drainage.

The final consideration in building on bedrock is the rock's integrity. With the exception of a few rock types, the strength of bedrock will be greater than the strength of the concrete. This is not the case if the bedrock is badly fractured or in a loose state where slippage or frost weathering can occur.

The bedrock observed at this site appears to be metamorphic and high quality. There were no indications of severe fractures, weathering, or loose fragments, either in crawl spaces or exposed outside. A quantitative measurement, or rock quality designation (RQD), can be obtained by core-sampling the rock. The historical use of this site and conditions observed should provide sufficient evidence of rock quality.

In summary, the perimeter foundations at Templeton Court are in good condition, and that is the best indication of their serviceability for future use. Some minor repairs are needed, and the walls should be extended/rebuilt where necessary to correct grading. Concerns about founding on bedrock do not appear to be issues on this site. Additional precautions could be taken by pinning the footings and taking core samples. The surface and subsurface drainage are the principal causes of stress to the walls and the historical distress to this structure.

Please call if you have any questions.

Sincerely,

Robert K Stevens

Robert K. Stevens, P.E.

STATE OF VERMONT
ROBERT K. STEVENS
No. 6630
REGISTERED
PROFESSIONAL ENGINEER

vhfa
Vermont Housing Finance Agency

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: AUGUST 17, 2001

RE: GENERAL FUND BUDGET PERFORMANCE

Attached to this memorandum are the preliminary results for the fiscal year ended June 30, 2001 for General Fund budget performance. The auditors have not reviewed this information yet, but we believe it to be accurate and wanted to provide the Board members with the latest financial information available. The various bond programs have not all been completed yet (nor have they been audited) so we are not providing information on those programs at this time. We expect the strong performance reported in the first nine months of the year continued for the balance of the fiscal year and will be verified by the audit process. We expect to have the results of the audited financials and a presentation by KPMG at the September Board meeting.

INCOME. Income items came in at 101% with slightly lower income in loan interest offset by the strong performance in multi-family fees, due to the heavy volume of financings.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been available and transferred as expected. Transfers were lower than budgeted in the single family bond programs due to decreased need because of the reductions in loan losses.

EXPENSES. Total operating expenses finished the year at 93% of budget and total expenses were at 88.5% of budget. The only areas that was over budget were the salaries and wages because of the conversion of sick time to a combined time off category which requires accrual and added about $60,000 to the expense even though it was not paid. There were also small overages in depreciation and office supplies. Advertising for new bond issues and amortization of purchased servicing continue to be under budget. Loan losses remain the biggest component of staying under budget as they finished the year at $300,000 below the $1.2 million estimate.

CAPITAL BUDGET. The capital expenditures for the fiscal year were $337,000, which exceeded the budget of $285,420. Building expenses related to the roof and windows came in higher by $20,000 than expected, interior painting of $13,000 that was expected to be expensed and firewalls and anti-virus products for the computer system are the major causes.

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

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
EXPENSES AND OTHER COSTS
FY 2001 THRU 06/30/2001

Portion of year expired = 100%

Portion of year remaining = 0%

	BUDGET:		EXPENDED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 06/30/2001	Amount Expended YTD Thru 06/30/2001	Percentage of Annual Budget Expended Thru 06/30/2001	Amount (Over) Under Prorata YTD Budget As of 06/30/2001	Percent Over(-) Under Prorata YTD Budget Thru 06/30/2001	Amount Unexpended As of 06/30/2001	Percent Unexpended As of 06/30/2001
OPERATING EXPENSES:								
Salaries and Wages	1,571,299.00	1,571,299.00	1,601,360.68	101.91%	(30,061.68)	-1.91%	(30,061.68)	-1.91%
Consulting	134,500.00	134,500.00	62,513.54	46.48%	71,986.46	53.52%	71,986.46	53.52%
Trustee Fees	213,000.00	213,000.00	202,980.77	95.30%	10,019.23	4.70%	10,019.23	4.70%
Group Insurance	249,590.00	249,590.00	237,244.75	95.05%	12,345.25	4.95%	12,345.25	4.95%
Advertising	24,500.00	24,500.00	24,231.71	98.90%	268.29	1.10%	268.29	1.10%
Depreciation	171,110.50	171,110.50	174,449.97	101.95%	(3,339.47)	-1.95%	(3,339.47)	-1.95%
Pension	152,430.00	152,430.00	129,596.23	85.02%	22,833.77	14.98%	22,833.77	14.98%
Payroll Taxes	118,816.00	118,816.00	106,230.69	89.41%	12,585.31	10.59%	12,585.31	10.59%
Legal	98,800.00	98,800.00	84,204.78	85.23%	14,595.22	14.77%	14,595.22	14.77%
Travel & Training	99,800.00	99,800.00	75,158.87	75.31%	24,641.13	24.69%	24,641.13	24.69%
Occupancy	84,000.00	84,000.00	65,248.01	77.68%	18,751.99	22.32%	18,751.99	22.32%
Telephone	46,000.00	46,000.00	43,885.88	95.40%	2,114.12	4.60%	2,114.12	4.60%
Maintenance Agreements	50,000.00	50,000.00	46,025.21	92.05%	3,974.79	7.95%	3,974.79	7.95%
Audit	43,000.00	43,000.00	43,000.00	100.00%	0.00	0.00%	0.00	0.00%
Interest	42,576.48	42,576.48	42,749.64	100.41%	(173.16)	-0.41%	(173.16)	-0.41%
Dues & Subscriptions	27,715.00	27,715.00	24,764.87	89.36%	2,950.13	10.64%	2,950.13	10.64%
Office Supplies	29,000.00	29,000.00	29,759.50	102.62%	(759.50)	-2.62%	(759.50)	-2.62%
Contract Services	71,800.00	71,800.00	53,646.30	74.72%	18,153.70	25.28%	18,153.70	25.28%
Promotion	86,300.00	86,300.00	61,083.59	70.78%	25,216.41	29.22%	25,216.41	29.22%
Postage	17,510.00	17,510.00	16,998.90	97.08%	511.10	2.92%	511.10	2.92%
Printing	36,500.00	36,500.00	22,924.35	62.81%	13,575.65	37.19%	13,575.65	37.19%
Liability Insurance	26,000.00	26,000.00	15,169.07	58.34%	10,830.93	41.66%	10,830.93	41.66%
Miscellaneous	7,200.00	7,200.00	7,036.92	97.74%	163.08	2.27%	163.08	2.26%
Commisioners Fees	7,500.00	7,500.00	5,336.14	71.15%	2,163.86	28.85%	2,163.86	28.85%
Secretarial services	2,500.00	2,500.00	4,502.12	180.08%	(2,002.12)	-80.08%	(2,002.12)	-80.08%
Total Operating Expenses	$3,411,446.98	$3,411,446.98	$3,180,102.49	93.22%	$231,344.49	6.78%	$231,344.49	6.78%
OTHER COSTS:								
Amort - Purc'd Srv & Orig Fees	226,243.54	226,243.54	141,704.90	62.63%	84,538.64	37.37%	$84,538.64	37.37%
Loan Interest Cost	741,423.00	741,423.00	739,167.00	99.70%	2,256.00	0.30%	$2,256.00	0.30%
Organizational Subsidies	161,000.00	161,000.00	139,657.49	86.74%	21,342.51	13.26%	$21,342.51	13.26%
Advertising - New Bond COI	50,000.00	50,000.00	15,683.34	31.37%	34,316.66	68.63%	$34,316.66	68.63%
Program Loan Losses	1,200,000.00	1,200,000.00	908,350.50	75.70%	291,649.50	24.30%	$291,649.50	24.30%
Total Other Costs	$2,378,666.54	$2,378,666.54	$1,944,563.23	81.75%	$434,103.31	-18.25%	$434,103.31	18.25%
Total Expenses	$5,790,113.52	$5,790,113.52	$5,124,665.72	88.51%	$665,447.80	-11.49%	$665,447.80	11.49%
Total Surplus (Deficit)	$53,739.48	$53,739.48	$494,760.38					

Vermont Housing Finance Agency
INTERIM BUDGET REPORT
INCOME AND FUND TRANSFERS
FY 2001 Thru 06/30/2001

Portion of year expired = 100.00%

Portion of year remaining = 0%

	BUDGET:		RECEIVED:				REMAINING:	
	Approved Annual Budget	Prorata YTD Budget Thru 06/30/2001	Amount Received YTD Thru 06/30/2001	Percentage of Annual Budget Received Thru 06/30/2001	Amount (Over) Under Prorata YTD Budget As of 03/21/2001	Percent Over Under(-) Prorata YTD Budget Thru 06/30/2001	Amount Outstanding As of 03/21/2001	Percent Outstanding As of 03/21/2001
INCOME:								
Single family Fees	20,000.00	20,000.00	33,459.07	167.30%	(13,459.07)	67.30%	(13,459.07)	-67.30%
Multi-family Fees	403,040.00	403,040.00	461,029.88	114.39%	(57,989.88)	14.39%	(57,989.88)	-14.39%
Interest Income - Loans	1,100,000.00	1,100,000.00	1,040,507.65	94.59%	59,492.35	-5.41%	59,492.35	5.41%
Interest Income - Investments	40,000.00	40,000.00	62,526.19	156.32%	(22,526.19)	56.32%	(22,526.19)	-56.32%
Miscellaneous Income	73,313.00	73,313.00	58,919.08	80.37%	14,393.92	-19.63%	14,393.92	19.63%
Total Income	$1,636,353.00	$1,636,353.00	$1,656,441.87	101.23%	($20,088.87)	1.23%	($20,088.87)	-1.23%
NET FUND TRANSFERS:								
SF Housing Program	2,400,000.00	2,400,000.00	2,180,394.97	90.85%	219,605.03	-9.15%	219,605.03	9.15%
SF Insured Mortgage Program	400,000.00	400,000.00	400,000.00	100.00%	0.00	0.00%	0.00	0.00%
SF Mtge Purchase Program	2,500.00	2,500.00	0.00	0.00%	2,500.00	-100.00%	2,500.00	100.00%
SF Home Mtge Purch Program	605,000.00	605,000.00	624,709.94	103.26%	(19,709.94)	3.26%	(19,709.94)	-3.26%
MF Mortgage Bonds	440,000.00	440,000.00	440,000.00	100.00%	0.00	0.00%	0.00	0.00%
MF Housing Bonds	255,000.00	255,000.00	216,879.32	85.05%	38,120.68	-14.95%	38,120.68	14.95%
MF Housing Developmnt Bonds	20,000.00	20,000.00	20,000.00	100.00%	0.00	0.00%	0.00	0.00%
MF Direct Placement Bonds	35,000.00	35,000.00	31,000.00	88.57%	4,000.00	-11.43%	4,000.00	11.43%
New Bonds Cost of Issuance	50,000.00	50,000.00	50,000.00	100.00%	0.00	0.00%	0.00	0.00%
Total Fund Transfers	$4,207,500.00	$4,207,500.00	$3,962,984.23	94.19%	$244,515.77	-5.81%	$244,515.77	5.81%
Total Income & Transfers	$5,843,853.00	$5,843,853.00	$5,619,426.10	96.16%	$224,426.90	-3.84%	$224,426.90	3.84%

usbancorp Piper Jaffray®

MEMORANDUM

DATE: August 17, 2001

TO: Vermont Housing Finance Agency

FROM: U.S. Bancorp Piper Jaffray

RE: Post-Sale Report
$32,500,000 Single Family Housing Bonds, Series 15A (AMT)
$16,500,000 Single Family Housing Notes, Series 15B (AMT)
$16,500,000 Single Family Housing Notes, Series 15C (AMT)

Introduction

On July 24, 2001 the Agency approved the sale of its Single Family Housing Bonds Series 15A, and Single Family Housing Notes Series 15B and 15C. The results of sale are described below. Proceeds from the Series 15A Bonds will be disbursed to fund qualified mortgage loans, the debt service reserve fund, and to pay for the cost of issuance. Proceeds from the Series 15B and 15C Notes will be invested into investment agreements that will be used for the redemption of these notes on their respective maturity dates. The Agency expects to refund these notes into long-term, fixed-rate bonds in the future to provide funds for the mortgage loan program. The sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	$32,500,000
Principal Amount of Notes	33,000,000
Premium on Bonds for Downpayment Assistance	315,000
Premium on Notes	392,865
Total Sources of Funds	$66,207,865
Program Account for Mortgage Loans	$30,900,000
Program Account for Downpayment Assistance	315,000
Program Account for Note Proceeds	33,000,000
Debt Service Reserve Fund	1,125,000
Revenue Account	289,109
Cost of Issuance	175,000
Underwriter's Discount	403,756
Total Uses of Funds	$66,207,865

Structure

The bond/note structure is similar to the Agency's Series 15 issue. However, a couple of changes were made to make the structure more efficient in the current interest rate environment. The Agency's objectives were to decrease the amount of negative arbitrage from investments in the program account and to increase the amount of spread between the Agency's loan rate and market rates.

- Upon the recommendation of U.B.S. Paine Webber Inc., the note maturities were extended by six months and twelve months to preserve the Agency's bonding authority. These dates coincide with the Agency's need for funds in future years. The positive retainable earnings on the notes will be netted against the negative arbitrage in the program account. In addition, the mortgage rate to homebuyers is reduced by 0.38% as a result of the lower blended bond yield.

- The premium Planned Amortization Class (PAC) bond was priced with a step rate coupon (5.00%/5.70%) in order to reduce negative arbitrage in the program fund during the time the Agency is purchasing loans. PAC bond buyers are willing to buy the step rate coupon at the same yield as a fixed rate coupon.

- The notes were sold at a premium in order to obtain the lowest yield from buyers in today's low interest rate market. As a result, the Agency receives a large portion of its retainable investment earnings as an upfront cash payment. This cash will be deposited into the program account to make additional loans and into the revenue account to fund negative arbitrage during the acquisition fund period.

Mortgage

Funds available for mortgage loans totals $30,900,000. This consists of $15,400,000 available for the regular program, $10,500,000 available for the downpayment assistance program, and $5,000,000 available for the step rate program at the rates shown in the table below. These rates include 25 basis points for projected loan losses which is permitted, but not required to be included in the loan rate. At the rates indicated below, the Agency will be taking a spread of 1.117% which is 0.008% below the maximum allowable spread of 1.125%. This meets the Agency's objective of taking full spread when market conditions permit.

Loan Type	Origination Fee and Discount Points	Mortgage Loan Rate
Fixed Rate	0	6.30%
DPA Rate	0 (3 pts. to buyer for downpayment)	6.75%
Step Rate (4rd year)	0	5.55%/6.55%
Step Rate (annually)	0	5.05%/5.55%/6.05%/6.55%

Comparable Sales

The pricing of the Agency's issue included a two-day retail order period on August 10th and August 13th and an institutional order period on August 14th. Although interest rates are at historical low levels, the retail order period resulted in a large amount of orders totaling $10.98 million. This compares to $9.5 million for Series 14 and approximately $5.4 million more than Series 13. On the institutional side, Fannie Mae and First Union were major buyers of the AMT term bonds and PAC bonds, respectively.

North Carolina, Pennsylvania and Oklahoma also sold bond issues this week. Housing issues were priced very aggressively this week, reflecting the large demand for municipal bonds in wake of the large declines and volatility in the stock market. The interest rate scales for all housing issues were in a tight range.

The Series 15 B and C notes, which have two year and two and one-half year maturities, were priced to yield 3.22% and 3.42%, respectively. The rates are at the similar levels as the serial bond rates for those calendar years.

The underwriters' discount of $291,358 ($8.96/bond) for the bonds and $112,398 ($3.41/note) is similar to Series 14 bonds and to other housing issues. While the note discount is slightly higher than the Series 14 notes due to the longer maturities, the economics of the longer maturities were beneficial to the Agency.

Investments

The proceeds of the Series 15 Bonds and Notes will be invested in guaranteed investment contracts provided by AIG Matched Funding and Bayerische Landesbank, and in a government agency. AIG is providing a 3.701% rate on the loan acquisition fund and Bayerische Landesbank is providing a 5.51% rate on the float fund, a 4.28% rate on the Series B notes, a 4.51% rate on the Series C notes. A FHLMC bond with a yield of 6.28% was purchased for the reserve fund at the suggestion of Paine Webber. The highest investment contract rate for the reserve fund was 5.63%. The additional 0.65% in yield will benefit the Agency by reducing the negative arbitrage in the loan acquisition fund. Therefore, there is a good risk/reward relationship relating to the price risk (i.e., market value changes) associated with buying a long-term government agency.

Conclusions

The Agency's interest rates and underwriter's discount are at appropriate levels compared to other housing issues in the market this week. Please see the attached sheet for a comparison of the rates received by the other issuers this week.

The Agency achieved its objective of minimizing negative arbitrage on the acquisition funds by extending the note maturities, using a step rate PAC bond, and buying a government agency for its reserve fund. In addition, the Agency obtained a historic low borrowing rate of 4.79% that results in very attractive loan rates.

Vermont Housing F[illegible]ance Agency
Single Family Housing Bonds, Series 15A (AMT)
Tax-Exempt Comparable Sales

		Week of 08/13/01		
Size	**$32,500,000**	$65,000,000	$175,000,000	$27,600,000
Issuer	**VHFA**	North Carolina	Pennsylvania	Oklahoma
Bond Type	**Single Family**	Single Family	Single Family	Single Family
Ratings	**Aaa/AAA (FSA)**	Aa2/AA	Aa2/AA+	AAA (GNMA)
Pricing Date	**8/14/01**	8/14/01	8/15/01	8/16/01
Underwriter	**UBS PaineWebber**	UBS PaineWebber	Goldman	Merrill
Year	yield	yield	yield	yield
2000				
2001				
2002				
2003	**3.20% / Note due 9/03 at 3.22%**		3.25%	3.15%
2004	**3.45% / Note due 3/04 at 3.42%**	3.45%	3.60%	3.45%
2005	**3.70%**	3.70%	3.80%	3.65%
2006	**3.85%**	3.90%	4.00%	3.85%
2007	**4.10%**	4.10%	4.15%	3.95%
2008	**4.20%**	4.00%(1)	4.30%	4.10%
2009	**4.30%**	4.125%(1)	4.45%	4.25%
2010	**4.40%**	4.25(1)/4.45%	4.55%	4.40%
2011	**4.60%**	4.60%	4.65%	4.50%
2012	**4.70%**	4.70%	4.80%	4.60%
2013	**4.80%**			4.70%
2014				4.80%
2015		5.00%	4.75%(1)	4.90%
2016				
2017				
2018				
2019				
2020		5.25%		
2021	**5.25%**		5.25%	5.25%
2022				
2023				
2024				
2025				
2026				5.30%
2027				
2028		4.35%		
2029		(PAC)(4.88 yr.)		
2030				
2031	**4.42% (Prem PAC)(4.35 yr avg life) 5.00-5.70% Step/Price of 104.5%**		4.50% (PAC)(__ yr.)	
2032	**5.375%**		5.35%	NA (Prem PAC)(8.0 yr.) 5.00-6.67% Step/Price of 109.55%
2033		5.375%		5.375%
% of 30 year Treasury	97.5%	97.5%	97.0%	98.0%
30 Year Treasury	5.51%	5.51%	5.51%	5.48%

usbancorp
Piper Jaffray.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Multi-Family General Authorizing Resolution

DATE: August 16, 2001

After the last multi-family bond issuance, only $795,000 in authority remains available in the General Authorizing Resolution adopted on March 22, 2001. Based on pending approvals and new projects being considered, a new General Authorizing Resolution is attached for your consideration.

This resolution provides the same framework as the March 2001 resolution and also authorizes up to $15 million in multi-family bonds.

Requested Board Action: Adoption of attached resolution

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000

of Bonds In One or More Series to Finance Multi-Family Projects

Adopted August 23, 2001

01-351449.01

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

August 23, 2001

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 No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all 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. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

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

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such Bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Chief Financial Officer and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. 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 Burlington, Vermont on August 23, 2001.

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: August 17, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

Administration

Kari's last day was August 3rd and we currently are in the process of interviewing for her replacement. We are also recasting the Research Analyst position, which was held by Leslie Black-Plumeau, whose last day with the Agency was July 25th. She left for a position with the State Dept. of PATH, which allows more use of her statistical background and some supervisory responsibility. We are in the process of aligning the job description to more clearly match the actual responsibilities performed by Leslie and then will be advertising.

The Agency held its summer picnic at Sandbar State Park on Friday August 3rd. The weather was great and many staff and their families enjoyed swimming, volley ball and wonderful food.

Helen Fleeson was unexpectedly hospitalized July 21st for a week for hernia surgery. She is recouping at home and hopes to return to work August 21st.

Public Affairs

John Fairbanks and Craig Bailey currently are working on three major projects – the VHFA communications plan, the Vermont Affordable Housing Awareness Campaign strategic plan, and the VHFA annual report.

The VHFA communications plan, which includes a marketing/advertising strategy, is coming along well. The internal working group, comprised of staff from Public Affairs, Homeownership and Development/Multi-Family, has met several times and expects to deliver the draft plan to Commissioners for discussion before the September Board meeting. Part of that plan will include an advertising campaign. We are currently working on five flights of ads (some of which will be co-op ads w/lenders, but we have not yet determined which ones):

- Early September will feature the new bond issue – and the expected lower rate – and our Cash Assistance product

- January and February, featuring "testimonials," statements from VHFA customers about the importance of affordable housing
- Late February/early March, in the run-up to the Home Buyers' Fair
- Late March/April, advertising VHFA products in anticipation of the 2002 buying season
- June, National Homeownership Week

The Awareness Campaign plan is likewise taking shape, and a draft will be ready by August 20th. John Fairbanks has been in contact with his contemporaries in Maine and New Hampshire, discussing their campaigns, and he has been invited to attend a housing conference hosted by the Maine State Housing Authority on September 10th.

This year's VHFA annual report will be in the form of a calendar, which makes it useful for promotion. Craig Bailey is again responsible for the calendar's production, and we have a target publication date of November 1st.

In terms of media outreach, I talked at length with Robin Smith, editor of the Bennington Banner, for her up coming column about what first-time homebuyers need to know and about how VHFA's various programs can help them. The July 31 edition of the Bond Buyer featured a lengthy and very positive article about our upcoming bond issue and our strong reputation for fiscal management, which contributes to our high bond rating. That article was circulated to the Free Press, the Rutland Herald, WCAX and Vermont Public Radio. While that did not result in immediate news stories, we are hopeful it will come up in stories when we actually announce the bond sale. We also received a mention in the coverage of the Lime Kiln groundbreaking in South Burlington's The Other Paper. Feature articles are attached.

Public Affairs is also working on an external VHFA newsletter, which we plan to publish on a regular schedule – the interval is yet to be determined – and provide to lenders, realtors, developers, legislators and other potential customers or partners.

Homeownership Programs

We have made some progress in our efforts to consolidate some of our smaller servicers over the past two months. We are currently in the process of negotiating Purchase and Sale Agreements with Wells River Savings Bank, Passumpsic Savings Bank, and First Brandon National Bank. In addition to these, we are working to consolidate the portion of the Graystone Mortgage servicing portfolio that they own. This is not to be confused with the loans they sub-service for us. The combined portfolios have balances totaling approximately $15.7 million, for just under 300 loans. Assuming final due diligence and contract negotiations go as planned, we will work toward loan set-up with Graystone by the end of August with a transfer of the servicing so that payments due October 1st, are sent to Graystone.

On August 8th Pat Crady and I attended a meeting of some staff and Board members of Rutland West and the Rutland Community Land Trust. Rutland West has experienced a lot of staff transition and the Executive Director they hired nine months ago after an extensive search is leaving to return to his home state of Colorado. Funders, Neighborhood Reinvestment, VHCB and DHCA have been concerned that Rutland West has not been at its full potential for several years, and that Rutland County is a small area to support two independent non-profit housing organizations. We all feel that this may be the time to consider some sort of affiliation between the two organizations. The meeting on the 8th was to begin that discussion and strongly encourage moving in that direction.

The NeighborWorks® (NW) Regional Training Institute that VHFA agreed to co- sponsor is scheduled for September 17th - 21st at the Hollow Inn in Barre. The five-day training will include Loan Servicing and Collection, and Foreclosure Prevention. The Homeownership Centers are required to attend to receive certification by NW in Loan Portfolio Management. The Loan Servicing and Collection curriculum is specific to systems and portfolio management of the rehab, down payment assistance, and closing cost loans that the Center originate and service. VHFA has invited the other nonprofits that we work with to attend the Foreclosure Prevention part of the curriculum. There will be a reception hosted by NW on the evening of Tuesday, September 18th. Board members are welcome and additional details will be sent to you within the next several weeks.

Multifamily Management

We are happy to report that Kim Roy had a healthy baby (Sophie) on July 15th one month before her due date. She will be out on maternity leave for 12 weeks and had prepared well for her planned time out of the office. Multifamily staff is handling the day-to-day responsibilities related to her portfolio and following up on tax credit compliance review findings that are pending a resolution.

We have reached verbal agreement with the owners of the Bardwell House on a Preservation Agreement that will extend affordability an additional 20 years beyond the existing HAP Contract. These 75 elderly Section 8 units are located in Rutland and will now remain affordable until 2034. As an incentive to gain their approval, we agreed to release Residual Receipts funds annually in order to fund supportive service programs at the property. We will also allow a management incentive fee in recognition of their continued commitment to supportive services and willingness to provide the 20 years of extended affordability.

Development

Letters announcing the fall round for Low Income Housing Tax Credits were sent out on August 7th. This letter is intended to notify potential applicants that Letters of Intent are due at VHFA by no later than 4:30 P.M. on Friday, August 31st. Full applications with supporting documents will be due by Friday, September 14th. Materials needed to apply and to file the Letter of Intent are located on the Agency's web site. We have $566,585 available for allocation in this round. We anticipate over subscription again in this round. We are wrestling with two new issues from the tax code that may impact our applicants for this round. The first is a benefit to our those applicants receiving credits after June 30th, by giving them six months to incur and certify they have spent at least 10% of the eligible basis costs, removing previous deadline of the December 31st, to receive a carryover allocation. The second requirement mandates the receipt of a Market Study as a condition to applying for the Tax Credits. Given the workload and limited number of qualified firms available to provide these market studies, the staff will allow applicants to use a general area-wide housing market study for the balance of this year, if a study has been recently completed for the project market area. We will need to revisit the Market Study issue and settle on our specific requirements prior to the allocation rounds in 2002.

In July, closings took place and construction has begun on: Maple Tree Place in Williston, Green Mountain Seminary in Waterbury, The Baldwin Block in Wells River, and Lime Kiln in South Burlington. You are welcome to attend the upcoming events: Green Mountain Seminary has a ground breaking on 8/23/01 at 4:30 PM; The South Street building of the Ben South project in Bennington (sponsored by the Regional Affordable Housing Corporation) has an open house on August 30th, 12:30 PM in Bennington. Please call for directions if you are interested.

Finance

This is the busiest time of the year for the Finance Department. They are working hard on the necessary documentation for the auditors, who have started their audit work and are scheduled to finish shortly after Labor Day. The $12.9 multi-family bond financing closed the last week of July providing $7 million of construction loans and about $5 million of permanent loans to ten different projects. The Single Family financing sold on August 16th and is expected to provide the lowest mortgage rates ever at VHFA. Piper Jaffray will be providing a post-sale report that should provide the details of the transaction. That financing is scheduled to close on September 6th. The electronic transfer of data from servicers has passed it's first on line test of being integrated into our loan/accounting system after a lot of trials and errors and we are expecting to be able to expand that system to a majority of serviced loans.

Other

With the exception of the 23rd, I will be on vacation August 20 – 29.

THE OTHER PAPER
South Burlington
August 10, 2001

Affordable housing/land preservation project begun

City Council Chair Jim Condos takes a hands on approach to "breaking ground" for the Lime Kiln affordable housing *project during groundbreaking ceremonies held at the So.* Burlington construction site recently.

A ground-breaking was held recently to celebrate the conservation of the natural area near the Winooski River and the beginning of construction for the Lime Kiln Housing project. The poject is Located on Lime Kiln Road in So. Burlington near St. Michael's College. The new neighborhood will provide 48 affordable apartments in Vermont's tightest housing market.

Jim Condos, South Burlington City Council Chair and State Senator representing Chittenden County, said, "Lime Kiln Housing is the culmination of a lot of hard work by a number of organizations. South Burlington is proud to have stepped to the plate to help provide all-important housing during this shortage crisis that we continue to face." Condos added, "So. Burlington's commitment to affordable housing remains strong. We are not building projects... We are developing neighborhoods!" Condos said.

The property purchased for Lime Kiln Housing contains a rare and beautiful cedar forest sitting on a bluff overlooking the Winooski River. This 10.7 acre area will be deeded to the Winooski Valley Park District.

In addition to the forest, the parcel includes Winooski Gorge, one of the deepest gorges in Vermont. The Park District will create trails, interpretive materials, fencing, and parking in the conserved area.

Vermont Housing Finance Agency (VHFA) awarded federal Low Income Housing Tax Credits,

"We are not building projects... We are developing neighborhoods!"

-Jim Condos

which were purchased by the Merchants Bank, producing equity investment of over $2.1 million. VHFA also provided a $1.64 million construction loan, a $54,000 a pre-development loan, and approximately $1.5 million in permanent financing. "We're especially proud to be involved with Lime Kiln Housing for two reasons," explained Sarah Carpenter, VHFA Executive Director. "The new neighborhood will bring 48 units of desperately needed newly constructed housing to So. Burlington. And the plan will bring together a dynamic mix of tenants with varied incomes. We hope Lime Kiln Housing will serve as a model for infill developments."

The City of South Burlington received a $670,700 grant from the State of Vermont Community Development Program and has loaned that money to Lime Kiln Housing. Kathy Beyer, Deputy Commissioner for the Vermont Department of Housing and Community Affairs, remarked, "The City of South Burlington is to be commended for its ongoing support of affordable housing. Lime Kiln Housing is a wonderful example of 'smart growth' housing in a high density residential neighborhood, with the added benefit of conserving land in the Winooski River watershed."■

THE BOND BUYER

July 30, 2001

Hot Housing Market Drives $66M Vermont Single-Family Sale

By Michael McDonald

The **Vermont Housing Finance Agency** will sell $65.5 million in bonds and notes the week of Aug. 13 in a negotiated deal managed by **UBS PaineWebber** Inc.

The issue is expected to consist of $32.5 million in single-family revenue bonds and $33 million in notes, also secured by the agency's revenue and used to back mortgage loans across the state through banks and other third parties. All the bonds and notes will be tax-exempt and subject to the alternative minimum tax.

The VHFA needs to close the sale by September in order to replenish capital it has for single-family mortgages, keeping up with a housing market that has not cooled despite the troubled economy, an official said.

"In this particular case, the driving factor is that Vermont needs the money," said **Al Hans**, managing director at **U.S. Bancorp Piper Jaffray**, the agency's financial adviser and cash flow consultant. "They are getting down to the last proceeds from the spring."

The agency expects to originate mortgages for first-time homeowners and low-income residents at 75 basis points below market rates, which are currently around 7.25% for loans with no down payment, according to **Roger Schoenbeck**, chief financial officer for VHFA. The $65.5 million bond sale will support the acquisition of approximately 400 homes, he added.

The prospective deal is the second sale of single-family housing bonds by Vermont in the municipal market this year, and will bring its total outstanding single-family and multifamily debt to more than $730 million. While the new issue hasn't been rated yet, the VHFA has earned high marks from credit analysts who said that it has done an excellent job managing a fast growing portfolio.

Vermont, however, has not escaped the effect of a federal rule forcing it to retire 10-year old debt as those loans are prepaid, as opposed to recycling the money into new mortgages. This is putting a crimp in its capital resources, Schoenbeck said, that could be compounded as competition grows in the Green Mountain State for a share of the state's federally imposed volume cap on private-activity bonds.

Analysts said this scenario is typical for most housing authorities. "A lot of small states have benefited from a minimum volume cap," said **Florence Zeman**, senior vice president at **Moody's Investors Service**. "There have been increases in the cap but the 10-year rule is eating into it."

The agency is structuring the new deal with many of the same features it used when it sold $66.6 million in single-family revenue bonds and notes in April. To maximize the appeal to the state's hungry retail buyers, the proposed $32.5 million in fixed-rate bonds will include $6 million in serials with intermediate maturities.

The rest of the issue will consist of term bonds: $6 million maturing in 2021, $13.5 million in 2022, and a uniquely structured $7 million series that will be sold with a higher coupon to attract a premium from buyers. The latter bonds mature in 2031, but the stated average life in the official statement will be 4.4 years.

This type of structure is called planned amortization class, or PAC, bonds and was developed in the housing market to sell long-term bonds that are used for loans with high prepayments rates. Vermont has recently started using PAC bonds and is dedicating the premium that it expects to get from higher coupons to a program for down payment assistance loans that are offered in the state along with the agency's low-interest mortgages.

"We wouldn't be able to do this program without the PAC bonds," Schoenbeck said.

All of the serials and term bonds will carry insurance from **Financial Security Assurance**, officials said, while the notes will not. The notes still will likely carry the highest short-term rating because the proceeds go into guaranteed investment contracts.

The bonds will price with a triple-A rating because of the insurance. Moody's rated the outstanding debt in this particular single-family program A1 while **Standard & Poor's** rated it A-plus. Moody's took the analysis a step further last year, assigning an issuer rating of A2 to the VHFA.

Moody's there pointed out in a report that all the bond programs carry a higher rating than A2, even if they are not insured, because of the agency's financial strength and well-structured trust indentures. An analyst at Standard & Poor's echoed that perspective.

"Vermont has shown an excellent record in loan performance," said **Steve Tencer**. "Because of that they can qualify for a particular rating level with less reserves."

This is true as well for its multifamily bond programs, which represent about one-seventh of the VHFA's outstanding debt. Moody's rated the multifamily programs Aa3 while Standard & Poor's rated them AA-minus. According to analysts, this is because these programs are backed by the agency's general obligation.

On Thursday, the VHFA privately sold $13 million in multifamily bonds, including three tax-exempt issues, to the federally backed housing corporation Fannie Mae. The agency is also preparing to support a $10 million, 166-unit project held up by environmental reviews in Burlington.

"A multifamily project that size will be very unusual for Vermont," Schoenbeck said.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: September 14, 2001

RE: **CONFIRMATION OF UPCOMING BOARD MEETING**

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on September 20, 2001, at 9:30 a.m. at The Gardens, Williamstown, Vermont.

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Williamstown on September 20!

Directions to the Gardens:

From 89 South, take exit 5 (Williamstown). Take a left when you get off the highway and head towards the center of town. As you come down into the center of town, turn right onto RT. 14. The Gardens is not even a mile on the right, across from the Pump-N-Pantry.

If you are coming from 89 North, same exit, and take a right off the highway and follow the same directions from there.

Vermont Housing Finance Agency

BOARD AGENDA
Vermont Housing Finance Agency
The Gardens
Williamstown, Vermont

Thursday, September 20th at 9:30 AM

1.	Approval of the minutes of August 23rd 2001		{Enclosures}
2.	FINANCE		
	A.	Fiscal Year June 30, 2001 Audit Results	{Schoenbeck/Enclosure}
	B.	Audit Review	{Mac Nicoll – KPMG LLP}
	C.	Financial Advisor Review	{Schoenbeck/Enclosure}
3.	PUBLIC AFFAIRS		
	A.	Public Affairs Department Activities	{Fairbanks/Enclosures}
4.	DEVELOPMENT		
	A.	Loan Application for Victoria Apartments, Burlington	{Erdelyi/Enclosures}
5.	HOMEOWNERSHIP		
	A.	Summary of Homeownership Activities	{Adams/Enclosures}
6.	ADMINISTRATION		
	A.	Executive Directors Report	{Carpenter/Enclosure}
	B.	Board Meeting Schedule for 2002	{Carpenter/Enclosure}
7.	Any other business to come before the Board.		

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VHFA Board Minutes

Vermont Housing Finance Agency
The Gardens
Williamstown, Vermont

Thursday, September 20th, 2001 at 10:00 AM

PRESENT: Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Jim Douglas, Gus Seelig,
Staff: Sarah Carpenter, Pat Loller, Ruth Kendrick, Holly Keough, Roger Schoenbeck, David Adams, Joe Erdelyi, Sam Falzone, Cindy Reid, John Fairbanks,
Guests: Mac Nicoll (KPMG LLP), Michael Richardson (Victoria Apts)

MINUTES

Mr. Candon made a motion to approve the August 23, 2001 minutes. The motion carried unanimously after being seconded by Mr. Seelig.

FINANCE

Fiscal Year June 30, 2001 Audit Results

Mr. Schoenbeck introduced Mr. Nichol of KPMG LLP, the Partner in charge of the audit. Mr. Schoenbeck continued. The full year financials, which tie into the audit report comments on major items, validates and verifies what the Board has been recently discussing. FY2001 was an excellent year. Highlights were:

1. Good retention of mortgage loans and the loans that we have are performing well, resulting in low loan losses.
2. Change in market value of investments. We are much better off when rates go down, making our investments worth more. This added surplus of $1.5 million this year.
3. Additional 0% loans when made add to surplus an extra $2 million in these loans this year.

4. Net losses on single-family properties for the year were $570,000, including a $500,000 reduction in the loss reserve. Each year as losses decrease, our average decreases and so do reserves.
5. The General Fund balance increased by $400,000.

There remains a liquidity issue in the General Fund. Although we have $5.8 million in cash, the Agency needs to keep $3.5 million in escrow cash deposits, owes accounts payable of $1 million and have outstanding borrowed funds from Howard Bank of $5 million. Our liquidity shortage is $3.5 million. One way to fix this problem is to increase transfer of funds from the Bond programs back into the General Fund. One of the reasons that we haven't done this is that the rating agencies like to see surplus in the bond funds when they rate our programs. This year our budget estimates that between points and servicing fees paid to lenders we will spend $1 million out of the General Fund that has no short-term payback. Mr. Schoenbeck discussed with the financial advisor team that next time we do a bond issue to include a premium to cover that cost so that it will be paid by the bond funds. We will need to deal with the payments already made by the General fund in recent bond issues. We will be coming back to the Board before the next single family bond issue to deal with this issue in more detail.

Mr. Candon questioned when the $1 million from the next bond issue starts eating into the $3.5 million liquidity gap. Mr. Schoenbeck stated that the $1 million would come from the sale of bonds, so we would collect cash up front like we did on the PAC bonds, and we would transfer money out of our single family program back to the General Fund. This is a balancing act to keep the rating agencies happy. The 1998 financial advisor update cautioned about lending funds out of our General Fund.

Ms. Randall asked the borrowing rate on the bank funds. Mr. Schoenbeck stated that we borrow at 75 basis points over the 30 day LIBOR rate. These funds are used for example on bridge loans made to Housing VT at a surplus of about 75 basis points to us. This is making our money work for us, yet is an excellent rate for Housing VT.

Mr. Douglas questioned how the rating agency determined a minimum balance for the bond funds. Mr. Schoenbeck stated that they do a parity test; meaning 101% of liabilities is sitting in the bond funds before you can take money. The other test that they do is a an expected worse case test where the cash flow must cover all future principal and interest payments before we can release surpluses. These tests satisfy a Single A rating. The 101% is a fair test.

Mr. Schoenbeck stated that most of the loans we are now purchasing are no point mortgages and this means that we write a check out of the General Fund to pay the points to the lenders. Ms. Canney asked if these funds were made up over the life of the loan. Mr. Schoenbeck stated that it take 8-10 years to break even.

Ms. Randall asked about the necessary transfer amount and benefit. Mr. Schoenbeck stated $3.5 million is the amount and that it makes sense to do it in one transfer, but that he wants the financial advisors to tell us since the internal rating and liquidity is a big issue. This issue will be brought up at a later date for more discussion.

Audit Review

Mr. Nichol of KMPG stated that, as in the past, this audit was a clean report, no issues to report or adjustments to financials. There was one minor past adjustment related to capitalizing REO costs. One thought Mr. Nichol had was to accrue interest only on loans 90 days past due. He felt that this was a minor difference and wouldn't change the financial outcome. He feels comfortable that we are being conservative with our loan loss calculations. There were no material weaknesses discovered, no essential staff turnover and systems are solid, so he has no suggestions for improvement.
Overall, this is a very good report.

Mr. Schoenbeck noted that there was a significant change in the audit team; to which Mr. Nichol replied that a new set of glasses and refocus was a positive audit step.

Mr. Nichol reviewed a new rule out for future presentation that will change the format of accepted financial statements. Essentially the new rules state that there needs to be a management narrative of financial and operational happening in the agency included with the audit.

Mr. Seelig made the motion to accept the Financial Reports and Audit. Ms. Canney seconded the motion and it was approved unanimously.

Financial Advisor Review

Mr. Schoenbeck and Ms. Carpenter discussed the issue of the change of personnel at our financial advisors. Due to ongoing bond activity, VHFA continued with the financial advisors that knew our business even though they moved to US Bancorp Piper Jaffray from Evensen Dodge.

Evensen Dodge subsequently put together a new team and would like to retain our business. To entice us they have offered to cut our contracted fee by between $500-$1,000. On their team is Tim Rittenhouse who worked on our account as one of the co-managers for our bond sales at AG Edwards. Ms. Carpenter stated that Tim's role is more sales and that we did not feel he is a strong analytical advisor.

Caine Mitter and Associates has also expressed an interest in our account and is based near Boston. Mr. Schoenbeck felt that this firm has a good background but they are more expensive and would not add more than US Bancorp Piper Jaffray.

Mr. Schoenbeck recommended the US Bancorp Piper Jaffray proposal, which is priced at our former contract rate. Mr. Douglas thought that perhaps we could improve on the pricing to make it more competitive. Ms. Carpenter thought that Evensen Dodge having a huge turnover bid aggressively to keep our business. Mr. Schoenbeck stated that we had not experienced an increase in fees since 1993 with our previous group. Mr. Seelig brought up the concern that we haven't done a full RFP process and are we in compliance. Ms. Carpenter stated that this was a selected bid list and that it is a limited field of financial advisors in housing bonds. Mr. Douglas was comfortable with the process, but would like to see if we can get a lower price from US Bancorp Piper Jaffray. Mr. Schoenbeck said that he would pass on the pricing concerns and he felt that Piper Jaffray would probably accept the terms.

DEVELOPMENT

Victoria Place Apartments

Mr. Erdelyi presented this project based on his memorandum to the Board.

The project is scheduled to have a final Act 250 permit hearing. The wastewater permit still needs to be signed. Hazardous materials are being taken care of. Mr. Richardson explained that Mr. Bove couldn't make the meeting due to a family illness, but he wanted to stress that he would like the project to start quickly due to winter approaching. The project would need to be started by October 1st if it is to be finished by the end of June.

Board members asked several questions about the financial structure of the project. Mr. Richardson explained that there would be $136,000 put up by the owner as security, half in Letters of Credit and in cash. Any operating deficit the owner needs to cover. Mr. Erdelyi said there is a request pending for additional tax credits since there is no other source to cover cost overruns. Mr. Seelig asked about the impact on the project if more tax credits are not awarded and that contingency was budgeted. Mr. Richardson responded that there is a 3-4% contingency and a $215,000 interest line item. The construction loan will not be taken out until early December 2002, and the cushion is the developers' fee. Ms. Beyer asked about a cushion on time frame to which Mr. Richardson responded that the estimated completion date was August 1st of next year. He also explained that there is an adjuster clause in the limited partnership agreement that could adjust the amount of equity that will be put into the project.

Ms. Carpenter stated the Board should grant the requested waiver of the rule that only allows VHFA to make a loan on a mixed-use project if it is a rehab because of the inability of the sponsors to receive favorable financing from any other lender. The findings are discussed in the recommended resolution. Ms. Drake is analyzing these rules as they might relate to future similar projects. Perhaps we might do a participation loan with VEDA or another lender.

Ms. Canney moved to pass the recommended resolution, seconded by Mr. Seelig. The resolution passed unanimously.

HOMEOWNERSHIP

Dave Adams reported that single-family loan purchases at $8.6 million for the month of August were the highest reported in the last 14 months. Reservations continue to be strong in spite of a decreasing spread between our rates and conventional mortgage rates.

Mortgage delinquencies were slightly lower at 6.07% at the end of August and have been relatively stable for the last six months. New loan purchases offset the number of loans paid off during the month, which also helps to keep delinquencies in check. Dave noted some concern of the trend in foreclosures, which increased from 56 to 61 in August. The Homeownership Department works very hard to facilitate shortened redemptions, workouts, and short sales to prevent these from moving into REO status. There were 14 REO's at the end of August, of which seven were under contract. Loan losses continue to track our expectations and are within our budgeted projections.

The schedule of upcoming lender lunches around the state was discussed and Board members are invited to attend.

PUBLIC AFFAIRS

An agency communication plan is in place that has increased marketing efforts and is more proactive. Mr. Fairbanks reported on the Ad Campaign that supported the 6.3% home ownership rate. Twenty-one radio stations are running 30 second spots, and the times are staggered on the various radio stations. Ads were placed in all 10 Vermont daily newspapers and in 9 weeklies in Central and Southeast Vermont.

Bruce Edwards, business writer at the Rutland Herald, interviewed Ms. Carpenter as a result of the Bond Buyer Article and the Herald subsequently ran a good story.

A final draft of the Housing Awareness Campaign will be ready soon. Implementation will happen in stages. These stages include developing campaign materials and raising $100,000 total funds. There will be a public opinion poll conducted. The committee is hoping to piggyback on a VT Public Sprawl Poll to save money. This will be an organic plan, and will evolve over time. It includes paid media, earned media and campaign representatives talking at public events statewide. Ms. Randall asked that the campaign plan be shared with the Board.

Ms. Carpenter stated that a VHFA contribution of $10,000 is in our current budget and that Mr. Fairbanks and Mr. Bailey are contributing significantly, but we may be coming back to the Board for more funding. Ms. Randall queried the Board and the Board Members were comfortable with this.

Mr. Bailey is assigned to complete the Annual Report. It is on time and under budget at this point.

ADMINISTRATION

Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report. It has been a busy month.

Ms. Carpenter spoke briefly about the Board meeting schedule. Ms. Randall stated that we should set a schedule and stick to it. The preference seemed to be third Thursday of each month, after 9:45AM, with a location to be determined by the Legislative calendar. Ms. Carpenter stated that a schedule would be sent out.

Ms. Carpenter reminded everyone that there is a joint Tax Credit Committee and Board meeting on October 24th that will probably last the full day. She suggests that for next year there be two prearranged meetings annually in February and June.

Ms. Canney made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 12:20PM.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary

vhfa

Vermont Housing Finance Agency

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER RAS

DATE: SEPTEMBER 14, 2001

RE: FISCAL YEAR JUNE 30, 2001 AUDIT RESULTS

The basic financial statements for the fiscal year ended June 30, 2001, are attached as reviewed by our auditors, KPMG LLP. The final bound audit (with opinion letter) is expected to be available for mailing overnight Monday or Tuesday. At the Board meeting the formalized audit and related additional letters addressing internal controls and conduct of the audit will be distributed by Mac Nicoll, Partner who will be presenting the findings and answering Commissioner questions.

Included with this memo is our standard computer system format of the balance sheet and income statement that should agree with the audited financials (other than some minor reclassifications between assets and liabilities). Some highlights of the past year follow:

- Total assets increased from $727 million to $788 million for the year, primarily due to the issuance of bond issues in excess of loan prepayments. Outstanding loans increased from $464 million to $494 million. Based on our 1% earnings calculation formula, our annual surplus increased by $300,000 based on the outstanding loans.

- Our surplus for the year continued the favorable trend that we discussed throughout the year. Total revenues exceeded expenses for the year in the amount of $9.6 million which includes $1.5 million in investment value increases compared to a $3.6 million surplus in FY00 and included a $500,000 loss in market value losses. Excess yield income increase by about $2 million due to increased 0% loans.

- Losses on single family properties during the fiscal year totaled approximately $569,000 (compared to $1.0 million for FY00. These loss numbers include adjustments to the loss reserve which decreased from $2.2 million to $1.7 million.

- The General Fund balance increased by $400,000 due to transfers from bond programs exceeding loss from operations for the fiscal year, to $9 million. Liquidity remains an issue as general fund cash is tied up in loans, escrowed deposits and notes due the banks.

If you have any questions regarding the summary financials presented or the contents of this memo, feel free to contact me at your convenience.

<u>Recommended Board Action</u>:
Acceptance of the audit and special reports as presented.

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**

VERMONT HOUSING FINANCE AGENCY Consolidated Financial Statements Date: 06/30/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	TOTAL
REVENUES:				
Interest Income:				
Mortgage & construction loans	1,352,377.00	29,028,764.60	8,441,680.16	38,822,821.76
Investments	70,327.37	15,603,256.49	1,388,995.33	17,062,579.19
Fee income:				
Multi-family programs	375,468.92		96,666.96	472,135.88
Single family programs	10,025.09-			10,025.09-
Grant income	4,860.00			4,860.00
VHMGB income				
Miscellaneous income	79,047.08			79,047.08
TOTAL REVENUES	1,872,055.28	44,632,021.09	9,927,342.45	56,431,418.82
EXPENSES:				
Financing costs: including interest and amortization of premium, discount & costs of issuance	866,520.54	35,681,011.59	5,790,797.83	42,338,329.96
Mortgage service, contract administration fees, & property disposition expense	139,211.63	1,314,178.47	65,436.00	1,518,826.10
Salaries and benefits	2,083,204.58			2,083,204.58
Operating expenses	870,342.71			870,342.71
Professional fees	132,424.28			132,424.28
Trustee and assignee fees	202,980.77			202,980.77
Loss on bond redemptions		569,353.66		569,353.66
Foreclosed property loss	4,218.23-	553,208.05		548,989.82
TOTAL EXPENSES	4,290,466.28	38,117,751.77	5,856,233.83	48,264,451.88
Surplus before change in investment market value	2,418,411.00-	6,514,269.32	4,071,108.62	8,166,966.94
Change in investment value		777,633.25	688,808.97	1,466,442.22
Excess (deficiency) of revenues over expenses	2,418,411.00-	7,291,902.57	4,759,917.59	9,633,409.16
Fund balance, beginning	8,630,151.92	33,360,255.92	14,107,093.14	56,097,500.98
Transfer to General Fund (net)	2,802,480.76	2,096,842.50-	705,638.26-	
Fund balance, end of period	9,014,221.68	38,555,315.99	18,161,372.47	65,730,910.14

VERMONT HOUSING FINANCE AGENCY Consolidated Financial Statements Date: 06/30/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	TOTAL
ASSETS				
Cash and cash equivalents	5,744,324.37	104,931,113.94	14,558,784.60	125,234,222.91
Investments	100,000.00	145,345,614.95	8,573,652.73	154,019,267.68
Mortgage and construction loan	16,089,090.75	386,581,744.93	93,675,693.65	496,346,529.33
Less: reserve for loan loss		1,755,747.00-		1,755,747.00-
Accrued interest receivable				
-Mortgage and notes	909,385.21	2,404,272.72	409,306.98	3,722,964.91
-Investments	13,107.53	2,513,651.80	337,939.46	2,864,698.79
Deferred cost of bond issuance		2,449,935.86	879,628.94	3,329,564.80
Office furniture and fixtures	954,589.55			954,589.55
Less: accumulated depreciation	683,298.02-			683,298.02-
Land	775,000.00			775,000.00
Building	1,000,833.95			1,000,833.95
Other receivables:prepaids	1,039,580.42	425,289.61	52,756.75	1,517,626.78
Interfund receivables	91,994.95-	220,781.27-	312,776.22	
Other assets		787,822.67		787,822.67
TOTAL ASSETS	25,850,618.81	643,462,918.21	118,800,539.33	788,114,076.35
LIABILITIES & FUND BALANCE				
Deferred income	303,952.27-		205,074.07	98,878.20-
Accounts payable	1,056,521.00	480,307.94	73,156.14	1,609,985.08
Escrowed cash deposits	3,512,827.84	35,312.55-	718,241.12	4,195,756.41
Notes payable	11,872,291.49	102,500,000.00		114,372,291.49
Accrued interest	93,192.62	5,537,688.55	1,872,753.25	7,503,634.42
Accreted interest				
Bonds payable	605,516.45	500,340,000.00	99,580,586.78	600,526,103.23
Unamortized premium on bonds		3,915,081.72-	1,810,644.50-	5,725,726.22-
Fund balance	9,014,221.68	38,555,315.99	18,161,372.47	65,730,910.14
TOTAL LIABILITIES & FUND BAL	25,850,618.81	643,462,918.21	118,800,539.33	788,114,076.35

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER RAS

DATE: SEPTEMBER 13, 2001

RE: FINANCIAL ADVISOR REVIEW

In April of this year, Al Hans and his team left Evensen Dodge and went to work with US Bancorp Piper Jaffray. Since we were in the middle of a bond financing that Al and his team had started and Evensen Dodge had no other housing professionals, we continued to work with Al at his new company. We discussed this plan with the Board at that time. We have been engaged in bond issues continuously since that time and Al has continued to provide financial advisory services to us. Sarah and I discussed with Al that at some time in the near future we needed to reexamine our relationship and proposed contractual expectations.

Since those discussions, Evensen Dodge assembled a new housing financial advisory team and another well known housing financial advisor firm, Caine Mitter and Associates have met with us and submitted proposals for services. A summary of the qualifications and costs of the three firms follow.

Evenson Dodge

Tim Rittenhouse has been hired by Evensen Dodge to head up their housing professional team. Tim was the lead manager at AG Edwards in St. Louis and worked on our account as one of the co-managers for our bond sales. He left AG Edwards and worked at one of the investment contract placement firms before being hired by Evensen Dodge. The people working with Tim are brand new to financial advisory services with limited backgrounds which include 2 years at Indiana Housing for one and three years experience in the Rome, NY treasurers office for the other team member. Their fees were cut by about $1,000 from the scale we had previously contracted with the firm when Al Hans was employed and would run about $40,000-$50,000 for a single family financing to $20,000-$30,000 for multi-family. Ongoing cash flow projection calculation services would run $4,500-6,500 per bond resolution.

Caine Mitter and Associates

Tom Caine is well respected and very knowledgeable in the housing financial advisory business. He has developed his own cash flow programs and has competent staff to service his clients. He has offices in Massachusetts and New York. His cash flow programs although accepted are unique and not easily transferable. His fees for our typical bond transactions would be approximately

$60,000-$85,000 for single family and $10,000-$30,000 for multi-family. Ongoing cash flow projections would cost $15,000-$20,000 per bond resolution.

US Bancorp Piper Jaffray

Al Hans has been servicing VHFA since 1993 when we first contracted with a financial advisor. In addition to the deal specific services he has provided, he has also worked with us to do the long range agency wide cash flow projection reports. Al's work in this area has been recognized and integrated into other HFA long range plans for the first time. We do not pay any additional charges for the long range comprehensive studies since his firm has also provided fee based investment contract services for VHFA (we do not pay any of those fees). Cory Hoeppner has worked with Al for several years and Steve Johnson has over the last couple of years has taken over the cash flow work. They have an excellent historical perspective of our operations. Piper Jaffray charges for our financings are about $500-$1,000 higher than Evensen Dodge charges listed above.

Recommended Action

Approval of entering into a two year contract with up to two one year renewals with US Bancorp Piper Jaffray based on satisfactory performance including the right of immediate termination for unsatisfactory performance or change of assigned personnel without our consent.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: John Fairbanks, Public Affairs Manager JW

DATE: September 12, 2001

RE: Public Affairs Department activities

The Public Affairs Department has been largely occupied with four projects—the VHFA annual report, the Agency communications plan, the Vermont Housing Awareness Campaign, and a fall advertising campaign for the new bond issue and the Cash Assistance product.

Annual Report—Craig Bailey has been working very hard to pull this year's report together. We have shot new photographs of several VHFA-funded projects around the state, with a focus on the people we have been helping. We expect the report to go to the printer in early October, with a current publication deadline of November 1.

Agency Communications Plan—Staff from Public Affairs, Homeownership, Multi-Family, and Administration have worked very hard to put together an Agency-wide communications plan designed to better coordinate our various communications efforts and to develop new opportunities for spreading the gospel of VHFA.

To summarize the plan:

- We have selected several target audiences, including lenders, realtors, the media and the general public.

- We are planning a vigorous print and radio advertising campaign over the next 10 months, with five flights of advertisements: the fall Series 15 ads (described below); a series of "testimonial" ads, featuring people VHFA has helped, targeted to run early next year; advertising for the March Homebuyer Fair; ads in late March/early April for VHFA products, to coincide with the beginning of the homebuying season; and advertising during Homeownership Week in June, 2002.

- We are developing a new Agency brochure.

- We are developing an external Agency newsletter.

- We are major participants in the Housing Awareness Campaign (described below).

- We have a full schedule of events, including Lender Lunches, attendance at conferences/conventions,

- We are expanding our media outreach, to raise VHFA's overall profile and educate the public about our products in particular and issues relating to housing and homeownership in general.

- We are planning for a second housing conference in November, 2002.

Housing Awareness Campaign—This effort is moving ahead very well. The final draft of the Campaign Plan is being reviewed by all the Campaign members, and we have begun the preliminary work for our outreach and advertising. We are also working on raising money, beginning with a grant application to the Vermont Community Foundation, with a Campaign goal of raising $100,000 for activities through December 2002.

The Campaign has two main components—a "ground game," in which Campaign representatives, working with local contacts, will participate in events such as press conferences, meetings with editorial boards, and presentations to local service clubs and other organizations; and an "air game," which includes paid advertising on radio, television and in print, public service announcements, and opinion columns and letters in newspapers. There will also be significant media outreach and an education effort aimed at elected officials at the local and state levels.

The Campaign is aimed at creating a more favorable climate in Vermont for developing housing, particularly affordable housing. Our target audiences include producers, policymakers/regulators, interest groups, employers, and the general public. The overall theme of the Campaign is "Housing—The Foundation For Vermont's Communities." The general message will be that housing is essential to promoting strong, stable and economically vibrant communities in Vermont. We will stress that people should be able to live where they work, that developing housing as a vital part of well-managed growth, and that a lack of housing, particularly affordable housing, in Vermont is a major social and economic issue that requires the attentions of government, the private sector and the non-profit community. Our general tactic will be to tell the stories of people who are having difficulty affording housing.

We have been able to bring together state agencies, housing advocates, the environmental community and the private sector in this effort, and we are working to expand that membership.

Fall Series 15 advertising campaign—Given the fact we now have funds to lend at our lowest rate ever, we decided to run out a rather ambitious print and radio advertising campaign. The campaign is state-wide, but on the advice of the Homeownership staff, we weighted our ad purchase to southeast and southern Vermont. We placed quarter-page ads in every daily newspaper in Vermont on Sunday, the 16th, and for those papers who don't have a Sunday edition, on Monday the 17th. We are also buying ads in several weeklies in central, southeast and southern Vermont for their issues in the weeks of September 17th and 24th. We produced a 30-second radio ad that is running on 16 radio stations around the state. We made a staggered buy, so the ad, which begins running on September 17th, will continue running through October 5th on selected stations. We will attempt to monitor the impact of the ads, to better gauge how well this money was spent.

Other activities—In addition to the paid ad campaign, we also put out a press release announcing the Series 15 money and the Cash Assistance option. The release went state-wide, and we know it ran on Vermont Public Radio, on WKDR (Burlington) and WDEV (Waterbury). Sarah was interviewed briefly by WKDR. We will be following up to find out if other news outlets used it.

Sarah was also interviewed at length by Robin Smith of the Bennington Banner for a column offering advice to prospective first-time homebuyers that ran August 23rd. She was also interviewed by Bruce Edwards of the Rutland Herald for a story about the Series 15 bond issue that ran on September 1st.

RUTLAND HERALD
Wednesday, September 5, 2001
online edition
RUTLAND, VERMONT, U.S.A.

Home loan fund grows

September 1, 2001

(from the *Business* section)

By BRUCE EDWARDS Herald Staff

First-time home buyers will get a boost this month, when the Vermont Housing Finance Agency completes a $66 million bond offering.

The VHFA will use the proceeds to replenish its home mortgage loan bank with the money made available to low and moderate income home buyers through banks and other lending institutions.

Although the economy has slowed, VHFA Executive Director Sarah Carpenter said demand for housing remained strong.

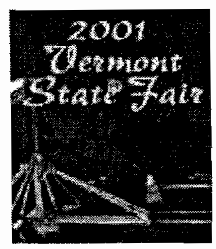
A major factor that has helped keep the home market purring along has been the Federal Reserve and its seven interest rate cuts. That has made homes more affordable, especially for first-time buyers.

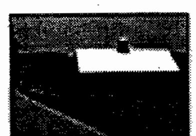
Carpenter said the VHFA expects to complete the sale of the mortgage bonds on Sept. 6. Because of VHFA's stellar credit rating, Carpenter expressed confidence that the interest rate on the new mortgage money will come in under market rates. The current interest on a VHFA backed 30-year mortgage with no points is 6.5 percent.

Photo of the day

School Directory

DARTMOUTH MURDERS





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"We have a high rating from the rating agencies which should make the sale of our bonds extremely competitive, which is how you get your low (interest) rate," she said.

The latest bond sale will help finance the purchase of 400 additional homes. Last year the VHFA financed $60 million in single-family homes.

Coupled with a bond offering this spring, the latest bond sale will raise VHFA's debt for single family and multi-family homes to $730 million.

Since its inception in 1974, the VHFA has provided financing to 23,000 homebuyers and 4,900 affordable apartments.

With the agency about to receive an infusion of new capital, the problem for prospective home buyers is the availability of new and existing affordable housing stock.

"It varies from region to region. In some counties it's lack of stock. Other counties it's a lack of stock that's of high quality," Carpenter said.

She also said that there is a shortage of affordable new homes being built in the $150,000 and under price range.

"We're seeing a lot more activity in the $200,000 plus range," she said.

One of the obstacles prospective home buyers have faced in the past is coming up with the down payment and closing costs. To help overcome that hurdle, the VHFA has instituted a new program called a "cash assistance option" which allows the home buyer to receive up to 3 percent of the mortgage to cover down payment and closing costs. Closing costs cover such expenses as appraisals and title insurance.

The cash assistance program has a higher interest rate, currently 7 percent for a 30-year mortgage. But the funds used for the down payment or closing costs are made as a grant with no repayment.

"That's a new option for us and gives consumers another possibility to expand their purchasing power," Carpenter said.

Income and purchase price limits to qualify for a VHFA mortgage vary from county to county.

For example, in Rutland County the maximum income for a one or two-person household is \$54,600 and \$63,700 for a household with three or more persons. The maximum purchase price is \$123,000 for an existing home and \$165,000 for a new home.

In Windsor County, the income limits are \$45,500 and \$52,300 with a maximum purchase price of \$133,000 and \$165,000 for existing and new homes respectively.

Washington County has income limits of \$54,900 and \$64,100 with a maximum purchase price of \$120,000 and \$165,000.

The income limits in Bennington County are \$45,500 and \$52,300 with purchase price ceilings of \$132,000 and \$139,000.

VHFA also finances existing two-family homes, which have county-by-county income and purchase price limits as well.

For more information visit the VHFA Web site at www.vhfa.org. or call 1-800-287-VHFA.

Contact Bruce Edwards at bruce.edwards@rutlandherald.com.

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Article last updated:
Thursday, August 23, 2001 12:31 AM MST

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Finding your way home

BENNINGTON

The American dream is beginning to recede from the average family. That's the worry that drives folks who work for and donate to Habitat for Humanity, knowing that too many families, even if both parents work, cannot afford a home.

And yet homeownership is one of the things that helps to stabilize families, that gives many a reason to come together.

Why should it be so hard for some families to afford a home? Because the rents for multi-bedroom apartments, decent ones, are quite high.

A friend of mine rents a three-bedroom apartment in Bennington. By all accounts, the apartment is OK but the cost is not: at almost $800 that's a huge outlay every month.

I own a three-bedroom home. Now, granted, my three-bedroom has several smallish bedrooms, the bathroom (typical of older former one-and-a-halfs) is downstairs, and it's a fixer-upper with something needed in every room, almost. But I am paying hundreds less for my mortgage and house insurance and state and local property taxes. So I am able to put away some funds for repairs and that "disaster fund."

When rents are so high for family-size apartments or houses, it's that much harder to put away a bit of savings toward a new home. And having a nest egg to use when you go knocking on the door of a bank or mortgage company is essential.

In fact, finding out how much money you have to have to make the closing costs and downpayment is crucial for a first-time homebuyer. Figuring that out is one of the top two things new homebuyers have to do to successfully buy a home, according to Sarah Carpenter, executive director of the Vermont Housing Finance Agency.

VHFA specializes in helping first-time homebuyers come up with the downpayment, and helps find lenders that will work carefully to eliminate surprises for these folks, said Carpenter.

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But homebuyers have got to do their own homework. Homeownership counseling isn't a bad idea. That's available in this area through the VHFA Rutland office, by calling 438-2303 or going online at getahome.org.

And first-timers have got to check out their credit first. If you don't know what your credit status is, or suspect you might have problems because of past bad debts or delays in payments, you can contact the credit bureaus by calling information, or going online at vhfa.org.

Carpenter warns that bad credit, especially bankruptcies, can take years to clear up, so don't wait on that part of your home search.

Then find out what you're worth. Most lenders, like your current bank or the local credit union, have loan officers who can help you find out your price range in a home. Too many people go out looking for a house, find their dream home, and then discover they can't afford it. Many real estate agents ask first-time homebuyers if they have been preapproved before showing them homes. It takes the heartache out of the house hunt.

And pick a loan officer or bank you are comfortable with, who knows your financial history and who will aggressively help connect buyers with programs like that of VHFA that offer loans to the banks to make the closing costs and downpayment easier. First-time homebuyers currently need to provide 3 percent of the closing costs on a home, while VHFA covers up to all of the downpayment, which usually is 5 percent of the costs. And VHFA homebuyers are exempt from the Vermont property transfer tax, at .5 percent of the first $100,000 in value.

"It takes a lot of work to find a home. Save your money," she said.

But VHFA also wants to see a homebuyer have the wherewithal to survive the first few months of moving costs, utility start-up fees and the many other costs of establishing a new home. "We don't want to see a circumstance where first-time home buyers are having to put in a couple thousand (dollars) in the first year," said Carpenter.

"We care about our borrowers. Our goal and our mission is to have our owners succeed. ... Home buying is a wonderful thing. But not everyone is ready."

Robin Smith is editor of the Banner. Her column returns to its rightful place in Thursday's Banner.

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Vermont Housing Finance Agency

has helped thousands of Vermonters buy their first home. And now, we're helping to make it easier than ever to own a home of your own.

VHFA now has home mortgage funds at our ***lowest rate ever*** — **6.30%*** for qualified borrowers.

We also have a new Cash Assistance option — at a slightly higher rate — that lets you get up to 3% of the amount of your mortgage loan *in cash* to help with your downpayment or with your closing costs.

The home-buying season is *not* over! **Contact your local mortgage lender** for details on our new low rates and our Cash Assistance rate option.

**6.30% is the Annual Percentage Rate for the 0 point option.*
Rates subject to change and other restrictions may apply.

EQUAL HOUSING OPPORTUNITY

VHFA — We're helping Vermonters get home. **www.vhfa.org**

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer JE

DATE: September 13, 2001

RE: Multifamily Loan Application for Victoria Apartments, Burlington

Name:	Victoria Apartments	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats
Total Units:	34 residential units 5-6 commercial spaces	**Unit Sizes:**	15 1-Br, 600 sf; 18 2-Br, 900 sf 1 3-Br, 1200 sf
Total Development Cost:	$4,209,854 Total $3,322,217 Residential $887,637 Commercial	**Per S.F. Devel Cost (land plus hard construction cost:**	$61.80 total $69.43 res. $42.41 comm.
Loan Requested:	$3,065,000 const. & $1,300,000 permanent	**Housing Credits:**	$327,243
Other Funding:	Deferred Developer's Fee Loan, Equity from Housing Credits		
Sponsor:	Bove Brothers, Inc. (Richard Bove Jr. and Mark Bove)		

The sponsors have applied for funding to demolish two buildings and to construct a new building on Pearl Street adjacent to Bove's Restaurant. The property will be mixed-use, and the sponsors have requested a single loan from VHFA for the entire building. Since VHFA's rules for mixed-use developments generally permit financing a mixed-use building only if it is a rehabilitation, this would require a waiver from the rules (as discussed at last month's Board meeting). As required by these rules, the residential units of the project comprise more than half of both the floor space and the development cost. The property has all local permits and anticipates Act 250 approval soon. They also have received a commitment from Related Capital Corporation to syndicate the tax credits (the project holds a reservation of tax credits awarded earlier this year). There are no other outside sources of funding being used besides the VHFA loans and the tax credit equity. However, the City did waive some parking requirements as well as provide a density bonus, and because of this there is a value added. The City will want to see a covenant restricting the occupancy on at least five units to tenants below 65% of area median income (and may impose additional restrictions as well) in exchange for its concessions. All 34 of the residential units will also be restricted in perpetuity under the tax credit program. The building will be served by an elevator, and there will be storage spaces in the basement for the tenants included in the basic rent.

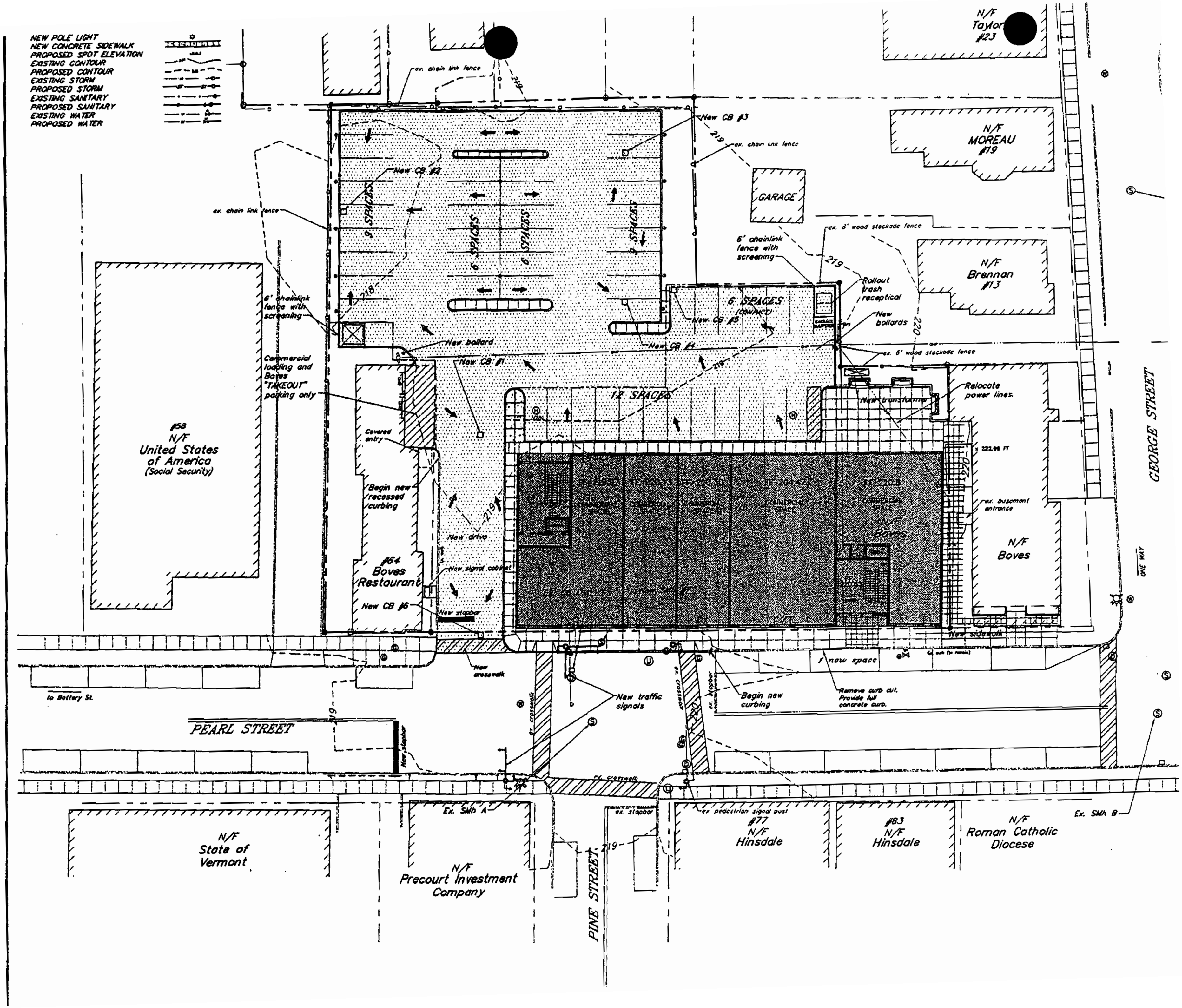
VHFA has never financed commercial space before. In this case, the project is financially feasible in part because of the income from the commercial space, which is a requirement of VHFA's rules. Other alternatives for the site have been considered and eliminated as financially infeasible: 1) a renovation would be prohibitively expensive and would result in many fewer units; 2) ground-floor residential units on this site would be much less marketable; and 3) up to four current commercial tenants would be permanently displaced without the storefront commercial spaces. Staff intend to review the appraisal thoroughly to achieve a level of understanding on the projected commercial rent and vacancy rate. To minimize VHFA's risk as a lender, Bove Brother's Inc. ("BBI") will master lease the commercial space from the partnership at a fixed price, regardless of occupancy levels. BBI will need to achieve 75% occupancy at $12 per square foot in order to cover this payment from the rental of the commercial space. Staff will also review the financial statements of the borrowers to ascertain our risk should the project not generate this revenue. Based on these reviews, VHFA may require additional security from the borrowers.

The land will be long-term leased to the partnership by the current owners, Richard Bove Sr. and Josephine Bove (the parents). The lease payment will be $48,000 with an annual adjustment for inflation. Assuming a land value of $800,000, the lease payment would represent a net return to the lessor of 6%. As this represents an identity-of-interest relationship, staff will look to the appraisal for a reasonable land value to justify the lease payments. Because of this lease arrangement, the development cost is lower than many other current projects.

The sponsors anticipate starting construction in October and completion by the end of next year. An as-completed appraisal has been ordered but not yet obtained. A Level I Environmental Site Assessment has been completed and no adverse site conditions were found. However, because of asbestos in the buildings there will need to be some remediation before demolition. VHFA will have a review of the plans and construction budget done for cost reasonableness. Yandow / Dousevicz will be the general contractor. Burlington Housing Authority will manage the tenant income qualification and tax credit compliance, and the BBI will do the daily property management. The pro forma budget is attached.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the resolution, and that the Board waive the VHFA Rules on Grants, Loans, and Advances as described in the resolution, and authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

Architect:	PROJECT NAME:		Sheet Title:	Scale
Colin P. Lindberg 208 Flynn Ave. Burlington, VT	**Pearl Street Development** **Design Development**	NOT FOR CONSTRUCTION		Date Layo


NEW POLE LIGHT
NEW CONCRETE SIDEWALK
PROPOSED SPOT ELEVATION
EXISTING CONTOUR
PROPOSED CONTOUR
EXISTING STORM
PROPOSED STORM
EXISTING SANITARY
PROPOSED SANITARY
EXISTING WATER
PROPOSED WATER
#58 N/F United States of America (Social Security)
9 SPACES
6 SPACES
6 SPACES
9 SPACES
12 SPACES
6 SPACES (COMPACT)
New CB #1
New CB #2
New CB #3
New CB #4
New CB #5
New CB #6
ex. chain link fence
6' chainlink fence with screening
Commercial loading and Boves "TAKEOUT" parking only
New bollard
New bollards
Rollout trash receptical
ex. 6' wood stockade fence
Relocate power lines.
New transformer
Covered entry
Begin new recessed curbing
New drive
New signal cabinet
New stopbar
New crosswalk
New sidewalk
#64 Boves Restaurant
Boves
N/F Boves
ex. basement entrance
GARAGE
N/F Taylor #23
N/F MOREAU #19
N/F Brennan #13
GEORGE STREET
ONE WAY
PEARL STREET
PINE STREET
to Battery St.
New traffic signals
ex. crosswalk
ex. stopbar
Begin new curbing
1 new space
Remove curb cut. Provide full concrete curb.
Ex. SMh A
Ex. SMh B
ex. pedestrian signal post
N/F State of Vermont
N/F Precourt Investment Company
#77 N/F Hinsdale
#83 N/F Hinsdale
N/F Roman Catholic Diocese
218
219
220

13-Sep-01	Victoria Place Apartments		SUMMARY/ASSUMPTIONS		
Run Date	07/24/01				
Total Residential Units:	34	Increase in Income from Rental Units:		1.50%	
Housing Credit Restricted Units:	34	Increase in Income from Other Sources:		1.50%	
Percent Restricted:	100.00%	Increase in Income from Commercial:		2.00%	
Total Development Cost:	4,209,854	Expense increase:		3.00%	
Total Residential Development Cost:	3,322,217	Vacancy Rate:		5.00%	
Total Residential Area	37,322	Partner's Tax Rate:		40%	
Total Residential Dev Cost Per SF:	89.01	Long Depreciation Schedule:		27.5	years
Max Credit Potential:	355,807	Short Depreciation Schedule:		7	years
Credit Amount Allocated:	327,243	Sponsor's Estimated Yield:	$	0.79	
LIHTC - 9%	8.25%	August 2001			
LIHTC - 4%	3.54%				

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,300,000	30.88%	8.75%	40	30
Other Debt		0.00%	0.00%	0	n/a
Other Debt		0.00%	0.00%	0	n/a
Developer Loan	327,354	7.78%	5.57%	DCR	168%
Historic Equity	0	0.00%			
Tax Credit Equity	2,582,500	61.34%			
TOTAL SOURCES	4,209,854	100.00%			

USES

Acquisition	51,850	1.23%	(Includes demolition)
Construction Hard Costs	3,162,000	75.11%	
Soft Costs	996,004	23.66%	
TOTAL USES	4,209,854	100%	

Gap (0)

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		Housing Cost	
0 Br	84,390	0	0	TDC	3,322,217
1 Br	90,140	15	1,352,100	Less Cash reserve	(8,613)
2 Br	95,890	18	1,726,020	Adjusted TDC	3,313,604
3 Br	101,637	1	101,637		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			3,179,757		
Projected total cost, excluding cash accounts			3,313,604	Cost Overage %	104.21%
		(over)/under	(133,847)		

General Partner's Capital Contribution		0.1000%	2,583
Limited Partner's Capital Contribution		99.9990%	2,582,474
Total Equity		100.0990%	

APPLICABLE FRACTION CALCULATION 2,582,634

Tax Credit Restricted Units	34
Total Units	34
Unit Fraction	100.00%
Tax Credit Square Footage	26,400
Total Residential Square Footage	26,400
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

13-Sep-01 **Victoria Place Apartments**

USES OF FUNDS

		Budget	Housing	Commercial
	ACQUISITION			
1	Land	0	0	0
2	Purchase of Building(s)	0	0	0
3	Demolition (without replacement)	45,000	32,298	12,702
4	Property Appraisal	3,350	2,404	946
5	Legal - Title and Recording	3,500	2,512	988
	Subtotal - Acquisition	51,850	37,214	14,636
	CONSTRUCTION HARD COSTS			
6	Rehabilitation			
7	New Building(s)	2,043,320	2,043,320	0
8	Accessory Buildings		0	0
9	Sitework	181,034	129,934	51,100
10	Commercial Space Costs (if any)	451,580	0	451,580
11	General Requirements		0	0
12	Contractor Overhead		0	0
13	Contractor Profit		0	0
14	Construction Contingency	160,000	114,837	45,163
15	Construction Management		0	0
16	Construction Bond Fee (LOC)	22,500	16,149	6,351
17	Window Treatments	6,000	4,306	1,694
18	Off-Site Improvements (Parking & Traffic	168,966	121,272	47,694
19	Furnishings, Fixtures, & Equipment	113,600	113,600	0
20	Other (Landscaping)	15,000	10,766	4,234
	Subtotal - Hard Costs	3,162,000	2,554,184	607,816
	SOFT COSTS			
21	Architectural	120,740	86,659	34,081
22	Engineering	12,500	8,972	3,528
23	Legal/Accounting	10,300	7,393	2,907
24	Relocation		0	0
25	Environmental Assessment	5,500	3,948	1,552
26	Energy Assessment		0	0
27	Permits/Fees	50,571	36,296	14,275
28	Independent Market Study		0	0
29	Construction Period Insurance	11,067	7,943	3,124
30	Construction & Bridge Interest	215,000	154,312	60,688
31	Construction Loan Origination Fee		0	0
32	Taxes During Construction	10,800	7,751	3,049
33	VHFA Contruction Inspection Fees	3,500	2,512	988
34	Marketing	1,500	1,077	423
35	Tax Credit Fees	14,726	14,726	0
36	Soft Cost Contingency		0	0
37	Permanent Loan Origination Fee	19,500	13,996	5,504
38	Lender's Counsel's Fee	5,000	3,589	1,411
39	Other (Audit/Cost Certification)	4,000	2,871	1,129
	SYNDICATION COSTS		0	0
40	Organizational (Partnership)	2,500	1,794	706
41	Bridge Loan Fees and Expenses		0	0
42	Syndication Consultant	15,000	15,000	0
43	Tax Opinion		0	0
	DEVELOPER'S FEES			
44	Developer's Fees	455,000	326,568	128,433
45	Other Partnership Fees		0	0
46	Consultant Fees	26,800	26,800	0
	RESERVES		0	0
47	Working Capital	12,000	8,613	3,387
48	Deficit Escrow funded by LOC		0	0
49	Other Operating Reserves		0	0
50	Sinking Fund		0	0
51	Replacement Reserves		0	0
	Subtotal - Soft Costs	996,004	730,818	265,186
	TOTAL DEVELOPMENT COSTS	4,209,854	3,322,217	887,637

####### Victoria Place Apartments

	CREDIT CALCULATIONS	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Commercial Basis	Other
				83.29%		16.71%	
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	3,350					
5	Legal - Title and Recording	3,500					
	Subtotal - Acquisition	51,850					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	2,043,320		2,043,320	2,043,320		
8	Accessory Buildings	0					
9	Sitework	181,034		123,128	123,128	24,697	
10	Commercial Space Costs (if any)	451,580					
11	General Requirements	0		0		0	
12	Contractor Overhead	0		0		0	
13	Contractor Profit	0		0		0	
14	Construction Contingency	160,000		133,269	133,269	26,731	
15	Construction Management	0		0		0	
16	Construction Bond Fee (LOC)	22,500		18,741		3,759	
17	Window Treatments	6,000		6,000		1,002	
18	Off-Site Improvements (Parking & Traffic Signa	168,966		0		0	
19	Furnishings, Fixtures, & Equipment	113,600		113,600	113,600	0	
20	Other (Landscaping)	15,000		12,494		2,506	
	Subtotal - Hard Costs	3,162,000					
	SOFT COSTS						
21	Architectural	120,740		100,568	100,568	20,172	
22	Engineering	12,500		10,412	10,412	2,088	
23	Legal/Accounting	10,300		8,579	8,579	1,721	
24	Relocation	0		0	0	0	
25	Environmental Assessment	5,500		4,581	4,581	919	
26	Energy Assessment	0		0	0	0	
27	Permits/Fees	50,571		42,122	42,122	8,449	
28	Independent Market Study	0		0	0	0	
29	Construction Period Insurance	11,067		9,218	9,218	1,849	
30	Construction & Bridge Interest	215,000		179,081	179,081	35,919	
31	Construction Loan Origination Fee	0		0	0	0	
32	Taxes During Construction	10,800		8,996	8,996	1,804	
33	VHFA Contruction Inspection Fees	3,500		2,915	2,915	585	
34	Marketing	1,500			0		
35	Tax Credit Fees	14,726		14,726	14,726		
36	Soft Cost Contingency	0		0	0	0	
37	Permanent Loan Origination Fee	19,500			0		
38	Lender's Counsel's Fee	5,000			0		
39	Other (Audit/Cost Certification)	4,000		4,000	4,000		
	SYNDICATION COSTS						
40	Organizational (Partnership)	2,500					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	15,000					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	455,000		455,000	455,000		
45	Other Partnership Fees	0					
46	Consultant Fees	26,800		26,800			
	RESERVES						
47	Working Capital	12,000					
48	Deficit Escrow funded by LOC	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	996,004					
	TOTALS	4,209,854	0	3,317,551	3,139,916	132,200	
LESS:	Amount of Non-qualified Financing			0			
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0		
	Total Eligible Basis		0	3,317,551			
TIMES:	Adjusted for QCT/DDA	130.0%		4,312,817			
TIMES:	Applicable Fraction	100.00%	0	4,312,817	3,272,551	Long Term Depreciable Basis	
	Total Qualified Basis		0	4,312,817	27.5	Depreciation Schedule	
TIMES:	Applicable Percentage		3.54%	8.25%	119,002	Annual Depreciation	
	Total Annual Credit Qualified			**355,807**	158,600	Short Term Depreciable Basis	
					7	Depreciation Schedule	
	Total Tax Credits Awarded	***327,243***		28,564	22,657	Annual Depreciation	
	Estimated Net Syndication Proceeds (excluding historic credit equity)	2,582,634		285,644	132,200	Commercial basis	
	Estimated Yield - Housing Credit Syndication	$ 0.790		225,659	40	Depreciation Schedule	
	Equity Gap	0			3,305	Annual Depreciation	
	Credits Needed to fill Equity Gap	0			**122,307**	**Total Long**	
					22,657	**Total Short**	

13-Sep-01 **Victoria Place Apartments**

RENT SUMMARY

RESIDENTIAL RENT Bedrooms	Average Square Feet	Number	Gross Rent	Utilities	Net Rent	Total Annual Rent
0 Br		0				0
1 Br	600	15	623	23	600	108,000
2 Br	900	18	750	30	720	155,520
3 Br	1,200	1	858	38	820	9,840
4+ Br		0	0			0
	26,400	34				273,360
		Less Vacancy	5.00%			(13,668)
				NET RESIDENTIAL RENT		**259,692**

COMMERCIAL RENT

Commercial Space	8,000
Rent per Square Foot	$ 12.00
Gross Commercial Rent	96,000
Vacancy rate	25%
NET COMMERCIAL RENT	**72,000**

Maximum LIHTC Limit	HUD: 04/06/01		
	1 BR	2BR	3BR
For 60% MAI	625.00	750.00	867.00
Less Utility Allowances	(23.00)	(30.00)	(38.00)
Maximum Net Rents	602.00	720.00	829.00
Proposed Rents	600.00	720.00	820.00

TOTAL NET INCOME **331,692**

Utility Allowances	BHA	06/01/00		
High Efficiency/MultiFam	Fuel Type	1BR	2BR	3BR
Heating	Nat Gas	Owner	Owner	Owner
Cooking	Electric	3.00	4.00	5.00
Other Electric	Electric	20.00	26.00	33.00
Water Heating	Nat Gas			
Trash	n/a	Owner	Owner	Owner
Total Utility Allowance		**23.00**	**30.00**	**38.00**

13-Sep-01 **Victoria Place Apartments**

OPERATING EXPENSES

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee/Residential	13,668	1,139	34	5.0%
Management Fee/Commercial	0	0	0	0.0%
Supportive Services	0	0	0	
Audit/Accounting	3,500	292	9	
Legal	500	42	1	
Compliance Monitoring	1,632	136	4	
Marketing	250	21	1	
Other	500	42	1	
TOTAL ADMINISTRATIVE	20,050	1,671	49	
Utilities				
Electricity	3,000	250	7	
Fuel	15,984	1,332	39	
Water and Sewer	12,500	1,042	31	
Fire Alarm / Emergency	500	42	1	
City Inspection Fee	2,550	213	6	
TOTAL UTILITIES	34,534	2,878	85	
Maintenance				
Maintenance / Janitor Payroll	6,500	542	16	
Janitor Supplies	750	63	2	
Exterminating		0	0	
Trash Removal	4,800	400	12	
Snow Removal	500	42	1	
Grounds		0	0	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,500	208	6	
Painting and Decorating	750	63	2	
Other	2,460	205	6	
TOTAL MAINTENANCE	18,260	1,522	45	
Real Estate Taxes	45,000	3,750	110	per unit month excl. ds & res. 301.33
Property Insurance	5,100	425	13	
Replacement Reserves	11,900	992	29	
Primary Debt Service	117,339	9,778	288	
Other "must pay" debt service		0	0	
Other		0	0	
Total	252,183	21,015	618	

13-Sep-01		Victoria Place Apartments														
CASH FLOWS	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		8.71%	6.40%	345,360	24,175											
Operating Income																
Gross Rent		273,360	277,460	281,622	285,847	290,134	294,486	298,904	303,387	307,938	312,557	317,245	322,004	326,834	331,737	336,713
Other Income		72,000	73,440	74,909	76,407	77,935	79,494	81,084	82,705	84,359	86,047	87,768	89,523	91,313	93,140	95,002
Vacancy and other losses		(13,668)	(13,873)	(14,081)	(14,292)	(14,507)	(14,724)	(14,945)	(15,169)	(15,397)	(15,628)	(15,862)	(16,100)	(16,342)	(16,587)	(16,836)
Total Operating Income		331,692	337,027	342,450	347,961	353,563	359,256	365,042	370,923	376,901	382,976	389,151	395,427	401,806	408,290	414,880
Operating Expenses																
Total Expenses (excl. Reserves)		122,944	126,632	130,431	134,344	138,375	142,526	146,802	151,206	155,742	160,414	165,226	170,183	175,289	180,547	185,964
Lease	3.00%	48,000	49,440	50,923	52,451	54,024	55,645	57,315	59,034	60,805	62,629	64,508	66,443	68,437	70,490	72,604
Reserves		11,900	12,079	12,260	12,444	12,630	12,820	13,012	13,207	13,405	13,606	13,810	14,018	14,228	14,441	14,658
Total Operating Expense		182,844	188,151	193,614	199,239	205,029	210,991	217,128	223,447	229,952	236,649	243,545	250,644	257,953	265,478	273,226
Net Operating Income		148,848	148,877	148,836	148,723	148,534	148,265	147,914	147,477	146,949	146,326	145,606	144,783	143,853	142,811	141,654
Less Primary Debt Service		117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339
Bank-calculated DCR(NOI plus Lease)*		167.76%	169.01%	170.24%	171.45%	172.63%	173.78%	174.90%	176.00%	177.05%	178.08%	179.07%	180.01%	180.92%	181.78%	182.60%
SLP Local Administrative Fee	3.00%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Net Cash		26,509	26,388	26,193	25,920	25,567	25,130	24,605	23,989	23,276	22,464	21,548	20,523	19,385	18,130	16,752
Repayment of Developer's Loan		26,509	26,388	26,193	25,920	25,567	25,130	24,605	23,989	23,276	22,464	21,548	20,523	19,385	18,130	16,752
ess General Partner's Supervisory Management Fee		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Annual Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash to LP	49.90%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash to GP	**50.10%**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Total Cash to GP		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
*Lease subordinated to mortgage payment																
Cumulative Replacement Reserves																
Beginning Balance		0	11,900	24,217	36,961	50,143	9,566	22,577	36,041	49,969	64,374	11,890	25,938	40,475	55,512	71,064
Deposits		11,900	12,079	12,260	12,444	12,630	12,820	13,012	13,207	13,405	13,606	13,810	14,018	14,228	14,441	14,658
Interest	2.0%	0	238	484	739	1,003	191	452	721	999	1,287	238	519	809	1,110	1,421
Withdrawals		0	0	0	0	(54,210)	0	0	0	0	(67,377)	0	0	0	0	(74,071)
Ending Balance		11,900	24,217	36,961	50,143	9,566	22,577	36,041	49,969	64,374	11,890	25,938	40,475	55,512	71,064	13,071
After Tax Cash Flows																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		148,848	148,877	148,836	148,723	148,534	148,265	147,914	147,477	146,949	146,326	145,606	144,783	143,853	142,811	141,654
Plus Reserves		11,900	12,079	12,260	12,444	12,630	12,820	13,012	13,207	13,405	13,606	13,810	14,018	14,228	14,441	14,658
Less Interest Expense		(131,836)	(131,035)	(130,184)	(129,283)	(128,332)	(127,333)	(126,286)	(125,190)	(124,048)	(122,860)	(121,626)	(120,349)	(119,028)	(117,666)	(116,264)
Less Long Depreciation		(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)
Less Short Depreciation		(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(116,052)	(115,044)	(114,052)	(113,081)	(112,133)	(111,212)	(110,324)	(86,814)	(86,001)	(85,234)	(84,517)	(83,855)	(83,254)	(82,720)	(82,259)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		46,421	46,018	45,621	45,232	44,853	44,485	44,129	34,725	34,401	34,094	33,807	33,542	33,302	33,088	32,904
Plus Net Sales Proceeds																
Plus Tax Credits		327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243					
After Tax Cash Flow		373,664	373,261	372,864	372,475	372,096	371,728	371,372	361,968	361,644	361,337	33,807	33,542	33,302	33,088	32,904

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR VICTORIA APARTMENTS, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Bove Brothers, Inc. (the “Sponsor”) on behalf of a to be formed limited partnership in which the Sponsor or its subsidiaries will be the general partner(s) (the “Borrower”) involving the construction of thirty four (34) 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 or taxable bonds (the “Bonds”) to finance a loan to the Borrower;

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds;

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 Joe Erdelyi dated September 13, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for occupancy by 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 to be served by 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, transitional or emergency housing for persons and families of low and moderate income.

5. The Sponsor is financially responsible and the Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

6. More than half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income; and

7. The non-housing facilities to be acquired and/or rehabilitated or constructed in connection with the Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the lease of the dwelling units economically feasible for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. After due consideration of the Memorandum, the Board hereby grants a waiver to the rehabilitation requirement under Chapter Four of the Grants, Loans, and Advances rules of the Agency for the new construction of the Development to avoid the undue hardship that compliance with the rehabilitation requirement would cause the Sponsor.

2. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

3. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as representative of the Borrower. 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 issuance of the Bonds for the purpose of financing one or more loans to the Borrower 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.

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

6. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate

7. for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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, Willimastown, Vermont, on September 20, 2001.

Sarah E. Carpenter

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

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Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners

From: Dave Adams, Chief of Program Operations

Date: September 13th, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATIONS:

Loan purchases during the month of August totaled $8.6 million with year to date production at $13.5 million. Our Cash Assistance Option comprises 30% of our total loans since the inception of the program, but is trending quickly toward 50% of our more recent reservations. New program rates were announced on September 10th, and will be followed by a State-wide media campaign of radio and newspaper adds shortly, with a higher concentration of adds in Southern Vermont. A copy of our new rate sheets is attached for a complete listing of our program rates and options.

Work on loan servicing consolidation continues with completion of the transfer of the Graystone portfolio at the end of August. We have chosen to delay transfer of the Passumpsic, First Brandon and Wells River portfolio's due to timing issues at their end. We are now looking at a transfer of these three portfolios on December 1st. In response to our letter to Charter One putting them on notice of default of our Servicing Agreement, they have requested a teleconference that is scheduled for Friday, September 21st, to discuss our options.

COLLECTIONS:

Delinquency reports were not available at the time of this report and will be handed out for discussion at the Board meeting. Our REO portfolio has 14 properties, with principal balances totaling $719,000, of which 7 are under contract. Although we are only a couple of months into FY2002, losses appear to be well within our projections and with a few exceptions, we have been able to move REO's off our books in a relatively short period.

VHFA Production Report by Product FY 2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	$4,897,229	$8,307,876											13,205,105
HOUSE	$0	$162,365											162,365
YESS	$0	$0											0
RURAL DEV.	$23,800	$126,730											150,530
Total	$4,921,029	$8,596,971	0	0	0	0	0	0	0	0	0	0	13,518,000
MOBILE HOME	$309,300	$835,015											1,144,315

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,948,719	6,245,359	6,779,574	5,508,307	6,186,222	7,576,798	4,377,870	1,986,485	2,581,182	2,509,617	1,798,548	4,287,862	56,786,543
HOUSE	142,750	55,000	221,600	89,165	124,500	195,500	99,000	97,000	162,750	125,500	199,000	0	1,511,765
YESS	157,150	100,000	0	170,450	217,455	246,629	126,675	114,820	0	0	0	0	1,133,179
RURAL DEV.	139,900	64,180	57,360	26,640	48,300	54,560	100,500	71,520	0	0	16,000	31,660	610,620
Total	7,388,519	6,464,539	7,058,534	5,794,562	6,576,477	8,073,487	4,704,045	2,269,825	2,743,932	2,635,117	2,013,548	4,319,522	60,042,107
MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,093,304	508,419	161,900	700,457	121,235	308,713	615,715	6,351,514

VHFA Production Report: Dollar volume by lender FY2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$882,050	$1,869,045											$2,751,095
NEFCU	$144,050	$1,199,150											$1,343,200
BANKNORTH	$452,575	$626,300											$1,078,875
UNIVERSAL	$374,625	$391,000											$765,625
SUMMIT	$374,100	$362,445											$736,545
PEOPLES TRUST	$277,055	$357,937											$634,992
MTG FINANCIAL	$280,470	$270,000											$550,470
NORTHFIELD	$249,000	$268,295											$517,295
COMMUNITY	$95,545	$381,450											$476,995
FACTORY	$236,235	$231,900											$468,135
UNION	$226,900	$211,900											$438,800
CHARTER ONE	$0	$431,550											$431,550
CTX	$296,054	$106,400											$402,454
HERITAGE FCU	$164,400	$159,125											$323,525
BNK OF BENN	$161,720	$89,900											$251,620
BRATTLEBORO	$0	$249,500											$249,500
NCFCU	$152,800	$95,000											$247,800
GMAC	$225,650	$0											$225,650
CITIZENS	$63,000	$147,700											$210,700
CT RIVER	$73,000	$137,500											$210,500
VT STATE ECU	$0	$174,363											$174,363
LYNDONVILLE	$63,500	$102,125											$165,625
VHFA (RD)	$23,800	$126,730											$150,530
WELLS FARGO	$52,500	$95,000											$147,500
NAT'L BNK MIDDL	$52,000	$65,075											$117,075
VDCU	$0	$113,176											$113,176
KITTREDGE	$0	$85,500											$85,500
N.E. HOME LOAN	$0	$69,355											$69,355
WELLS RIVER	$0	$66,500											$66,500
FIRST COMMUNITY	$0	$63,050											$63,050
FIRST BRANDON	$0	$50,000											$50,000
CITIMORTGAGE, I	$0	$0											$0
MASCOMA	$0	$0											$0
PASSUMPSIC	$0	$0											$0
NAT'L CITY MTG	$0	$0											$0
BEACON MTG	$0	$0											$0
VT FEDERAL CU	$0	$0											$0
TOTAL	$4,921,029	$8,596,971	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$13,518,000

VHFA Production Report (Number of loans) FY2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	11	21											32
NEFCU	2	14											16
BANKNORTH	5	7											12
UNIVERSAL	4	5											9
SUMMIT	4	4											8
UNION	4	3											7
PEOPLES TRUST	3	4											7
MTG FINANCIAL SR	3	4											7
VHFA (RD)	1	6											7
NORTHFIELD	3	3											6
FACTORY	3	3											6
COMMUNITY	1	5											6
HERITAGE FCU	3	2											5
CHARTER ONE	0	5											5
CTX	3	1											4
GMAC	3	0											3
BNK OF BENN	2	1											3
NCFCU	2	1											3
CITIZENS	1	2											3
CT RIVER	1	2											3
VT STATE ECU	0	3											3
LYNDONVILLE	1	1											2
NAT'L BNK MIDDLE	1	1											2
WELLS FARGO	1	1											2
VDCU	0	2											2
BRATTLEBORO	0	2											2
KITTREDGE	0	1											1
N.E. HOME LOAN	0	1											1
WELLS RIVER	0	1											1
FIRST COMMUNITY	0	1											1
FIRST BRANDON	0	1											1
CITIMORTGAGE, IN	0	0											0
MASCOMA	0	0											0
PASSUMPSIC	0	0											0
NAT'L CITY MTG	0	0											0
BEACON MTG	0	0											0
VT FEDERAL CU	0	0											0
TOTAL	62	108	0	0	0	0	0	0	0	0	0	0	170

REO INV[illegible]TORY REPORT
As of August 31, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 6/30/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 7,566	$ 6,764	$ 47,761	$ (5,100)	$ 47,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Have Offer Contingent upon boundary agreement with adjoining prop.
Dudley	3/9/01	Newport City	$ 62,473	$ 3,968	$ 6,667	$ -	$ 73,108	$ 108	$ 28,000	$ 44,000	5/16/01	$ 65,500	6/16/95	SF	Property sold on 9/4/01; RD Guaranteed
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 7,889	$ 9,600	$ 45,879	$ 27,844	$ 15,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	No Activity; Poor Condition; Price Reduced to target investor market
Deschamps	5/22/01	Richford	$ 57,352	$ 4,216	$ 7,161	$ 14,209	$ 54,520	$ 2,828	$ 45,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Under Contract $58,000; Closing 9/14/01
Brown	6/1/01	Barre	$ 49,398	$ 5,360	$ 9,271	$ 11,280	$ 52,749	$ 12,934	$ 45,000	$ 46,000	2/8/01	$ 59,000	6/24/92	SF	Under Contract $ 45,000; Closing November 6, 2001
Laughlin	6/7/01	Pittsford	$ 42,210	$ 6,898	$ 7,531	$ -	$ 56,639	$ -	$ 115,000	$ 112,500	7/25/01	$ 87,000	8/17/87	SF	Under Contract $115,000. Closing Nov 12, 2001.
Blomquist	6/11/01	Rochester	$ 37,235	$ 5,692	$ 4,761	$ 3,422	$ 44,266	$ -	$ 45,000	$ 43,000	7/17/01	$ 53,000	7/8/86	SF	Rec'd Offer Conditions unacceptable to VHFA; back on market
Reed-Mason	6/11/01	Castleton	$ 54,196	$ 5,712	$ 7,348	$ 12,200	$ 55,056	$ 23,669	$ 40,000	$ 38,500	4/11/01	$ 63,000	2/8/94	SF	Under Contract $40,000; Closing 9/11/01
Lucas	6/22/01	North Troy	$ 32,477	$ 1,773	$ 3,816	$ -	$ 38,066	$ 4,689	$ 43,000	$ 43,000	6/27/01	$ 38,000	5/2/96	SF	RD Guaranteed; Price reduction if not under deposit by 9./30
Bezanson	7/13/01	Bellows Falls	$ 46,245	$ 2,236	$ 4,532	$ 11,750	$ 41,263	$ -	$ -	$ 53,000	8/9/01	$ 65,000	9/25/98	Condo	Waiting for MA to list; Code Violations corrected
Griggs	7/20/01	Newport City	$ 48,483	$ 3,485	$ 3,847	$ 3,419	$ 52,396	$ -	$ 29,500	$ 28,000	7/18/01	$ 57,000	9/23/92	SF	Price reduction if not under deposit by 9/30
Whittier	8/2/01	Canaan	$ 65,674	$ 3,243	$ 2,197	$ 7,269	$ 63,845	$ -	$ -			$ 65,000	12/9/93	SF	Property is Tenant Occupied; Writ Served
Gagne	8/13/01	Highgate	$ 73,666	$ 13,250	$ 3,222	$ 22,000	$ 68,138	$ -	$ 60,000	$ 50,000	8/22/01	$ 80,000	4/27/95	SF	Under Contract $ 60,000; Closing October 31, 2001
Nelson	8/23/01	Rutland City	$ 63,414	$ 7,114	$ 1,778	$ 19,000	$ 53,306	$ -	$ 54,000	$ 54,000	8/13/01	$ 70,000	7/10/95	SF	Under Contract $54,000
14			$ 719,069	$ 71,250	$ 77,586	$ 120,913	$ 746,992	$ 66,972	$ 566,500	$ 647,000		$ 866,000			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

Effective Monday, September 10, 2001, VHFA's interest rates will be as follows:

MOVE	HOUSE STEPPED RATES	YESS STEPPED RATES
0 Points - Cash Assistance 6.75% Fixed Rate	Cash Assistance Option Not Available	Cash Assistance Option Not Available
0 Points 6.30% Fixed Rate **0 Points - Stepped Rate** 5.55% Years 1-3 6.55% Years 4-30	**0 Point** 5.05% 1st Year 5.55% 2nd Year 6.05% 3rd Year 6.55% Years 4-30	**0 Point** 5.05% 1st Year 5.55% 2nd Year 6.05% 3rd Year 6.55% Years 4-30
1 Point 6.15% Fixed Rate **2 Points** 6.00% Fixed Rate	**1 Point** 4.90% 1st Year 5.40% 2nd Year 5.90% 3rd Year 6.40% Years 4-30	**1 Point** 4.90% 1st Year 5.40% 2nd Year 5.90% 3rd Year 6.40% Years 4-30

VHFA's new interest rates will be applied to reservations received **on and after 8:00 a.m. Monday, September 10, 2001.** When reserving funds, please be sure that the Reservation Form faxed to VHFA includes the interest rates and points.

All funds reserved prior to the effective date will remain at the interest rate assigned at the time of reservation. We request that you notify all appropriate staff of these changes.

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Vermont Housing Finance Agency

To thank our lending partners for another successful year,
we will be hosting luncheons across Vermont.

Please join us at one of the following locations.
All lunches begin at 12:00 noon

Riverview Café, Brattleboro
Monday, September 10
RSVP by August 29

Mulligans, Newport
Wednesday, October 3
RSVP by September 24

Moose Crossing, Manchester
Wednesday, October 24
RSVP by October 15

South Station, Rutland
Tuesday, September 25
RSVP by September 14

Holiday Inn, Waterbury
Wednesday, October 17
RSVP by October 8

Sheraton, South Burlington
Tuesday, October 30
RSVP by October 22

Reply early to get your choice of location (some restaurants have limited space).

❖ *RSVP to Kelly Deforge (802) 652-3427 or email kdeforge@vhfa.org; or Patty Harvell (802) 652-3461 or email pharvell@vhfa.org.*

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MEMORANDUM

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director JC

DATE: September 20, 2001

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

As you all know, Holly Keough is on board as the new HR/Office Administrator. She comes to VHFA most recently from VT Women's Business Center where she was the Project Director. Prior to the Vermont Women's Business Center, Holly worked at KeyBank in an administrative capacity within the Commercial and Small Business Loan divisions for 14 years. In this capacity, she organized a variety of programs and events, served as the project coordinator for the Small Business Information Center and provided technical and organizational support to several vice presidents.

The Information Systems (IS), Development and Multifamily Management departments are gearing up for the upcoming Mitas conversion of the Multifamily module. Training sessions will commence in mid-October with conversion to be completed hopefully by yearend. This will complete the DOS to Windows conversions for the Mitas Software.

We recently advertised for the Research Analyst position vacated in late July by Leslie Black-Plumeau. We hope to have someone on board by late October.

Homeownership Programs

Our new single family rates went into effect as of September 10th. Our 30 year fixed rate loan with no points is at 6.30% with our Cash Assistance Option at 6.75%. A media advertising campaign will be well underway by the time of the Board meeting. This media campaign is intended to promote our new rates and at the same time, increase exposure for VHFA and our programs throughout the State. Reservations during the first few days of the new program were in excess of $1 million. The cash assistance option continues to grow as a percent of our reservations to between 30 and 50%.

Lender lunches have begun around the State with the first on held in Brattleboro on September 10th. Our next one will be held on September 25th in Rutland at South Station. The Board is invited to attend these lunches and we hope your busy schedules will allow you time to join our staff. These lunches provide us the opportunity to say Thank You to our participating lenders, recognize our top producing originators in each region, and provide us with helpful information on areas we can focus on for improvement. Feedback from our first lunch was very positive. We have been able to provide 24 hour

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

approvals again with the additional underwriter at MGIC. Lenders are pleased with this, but continue to have a high priority on approval time and ease of process.

The Vermont Association of REALTORS held their annual conference in Burlington on September 13th and 14th. Kelly Deforge and Jacklyn Santerre manned our booth, with Kelly participating in a panel discussion on loan programs during the conference. VHFA also sponsored a portion of the reception on Thursday evening.

VHFA will be an underwriting sponsor of the Better Homes Awards for both the Northern Home Builders and Remodelers Association to be held on September 26th, in Burlington, and the Southern Vermont Home Builders and Remodelers Association to be held in Rutland in November.

Pat Crady, Jacklyn Santerre and Kelly Deforge will be attending a meeting, held in Maine, with all of New England Housing Finance Agencies during October. These meetings have proven to be extremely valuable in comparing programs, policies and procedures as well as trends in our industry that are specific to New England.

Multifamily Management

The Multifamily Management staff mailed the 2002 Operating Budget packets on September 4th. "A sure sign of the end of summer." We have had much success with our initial year of accepting electronic transmission of budgets and we anticipate even more of our owners and property managers will utilize this convenient option. Our Budget Form 805, its Supplement and Instructions can be found on our VHFA website. Check it out!

We continue to work toward our conversion to the windows-based Mitas system. The staff is now beginning to test some of the data that was initially converted last month. Formal training is scheduled for October 19th, at which time we hope to quantify as best we can the systems capabilities, work around and long term use of the software for the Multifamily/Development areas.

Sam Falzone, Anne Marie and John will be attending the annual New England Housing Finance Agency Multifamily Management Conference on October 11th and 12th in Massachusetts. This is a unique and therefore invaluable opportunity to share information and ideas with our peers from throughout the six New England states.

Development

The Development Department is gearing up for the second tax credit allocation round, which will have many diverse issues to be considered. Many recently-closed projects are steaming along under construction, and aside from the usual change orders there appear to be no show-stopping concerns. Bove's, Falcon Manor, Maples II, and Smith's Housing are all working towards closings and the next multifamily bond issue. Marketplace continues to push its way through the Act 250 appeal process, although no specific timetable is known at this time.

Finance

The past month was spent in completing the audit work and wrapping up the $12.9 multi-family bond financing sold in July and continuing work on the Single Family financing sold on August 16th. The single family financing closed just after Labor Day. The terrible events that took place in New York and Washington earlier this week are examples of things that could cancel a bond closing after a sale. Our transaction was closed last week. We have been reviewing proposals from financial advisors, which is covered in a report to the Board. We have an agreement in principle with Key Bank to purchase our short term unrated bonds, which allows a portfolio of $10 million.

Other

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: September 14, 2001

RE: **Meeting Schedule**

2002 Board Meeting Schedule
It's that time of year again and we need to start planning for 2002. I would like to spend some time during the September 20th Board meeting discussing options for Board meetings during 2002.

The current schedule for meetings is the third Thursday of the month. Some suggestions for times going forward are to move the meetings to Monday's or Friday's while the legislature is in session and to change the time from afternoon to morning. Other suggestions are also welcome!

Remaining 2001 Board Meetings
The Joint Tax Credit Committee/Board meeting is tentatively set for October 24th. We will notify you of the time and place once confirmed.

There is no meeting currently set for November. If any business is necessary, we hope to cover it at the October meeting or by phone.

The December meeting is the morning of December 14th in Burlington. The staff Christmas luncheon will follow and you are most welcome to attend.

Please bring your calendars to the meeting so we can firm up a schedule for 2002.

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VHFA Board Minutes
Vermont Housing Finance Agency
VT Association of Realtors
148 State Street
Montpelier, VT

Thursday, November 15th, 9:00AM

PRESENT: Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Karen Lafayette, Gus Seelig
Staff: Sarah Carpenter, Pat Loller, Holly Keough, Roger Schoenbeck, David Adams, Pat Crady, Cindy Reid, Elizabeth Mullikin Drake

MINUTES

Ms. Carpenter handed out the annual report, which is in a calendar form this year. Credit for producing the calendar was given to Mr. Bailey of the Public Affairs Department.

Ms. Carpenter handed out and discussed a survey on construction costs done by the Housing & Conservation Board. She noted that construction costs have increased dramatically resulting in an overall increase in project cost.

Chairperson Randall called the meeting to order at 9:12AM.

Ms. Canney made a motion to approve the September 20, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

DEVELOPMENT

Farrell St. (Marketplace), So. Burlington
Ms. Reid stated that the Marketplace project will not be ready for Board review until the December Board meeting. The budget changed after the board mailing due to a change in pricing.

The foundation design is being reviewed by an independent engineer and an opinion will be provided in the next couple of weeks because there is concern with Code that the foundation footings are not under the frost level. The area that is of concern is at the entrance of the parking garage.

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Ms. Beyer asked why there were two separate permanent loans on each project, to which it was replied that one loan per project matched the ten-year term of Section 8 income.

No action was needed at this time.

Moose River, St. Johnsbury
Ms. Reid presented this project based on her memorandum to the Board.

The project has state tax credits and is now seeking Federal Home Loan Bank Affordable Housing Program (AHP) funding. That decision will be made on 11/28. VHCB and VCDP have both provided contingent commitments should the project not receive an AHP award.

NCMC will be managing the project as they are now. Ms. Beyer asked if there were any issues with NCMC management. Ms. Carpenter stated there was nothing specific to report on NCMC except that they have been struggling financially.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Mr. Candon. The resolution passed unanimously.

HOMEOWNERSHIP
Ms. Crady reviewed the Summary of Homeownership Activities.

Ms. Crady stated that Homeownership is on track with the budget, though production is a little slower currently. Loan purchases are at $28.5 million. Lenders purchase activity slowed after 9/11 though it is starting to get back to normal. Rutland County is strong, which Ms. Canney confirmed, but said that Bennington County is not doing as well.

Ms. Crady stated that VHFA is watching the conventional rate point spread, though she doesn't recommend adjusting the Agency's rates downward until after the first of the year.

Ms. Canney stated that many real estate brokers are suggesting 15-20 year mortgages due to the low rates and wondered if VHFA should be offering a similar product. Ms. Crady stated that most of VHFA's borrowers need a long term to keep the payment lower. Though VHFA will need to do some analysis on how many of our borrowers would have qualified for a 15 year product. The other issue is that this could affect the bond issue and would need to be looked at closely. Ms. Carpenter thought that a 15-20 year mortgage is usually more popular in refinances. Discussions ensued around the different ways that VHFA could meet consumer needs. Ms. Randall also suggested that VHFA may want to look at price limits in January in conjunction with qualifications for 15-20 year loan product analysis.

Ms. Crady stated that delinquency rates as of September 30, 2001 have increased and that this is part of a normal fall cycle. (Delinquency rates as of October 31, 2001 were much lower than the September 30th levels.)

VHFA's total portfolio has declined due to refinances. To offset this VHFA needs to continue to offer good programs to add new good loans. Ms. Carpenter suggested that a study be done on who is paying off and why. This may help VHFA understand what needs to be done to keep this business. Mr. Adams will look into this. Mr. Adams discussed the fact that this year prepays are averaging 12-16%, which is 2.5 times higher than normally expected prepay rates. To which Mr. Schoenbeck responded that it was not time for alarm yet.

Ms. Crady stated that the Loan Origination Procedural Guide went out last week and is also online. Homeownership is working on an online reservation form.

With the release of the new procedural guides, several changes will become effective December 3, 2001. Those changes include: 1. Requiring title insurance on all loans; 2. Offering 100% financing to borrowers with credit scores of 700 and above (previously VHFA required a credit score of 720); 3. Offering 97% financing to borrowers with credit scores of 660 or above (previously VHFA required a credit score of 680).

Homeownership also rolled-out a limited refinance program to help people refinance debt on mobile homes and also refinance loans secured by property with shared appreciation requirements. The interest rate will be 8.75% for a zero point loan. This program will greatly benefit household who have interest rates on their mobile home loans of 12% to 14%; however, the feedback we are getting from nonprofits is that we probably won't see a lot of activity in refinancing of shared appreciation properties due to the 8.75% interest rate. VHFA will begin to accept reservations for this loan on Monday, December 3rd. The refinance program is being financed with a taxable bond. Expected level for the first year is $1-1.5 million. Ms. Crady stated that a list of eligible mobile home parks will be available on the VHFA website and that the list has been given to the lenders. Ms. Drake stated that the perfection of the loan would be a mortgage and UCC's. Ms. Beyer feels that this will need to be marketed well. Mr. Seelig stated that this kind of refinancing is a great start for this hard market and would suggest that we market to resident associations. Kelly Deforge is doing regional training of lenders on both the program changes and the new refinance program. After lenders are trained we will begin an outreach and marketing plan to consumers.

Ms. Crady reviewed the delinquency levels stating that VHFA is in decent shape at this time. Ms. Crady also pointed out that VHFA's loss on the former Balestra property is expected to be approximately $68 thousand. The property was in extremely poor condition and cleanup costs were estimated to be $10-15 thousand. VHFA accepted a cash offer for the property in "as is" condition. Two issues were brought up by Board members were concerns about bad appraisals and the need for septic inspections. Ms. Crady stated that the need septic inspections should be part of the educational process during homeownership classes.

Mr. Adams discussed the purchase of servicing. Passumpsic Savings Bank decided not to sell their servicing, we have rescinded the offer. First Brandon has issues with some of the terms of the purchase agreement, so we are not sure where this is going. Wells River Savings Bank has been completed. Charter One has a big portfolio that Graystone is evaluating and we will be reviewing to make an acquisition offer. Mr. Adams announced the hiring of Ingrid Malmgren as the Research Analyst.

FINANCE

Multifamily Bond Financing
Mr. Schoenbeck stated that there have been two calls with the bond working group in regard to the public offering of multi-family bonds. The Farrell St. project deferral has delayed the bond issue because this project comprises $13 million of the total issue. The rates are very low now. VHFA plans to send out offering statements to have a sale in mid-January with a closing at the end of January. Until the bond issuance, the projects, other than Farrell St. will be temporarily funded internally.

Mr. Seelig questioned Ms. Beyer, who is on the VT Community Loan Fund board, whether they could be creative in covering the one month funding need before VHFA bond issuance. Ms. Beyer stated that VT Community Loan Fund has only $500 thousand that may be available and accessibility is questionable. Ms. Carpenter stated that we might look into this because it may help the VT Community Loan Fund meet their match requirements to draw down Federal CDFI funds. Mr. Schoenbeck mentioned that the Vermont Community foundation could possible do some funding. Also noted was the change in the board memo regarding the bond amount, which has increased from $15 million to $21 million.

Additional Board Allocation of Volume Cap
Ms. Drake presented her write up on Additional Board Allocation of Volume Cap and stated that VHFA needs to make the designated allocation for its IRS filing at year end. There are varying rules on volume cap carry over. Ms. Carpenter stated that generally industrial revenue bonds cannot be carried over at year end, but there will be more discussions on the subject of organizational volume cap carryovers with the other issuing agencies.

Resolutions
Ms. Drake presented the General Authorizing Resolution to Finance Multifamily Projects and a resolution regarding Federal Home Loan Bank Signatory Authority.

Ms. Beyer made the motion to accept the General Authorizing Resolution to Finance Multifamily Projects and the $5 million increase for a total of $15 million. Mr. Candon seconded the motion and it was approved unanimously.

Mr. Seelig made the motion to accept the Federal Home Loan Bank Signatory Authority Resolution. Mr. Candon seconded the motion and it was approved unanimously.

General discussion continued around the issue of Volume Cap. Ms. Carpenter stated that the state's annual allocation increases to $225 million. This would probably be split among VEDA, VSAC, the Municipal Bond Bank and VHFA. Ms. Carpenter has learned that the Winooski project has changed its housing developer. Ms. Beyer stated that she will push the Winooski on their plans to use bond cap and that this project should be part of the 2002 funding plan. It was suggested that perhaps not all the bond cap be allocated pending discussions with Winooski. Ms. Beyer suggested that VHFA needs to raise the issue with the emergency board regarding use of the increased bond cap for Winooski Housing. Ms. Carpenter stated that perhaps VHFA should offer again to have them apply for a loan to do the market study. Ms. Lafayette said that she could approach the City of Winooski as middleperson.

Quarterly Financial Report

Mr. Schoenbeck reviewed the general fund budget financial reports and stated that he will have the full financials in the mail to the Board by Thursday. The full report is delayed based on the (early in the month) meeting time. The following are the highlights:

- 25% is where VHFA expects to be in expenses and other costs are in the 21% range
- Bond programs doing well
- Paper gain on investments are healthy
- Loan losses are low ($110 thousand for the quarter)
- Overall VHFA is in good shape through September
- Expect mortgage loans to be lower this month due to payoffs

ADMINISTRATION

Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report.

Ms. Carpenter spoke briefly about the multifamily conversion to Mitas. Mr. Adams stated that Mitas and staff went into the conversion concerned about whether this is a good product fit, but it surpassed their expectations and has created lots of momentum with the staff. Mr. Schoenbeck stated that if the Mitas system is used as designed,there will be a direct feed to GL and accounting records.

Ms. Carpenter reviewed VHFA's United Way campaign. [Ms. Lafayette stated that her mother would make a pie donation for the Pie and Ice Cream Social event. A note of thanks to Mrs. Moran.]

Ms. Carpenter stated that the first electronic external newsletter will go out in December and that we are currently reviewing and obtaining email addresses. Ms. Canney stated that the realtor listing would be a good source for realtor email addresses.

Revisions to Administrative Rules

Ms. Drake stated that staff has reviewed the existing agency administrative rules and found that some revisions need to happen to reflect VHFA's current practices. Ms. Drake then asked if staff can go ahead with the revisions, then review a draft with the Board, to be followed by a filing with the Secretary of State. Ms. Carpenter stated that these were small changes and that staff might suggest eliminating some of the rules because they are agency processes not rules. Unanimously the Board concurred with this request to move forward with the review.

Ms. Carpenter discussed Chapter 117 study committee, which is reviewing the local planning law, its processes and its relationship with other permits. Their findings will be presented to the Board in January. Ms. Lafayette stated that she will be working for the VT Low Income Advocacy Council and will help keep VHFA up to date on the legislative housing committees' work.

Ms. Carpenter reviewed her memo on VT Property Transfer Tax Exemption. She reported that Joint Housing Committee may be looking into increasing property transfer taxes on high end (over $300 thousand) houses. Nothing is concrete at the moment. Mr. Seelig stated that chances of getting this increase passed is low this year. Ms. Drake stated that increasing the $100 thousand exemption has been discussed. Mr. Seelig feels that this could happen.

Ms. Loller is working on summarizing the information collected at the retreat and a report will be forthcoming in December.

Ms. Carpenter concluded and reminded everyone that the Tax Credit Meeting will be before the Board Meeting in February, so plan on a full day.

Ms. Lafayette made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 11:50AM.

Sincerely,
Sarah E. Carpenter

Sarah E. Carpenter
Executive Director

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: November 5, 2001

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on November 15, 2001, at 9:00 a.m. at The Associated General Contractors Building, Montpelier, Vermont.

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on November 15!

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Vermont Housing Finance Agency

BOARD AGENDA

Vermont Housing Finance Agency
Associated General Contractors of Vermont
148 State Street
Montpelier, Vermont

Thursday, November 15th, 10:00 AM

1. Approval of the minutes of September 20, 2001 {Enclosures}

2. DEVELOPMENT
   - A. Loan Application for Farrell St. (Marketplace), So. Burlington {Reid/Enclosures}
   - B. Loan Application for Moose River, St. Johnsbury {Reid/Enclosures}

3. HOMEOWNERSHIP
   - A. Summary of Homeownership Activities {Crady/Enclosures}
   - B. Status of Servicing Purchases {Adams}

4. FINANCE
   - A. Multifamily Bond Financing {Schoenbeck/Enclosures}
   - B. Additional Board Allocation of Volume Cap {Drake/Enclosures}
   - C. Resolutions {Drake/Enclosures}
     1. General Authorizing Resolution to Finance Multifamily Projects
     2. Federal Home Loan Bank Signatory Authority
   - D. Quarterly Financial Report {Schoenbeck}

5. ADMINISTRATION
   - A. Executive Directors Report {Carpenter/Enclosure}
   - B. Revisions to Administrative Rules {Drake/Enclosure}
   - C. Legislative Update {Carpenter/Enclosure}

6. Any other business to come before the Board.

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phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

VHFA Board Minutes
Vermont Housing Finance Agency
The Gardens
Williamstown, Vermont

Thursday, September 20^{th}, 2001 at 10:00 AM

PRESENT: Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Jim Douglas, Gus Seelig,
Staff: Sarah Carpenter, Pat Loller, Ruth Kendrick, Holly Keough, Roger Schoenbeck, David Adams, Joe Erdelyi, Sam Falzone, Cindy Reid, John Fairbanks,
Guests: Mac Nicoll (KPMG LLP), Michael Richardson (Victoria Apts)

MINUTES

Mr. Candon made a motion to approve the August 23, 2001 minutes. The motion carried unanimously after being seconded by Mr. Seelig.

FINANCE

Fiscal Year June 30, 2001 Audit Results

Mr. Schoenbeck introduced Mr. Nichol of KPMG LLP, the Partner in charge of the audit. Mr. Schoenbeck continued. The full year financials, which tie into the audit report comments on major items, validates and verifies what the Board has been recently discussing. FY2001 was an excellent year. Highlights were:

1. Good retention of mortgage loans and the loans that we have are performing well, resulting in low loan losses.
2. Change in market value of investments. We are much better off when rates go down, making our investments worth more. This added surplus of $1.5 million this year.
3. Additional 0% loans when made add to surplus an extra $2 million in these loans this year.

4. Net losses on single-family properties for the year were $570,000, including a $500,000 reduction in the loss reserve. Each year as losses decrease, our average decreases and so do reserves.
5. The General Fund balance increased by $400,000.

There remains a liquidity issue in the General Fund. Although we have $5.8 million in cash, the Agency needs to keep $3.5 million in escrow cash deposits, owes accounts payable of $1 million and have outstanding borrowed funds from Howard Bank of $5 million. Our liquidity shortage is $3.5 million. One way to fix this problem is to increase transfer of funds from the Bond programs back into the General Fund. One of the reasons that we haven't done this is that the rating agencies like to see surplus in the bond funds when they rate our programs. This year our budget estimates that between points and servicing fees paid to lenders we will spend $1 million out of the General Fund that has no short-term payback. Mr. Schoenbeck discussed with the financial advisor team that next time we do a bond issue to include a premium to cover that cost so that it will be paid by the bond funds. We will need to deal with the payments already made by the General fund in recent bond issues. We will be coming back to the Board before the next single family bond issue to deal with this issue in more detail.

Mr. Candon questioned when the $1 million from the next bond issue starts eating into the $3.5 million liquidity gap. Mr. Schoenbeck stated that the $1 million would come from the sale of bonds, so we would collect cash up front like we did on the PAC bonds, and we would transfer money out of our single family program back to the General Fund. This is a balancing act to keep the rating agencies happy. The 1998 financial advisor update cautioned about lending funds out of our General Fund.

Ms. Randall asked the borrowing rate on the bank funds. Mr. Schoenbeck stated that we borrow at 75 basis points over the 30 day LIBOR rate. These funds are used for example on bridge loans made to Housing VT at a surplus of about 75 basis points to us. This is making our money work for us, yet is an excellent rate for Housing VT.

Mr. Douglas questioned how the rating agency determined a minimum balance for the bond funds. Mr. Schoenbeck stated that they do a parity test; meaning 101% of liabilities is sitting in the bond funds before you can take money. The other test that they do is a an expected worse case test where the cash flow must cover all future principal and interest payments before we can release surpluses. These tests satisfy a Single A rating. The 101% is a fair test.

Mr. Schoenbeck stated that most of the loans we are now purchasing are no point mortgages and this means that we write a check out of the General Fund to pay the points to the lenders. Ms. Canney asked if these funds were made up over the life of the loan. Mr. Schoenbeck stated that it take 8-10 years to break even.

Ms. Randall asked about the necessary transfer amount and benefit. Mr. Schoenbeck stated $3.5 million is the amount and that it makes sense to do it in one transfer, but that he wants the financial advisors to tell us since the internal rating and liquidity is a big issue. This issue will be brought up at a later date for more discussion.

Audit Review

Mr. Nichol of KMPG stated that, as in the past, this audit was a clean report, no issues to report or adjustments to financials. There was one minor past adjustment related to capitalizing REO costs. One thought Mr. Nichol had was to accrue interest only on loans 90 days past due. He felt that this was a minor difference and wouldn't change the financial outcome. He feels comfortable that we are being conservative with our loan loss calculations. There were no material weaknesses discovered, no essential staff turnover and systems are solid, so he has no suggestions for improvement.
Overall, this is a very good report.

Mr. Schoenbeck noted that there was a significant change in the audit team; to which Mr. Nichol replied that a new set of glasses and refocus was a positive audit step.

Mr. Nichol reviewed a new rule out for future presentation that will change the format of accepted financial statements. Essentially the new rules state that there needs to be a management narrative of financial and operational happening in the agency included with the audit.

Mr. Seelig made the motion to accept the Financial Reports and Audit. Ms. Canney seconded the motion and it was approved unanimously.

Financial Advisor Review

Mr. Schoenbeck and Ms. Carpenter discussed the issue of the change of personnel at our financial advisors. Due to ongoing bond activity, VHFA continued with the financial advisors that knew our business even though they moved to US Bancorp Piper Jaffray from Evensen Dodge.

Evensen Dodge subsequently put together a new team and would like to retain our business. To entice us they have offered to cut our contracted fee by between $500-$1,000. On their team is Tim Rittenhouse who worked on our account as one of the co-managers for our bond sales at AG Edwards. Ms. Carpenter stated that Tim's role is more sales and that we did not feel he is a strong analytical advisor.

Caine Mitter and Associates has also expressed an interest in our account and is based near Boston. Mr. Schoenbeck felt that this firm has a good background but they are more expensive and would not add more than US Bancorp Piper Jaffray.

Mr. Schoenbeck recommended the US Bancorp Piper Jaffray proposal, which is priced at our former contract rate. Mr. Douglas thought that perhaps we could improve on the pricing to make it more competitive. Ms. Carpenter thought that Evensen Dodge having a huge turnover bid aggressively to keep our business. Mr. Schoenbeck stated that we had not experienced an increase in fees since 1993 with our previous group. Mr. Seelig brought up the concern that we haven't done a full RFP process and are we in compliance. Ms. Carpenter stated that this was a selected bid list and that it is a limited field of financial advisors in housing bonds. Mr. Douglas was comfortable with the process, but would like to see if we can get a lower price from US Bancorp Piper Jaffray. Mr. Schoenbeck said that he would pass on the pricing concerns and he felt that Piper Jaffray would probably accept the terms.

DEVELOPMENT

Victoria Place Apartments

Mr. Erdelyi presented this project based on his memorandum to the Board.

The project is scheduled to have a final Act 250 permit hearing. The wastewater permit still needs to be signed. Hazardous materials are being taken care of. Mr. Richardson explained that Mr. Bove couldn't make the meeting due to a family illness, but he wanted to stress that he would like the project to start quickly due to winter approaching. The project would need to be started by October 1st if it is to be finished by the end of June.

Board members asked several questions about the financial structure of the project. Mr. Richardson explained that there would be $136,000 put up by the owner as security, half in Letters of Credit and in cash. Any operating deficit the owner needs to cover. Mr. Erdelyi said there is a request pending for additional tax credits since there is no other source to cover cost overruns. Mr. Seelig asked about the impact on the project if more tax credits are not awarded and that contingency was budgeted. Mr. Richardson responded that there is a 3-4% contingency and a $215,000 interest line item. The construction loan will not be taken out until early December 2002, and the cushion is the developers' fee. Ms. Beyer asked about a cushion on time frame to which Mr. Richardson responded that the estimated completion date was August 1st of next year. He also explained that there is an adjuster clause in the limited partnership agreement that could adjust the amount of equity that will be put into the project.

Ms. Carpenter stated the Board should grant the requested waiver of the rule that only allows VHFA to make a loan on a mixed-use project if it is a rehab because of the inability of the sponsors to receive favorable financing from any other lender. The findings are discussed in the recommended resolution. Ms. Drake is analyzing these rules as they might relate to future similar projects. Perhaps we might do a participation loan with VEDA or another lender.

Ms. Canney moved to pass the recommended resolution, seconded by Mr. Seelig. The resolution passed unanimously.

HOMEOWNERSHIP

Dave Adams reported that single-family loan purchases at $8.6 million for the month of August were the highest reported in the last 14 months. Reservations continue to be strong in spite of a decreasing spread between our rates and conventional mortgage rates.

Mortgage delinquencies were slightly lower at 6.07% at the end of August and have been relatively stable for the last six months. New loan purchases offset the number of loans paid off during the month, which also helps to keep delinquencies in check. Dave noted some concern of the trend in foreclosures, which increased from 56 to 61 in August. The Homeownership Department works very hard to facilitate shortened redemptions, workouts, and short sales to prevent these from moving into REO status. There were 14 REO's at the end of August, of which seven were under contract. Loan losses continue to track our expectations and are within our budgeted projections.

The schedule of upcoming lender lunches around the state was discussed and Board members are invited to attend.

PUBLIC AFFAIRS

An agency communication plan is in place that has increased marketing efforts and is more proactive. Mr. Fairbanks reported on the Ad Campaign that supported the 6.3% home ownership rate. Twenty-one radio stations are running 30 second spots, and the times are staggered on the various radio stations. Ads were placed in all 10 Vermont daily newspapers and in 9 weeklies in Central and Southeast Vermont.

Bruce Edwards, business writer at the Rutland Herald, interviewed Ms. Carpenter as a result of the Bond Buyer Article and the Herald subsequently ran a good story.

A final draft of the Housing Awareness Campaign will be ready soon. Implementation will happen in stages. These stages include developing campaign materials and raising $100,000 total funds. There will be a public opinion poll conducted. The committee is hoping to piggyback on a VT Public Sprawl Poll to save money. This will be an organic plan, and will evolve over time. It includes paid media, earned media and campaign representatives talking at public events statewide. Ms. Randall asked that the campaign plan be shared with the Board.

Ms. Carpenter stated that a VHFA contribution of $10,000 is in our current budget and that Mr. Fairbanks and Mr. Bailey are contributing significantly, but we may be coming back to the Board for more funding. Ms. Randall queried the Board and the Board Members were comfortable with this.

Mr. Bailey is assigned to complete the Annual Report. It is on time and under budget at this point.

ADMINISTRATION

Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report. It has been a busy month.

Ms. Carpenter spoke briefly about the Board meeting schedule. Ms. Randall stated that we should set a schedule and stick to it. The preference seemed to be third Thursday of each month, after 9:45AM, with a location to be determined by the Legislative calendar. Ms. Carpenter stated that a schedule would be sent out.

Ms. Carpenter reminded everyone that there is a joint Tax Credit Committee and Board meeting on October 24th that will probably last the full day. She suggests that for next year there be two prearranged meetings annually in February and June.

Ms. Canney made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 12:20PM.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: November 7, 2001

RE: Multifamily Construction & Permanent Loans for Farrell Street (Marketplace) Allocated and Bond, South Burlington

Name:	Farrell Street *Allocated*	**Location:**	So. Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats (elevator) & Townhouses
Total Units:	80	**Unit Sizes:**	12 1-Br 722 sf; 60 2-Br 949 sf; 8 3-Br 1,076 sf
Total Cost:	$8,372,908	**Per S.F. Acquis. & Construction Cost:**	$99.59
Loan Requested:	$2,170,000 permanent $345,000 permanent $5,585,579 const.	**Housing Credits (9%):**	$460,000
Other Funding:	VHCB, VCDP, HUD Special Purpose, Housing Credits		
Sponsors:	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

Name:	Farrell Street *Bond*	**Location:**	So.Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats (elevator) & Townhouses
Total Units:	80	**Unit Sizes:**	12 1-Br, 722 sf; 60 2-Br 949 sf 8 3-Br 1,076 sf
Total Cost:	$8,366,174	**Per S.F. Devel Cost:**	$99.59
Loan Requested:	$2,364,637 permanent $175,000 permanent $4,600,637 const. $300,000 0% Loan	**Housing Credits (4%):**	$284,065
Other Funding:	VHCB, VCDP, HOME, Developer Loan, Housing Credits, HUD Special Purpose, REEP		
Sponsors:	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

Housing Vermont has re-structured the Farrell Street project (Marketplace) because of cost increases primarily due to the Act 250 permit appeal. The development consists of four buildings, each with 40 units, for a total of 160 units. Two buildings will use taxable financing and 9% Housing Credits ("Allocated" project) and two buildings will use tax exempt financing and 4% Housing Credits ("Bond" project). For this reason, each "project" will be owned by a different limited partnership, both of which will be comprised of subsidiaries of Housing Vermont and Lake Champlain Housing Development Corporation. The project has all of its funding commitments except for REEP (for energy efficiency measures). The project now has all of its permit approvals. Burlington Housing Authority has set aside a total of 25 project based Section 8 vouchers. Overall, 25 units with Section 8 will be affordable to households with incomes as low as 30% of median income, three units will be affordable to households below 50% of median, 91units will be affordable to households between 50% and 60% of median income, ten units will be affordable to households at 60% of median income, and 31 units will be market units. Each building has four stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the properties once they are completed. Construction will begin as soon as possible. Buildings will be phased with the first building being completed as early as September 2002, and the last completed by March 2003. An as-completed appraisal values the entire property of 160 units at $13,000,000; the loan to value ratio for the permanent loans on the Allocated project is 39%; the loan to value ratio for the permanent loans on the Bond project (including the 0% loan) is 44%. A Phase I Environmental Site Assessment was completed and no environmentally hazardous conditions were found. VHFA's construction inspector has reviewed the plans and specifications. He identified many concerns early on along with Housing Vermont's review architect; those concerns have in large part been addressed. There is one remaining issue to be worked out, and that is the foundation design. As of this memo, we have requested that Housing Vermont obtain an independent engineer's opinion on the foundation design, as both our inspector and HVT's review architect share a concern regarding the design. The budgets are attached.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution.

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR FARRELL STREET/MARKETPLACE, SOUTH BURLINGTON

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

WHEREAS, a revised application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the new construction of four buildings containing 160 units of rental housing in the City of South Burlington (the "Development"); and

WHEREAS, the Agency has taken action on two (2) previous proposals for the Development in November 2000 and April 2001;

WHEREAS, the application now contemplates a 0% loan and mortgage loans for construction and permanent term financing for the Development with the interest rates 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;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 7, 2001, containing information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 28, 2000 resolution are incorporated herein by reference and remain in full force and effect. The contents of the November 28, 2000 and April 19, 2001 resolutions of the Agency related to financing terms and conditions are superceded by the action taken in this resolution.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

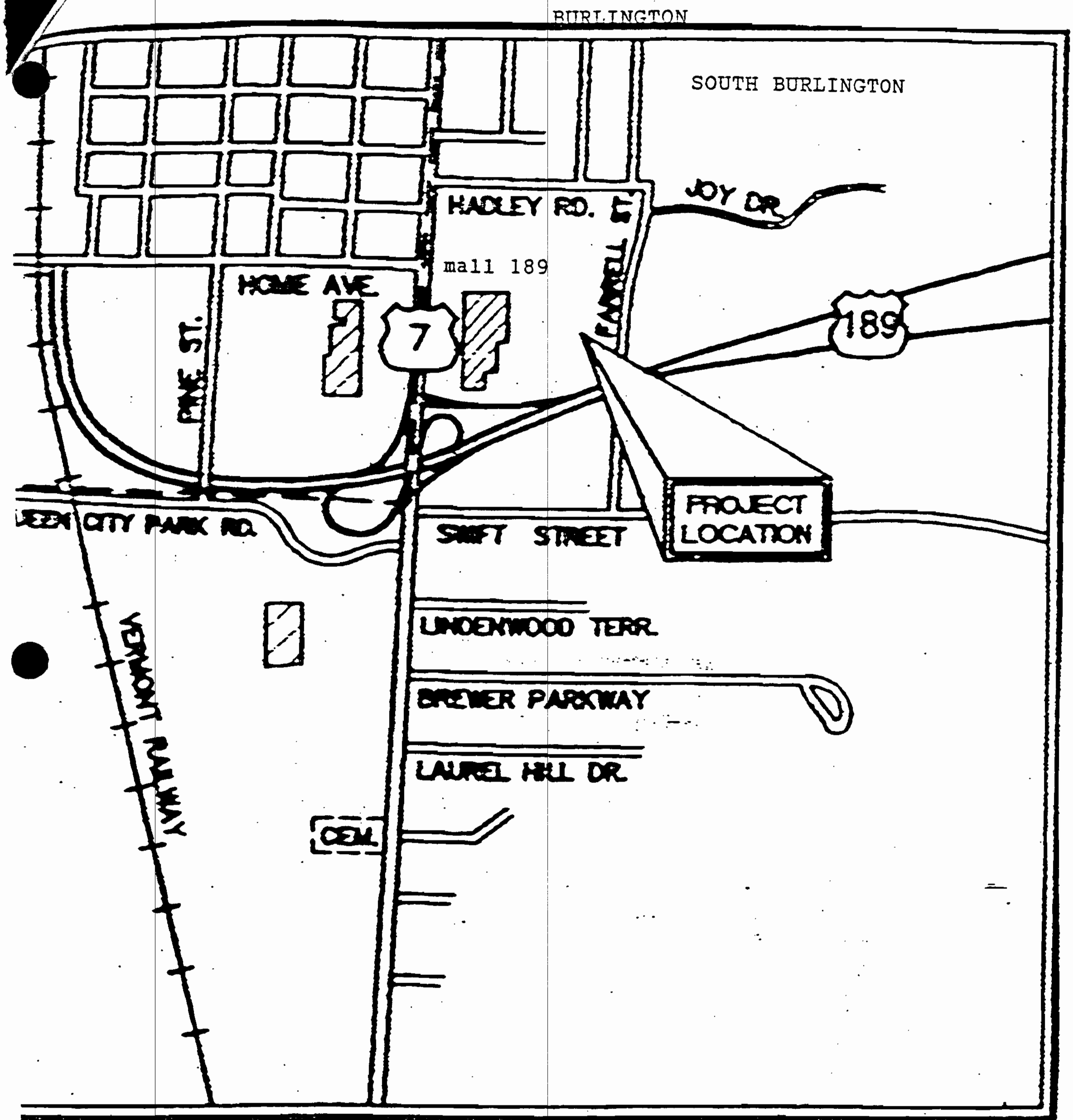
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached

Memorandum. The Commitment Letter may be issued to one or both of the Sponsors as a representative(s) of the Borrower. 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 Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than $300,000 at an interest rate of 0%.

4. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

MARKETPLACE SITE MAP

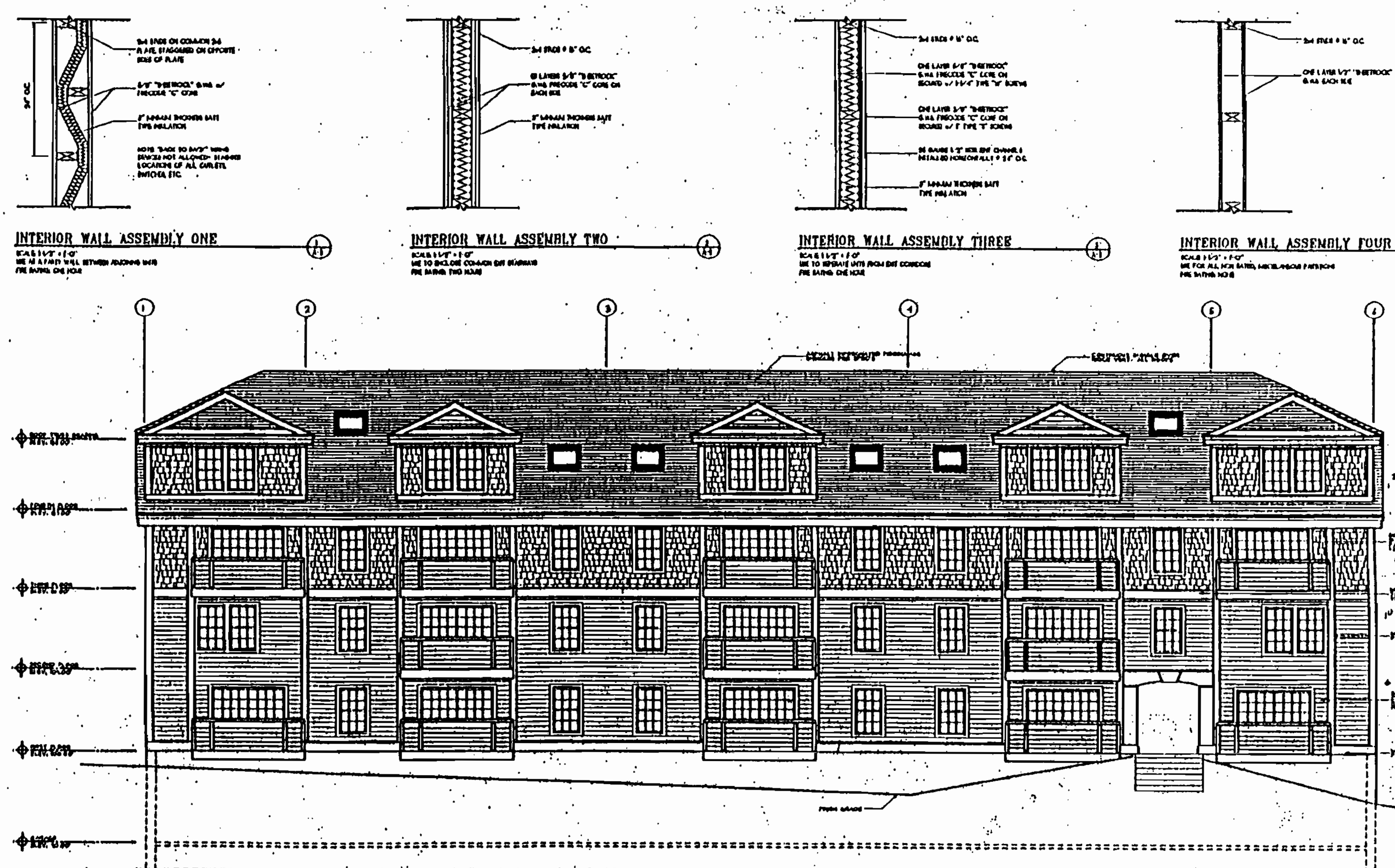


LOCATION MAP

SCALE: 1" = 2000 feet

Marketplace, South Burlington

PROTOTYPE BUILDING



FRONT ELEVATION

EXTERIOR MATERIALS.

REAR ELEVATION IS SIMILAR BUT OPPOSITE HAND
OVER ALL BUILDING HEIGHT NOT TO EXCEED 45'

07-Nov-01 **Marketplace Allocated**

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	61	Increase in Income from Other Sources:	1.5%
Percent Restricted:	76.25%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,372,908	Expense increase:	3%
Total Development Cost per Unit:	104,661	Vacancy Rate:	5%
Total Development Cost Per SF:	114.45	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
9% Credit Allocated:	460,000	Sponsor's Estimated Yield:	80.77%
Max Credit Potential:	461,447		

LIHTC - 9%	8.16%	(October 2001)
LIHTC - 4%	3.50%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - taxable bond	2,170,000	25.92%	8.50%	40	40
First Mortgage - taxable bond	345,000	4.12%	8.50%	10	10
HUD Special Purpose	369,316	4.41%	0.00%	10	10
VCDP Loan	187,500	2.24%	0.00%	30	30
VHCB Special	1,462,233	17.46%	0.00%	30	30
Tax Credit Equity	3,838,224	45.84%	N/A	N/A	
TOTAL SOURCES	8,372,273	99.99%			
VHFA Construction Loan	5,585,579	66.72%	6.00%		18 months

USES

Acquisition	732,500	8.75%
Construction Hard Costs	6,553,000	78.26%
Soft Costs	1,087,408	12.99%
TOTAL USES	8,372,908	100.00%
Gap	635	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	12	1,081,680		
2 Br	95,890	60	5,753,400		
3 Br	101,637	8	813,096		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		80	7,648,176		
Projected total cost, excluding cash accounts			8,372,908	Cost Overage %	91.34%
	(over)/under		(724,732)		

General Partner's Capital Contribution	38,382	1.00%
Limited Partner's Capital Contribution	3,799,842	99.00%
Total Equity	3,838,224	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	61
Total Units	80
Unit Fraction	76.25%
Tax Credit Square Footage	55,998
Total Residential Square Footage	73,156
Square Footage Fraction	76.55%
Applicable Fraction	76.25%

Marketplace Allocated

99.59

Total Allocated Costs (2 Buildings)

	Budget	Per Unit	Per s.f.
ACQUISITION			
Land	720,000	9,000	9.84
Purchase of Building(s)	0	0	0.00
Demolition (without replacement)	0	0	0.00
Property Appraisal	2,000	25	0.03
Legal - Title and Recording	10,500	131	0.14
Subtotal - Acquisition	732,500	9,156	10.01
CONSTRUCTION HARD COSTS			
Rehabilitation		0	0.00
New Building(s)	5,880,000	73,500	80.38
Accessory Buildings	0	0	0.00
Sitework	500,000	6,250	6.83
Commercial Space Costs (if any)	0	0	0.00
General Requirements	0	0	0.00
Contractor Overhead	0	0	0.00
Contractor Profit	0	0	0.00
Construction Contingency	109,000	1,363	1.49
Construction Management	0	0	0.00
Construction Bond Fee	0	0	0.00
Hazardous Materials Abatement	0	0	0.00
Off-Site Improvements	0	0	0.00
Furnishings, Fixtures, & Equipment	64,000	800	0.87
Other (____________)	0	0	0.00
Subtotal - Hard Costs	6,553,000	81,913	89.58
SOFT COSTS			
Architectural	10,000	125	0.14
Engineering	0	0	0.00
Legal/Accounting	17,500	219	0.24
Relocation	0	0	0.00
Environmental Assessment	2,000	25	0.03
Energy Assessment	0	0	0.00
Permits/Fees	0	0	0.00
Independent Market Study	0	0	0.00
Construction Period Inspections	0	0	0.00
Construction Interest	120,000	1,500	1.64
Construction Loan Origination Fee	96,284	1,204	1.32
Taxes During Construction	0	0	0.00
Clerk of the Works	20,000	250	0.27
Marketing	3,750	47	0.05
Tax Credit Fees	18,650	233	0.25
Soft Cost Contingency	11,568	145	0.16
Permanent Loan Origination Fee		0	0.00
Lender's Counsel's Fee	0	0	0.00
Other (____________)	13,656	171	0.19
SYNDICATION COSTS	0	0	0.00
Organizational (Partnership)	0	0	0.00
Bridge Loan Fees and Expenses	0	0	0.00
Syndication Consultant	0	0	0.00
Tax Opinion	0	0	0.00
DEVELOPER'S FEES	0	0	0.00
HVT Development Fee	320,000	4,000	4.37
LCHDC Development Fee	320,000	4,000	4.37
Consultant Fees	10,000	125	0.14
RESERVES	0	0	0.00
Working Capital	104,000	1,300	1.42
Rent-up (Deficit Escrow) Reserve	20,000	250	0.27
Other Operating Reserves	0	0	0.00
Sinking Fund	0	0	0.00
Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	1,087,408	13,593	14.86
TOTAL DEVELOPMENT COSTS	8,372,908	104,661	114.45

07-Nov-01 **Marketplace Allocated**

	Combined Allocated project	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	5,880,000		5,880,000	5,880,000		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	109,000		109,000	109,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other (______________)	0					
	Subtotal - Hard Costs	6,553,000					
	SOFT COSTS	0					
21	Architectural	10,000		10,000	10,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	2,000		2,000	2,000		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	96,284		0			
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	18,650		18,650	18,650		
36	Soft Cost Contingency	11,568		11,568	11,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	10,000		10,000	10,000		
	RESERVES	0					
47	Working Capital	104,000					
48	Rent-up (Deficit Escrow) Reserve	20,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,087,408					
	TOTALS	8,372,908	2,000	7,416,374	7,368,624	0	
LESS	Amount of Non-qualified Financing						
LESS	Adjustment for per unit cost limits	100.00%		0			
LESS	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,416,374		0 Annual Historic Credit	
TIMES	Adjusted for QCT/DDA	100.00%		7,416,374			
TIMES	Applicable Fraction	76.25%	1,525	5,654,985			
	Total Qualified Basis		1,525	5,654,985	7,368,624	Long Term Depreciable Basis	
TIMES	Applicable Percentage		3.50%	8.16%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	461,447	267,950	Annual Depreciation	

Total Tax Credits Requested	236,517
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,919,429
Estimated Yield - Housing Credit Syndication	81.97%
Equity Gap	1,919,429
Credits Needed to fill Equity Gap	236,517

64,000	Short Term Depreciable Basis
7	Depreciation Schedule
9,143	Annual Depreciation

07-Nov-01 **Marketplace Allocated**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	9	482		52,056
2 Br Flats		925	40	579		277,920
2 Br Townhouses		973	4	595		28,560
3 Br		1,076	8	816		78,336
	Totals	55,998	61			436,872

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	3	612		22,032
2 Br Flats		925	12	747		107,568
2 Br Townhouses		973	4	757		36,336
3 Br		1,076	0	0		0
	Totals	17,158	19			165,936
All Units						
	Grand Totals	73,156	80			602,808

Less Vacancy	5.00%	(30,140)
	NET RENT	572,668

OTHER INCOME

Laundry	600/month	7,200
Section 8		54,982
Commercial Space Income		0
Other		0
	TOTAL INCOME	634,850

07-Nov-01 **Marketplace Allocated**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.1%
Admin Salaries/Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	2,928	244	3	
Marketing		0	0	
Other	7,680	640	8	
TOTAL ADMINISTRATIVE	78,768	6,564	82	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
TOTAL UTILITIES	59,520	4,960	62	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
TOTAL MAINTENANCE	86,400	7,200	90	per unit month excl. ds & res.
Real Estate Taxes	86,400	7,200	90	337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	190,898	15,908	199	
Other "must pay" debt service	51,330	4,278	53	
Other		0	0	
Total	594,596	49,550	619	
	323,568			
	352,368			

99,099 2 months wc

07-Nov-01 **Marketplace Allocated**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		602,808	611,850	621,028	630,343	639,798	649,395	659,136	669,023	679,059	689,245	699,583	710,077	720,728	731,539	742,512
Other Income (Rental Assistance)		54,982	55,807	56,644	57,494	58,356	59,231	60,120	61,022	61,937	62,866	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(30,140)	(30,593)	(31,051)	(31,517)	(31,990)	(32,470)	(32,957)	(33,451)	(33,953)	(34,462)	(34,979)	(35,504)	(36,036)	(36,577)	(37,126)
Total Operating Income		634,850	644,373	654,038	663,849	673,806	683,914	694,172	704,585	715,154	725,881	672,960	683,054	693,300	703,700	714,255
Operating Expenses																
Total Expenses (excl. Reserves)		323,568	333,275	343,273	353,571	364,179	375,104	386,357	397,948	409,886	422,183	434,848	447,894	461,331	475,171	489,426
Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Total Operating Expense		352,368	362,507	372,944	383,687	394,746	406,130	417,848	429,911	442,329	455,112	468,272	481,819	495,764	510,121	524,900
Net Operating Income		282,482	281,866	281,094	280,162	279,061	277,784	276,324	274,673	272,824	270,768	204,688	201,236	197,536	193,579	189,355
Less Primary Debt Service (taxable)		190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898
Less Primary Debt Service (taxable)		51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	0	0	0	0	0
Less Developer Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	13,790	10,338	6,638	2,681	(1,543)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,543
Net Cash		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	13,790	10,338	6,638	2,681	0
DCR		116.62%	116.36%	116.05%	115.66%	115.21%	114.68%	114.08%	113.39%	112.63%	111.78%	107.22%	105.42%	103.48%	101.40%	99.19%
Cumulative Cash Flow																
Beginning Balance		0	40,657	81,910	123,623	165,645	207,815	249,961	291,897	333,424	374,330	414,386	440,745	464,409	485,046	502,305
Deposits		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	13,790	10,338	6,638	2,681	0
Interest	2.0%	403	1,616	2,846	4,088	5,338	6,590	7,840	9,081	10,309	11,515	12,569	13,326	13,999	14,578	15,069
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,543)
Ending Balance		40,657	81,910	123,623	165,645	207,815	249,961	291,897	333,424	374,330	414,386	440,745	464,409	485,046	502,305	515,832
Cumulative Replacement Reserves																
Beginning Balance		0	29,088	59,485	91,237	124,390	995	34,395	66,899	100,537	135,339	16,167	50,254	85,537	122,047	159,816
Deposits		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	2.0%	288	1,165	2,081	3,038	4,037	374	1,013	1,674	2,359	3,898	664	1,358	2,076	2,819	4,358
Withdrawals*		0	0	0	0	(158,000)	0	0	0	0	(158,000)	0	0	0	0	(158,000)
Ending Balance		29,088	59,485	91,237	124,390	995	34,395	66,899	100,537	135,339	16,167	50,254	85,537	122,047	159,816	43,648
	1,975	80	5													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		282,482	281,866	281,094	280,162	279,061	277,784	276,324	274,673	272,824	270,768	204,688	201,236	197,536	193,579	189,355
Plus Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense		212,640	210,025	207,178	204,080	200,708	197,038	193,044	188,696	183,965	178,815	175,257	173,875	172,370	170,733	168,950
Less Long Depreciation		(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)
Less Short Depreciation		(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		247,259	244,459	241,280	237,695	233,673	229,185	224,196	227,814	221,712	214,993	145,849	141,516	136,820	131,742	126,260
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(86,541)	(85,561)	(84,448)	(83,193)	(81,786)	(80,215)	(78,469)	(79,735)	(77,599)	(75,248)	(51,047)	(49,531)	(47,887)	(46,110)	(44,191)
Plus Tax Credits		460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000					
After Tax Cash Flow		373,459	374,439	375,552	376,807	378,214	379,785	381,531	380,265	382,401	384,752	(51,047)	(49,531)	(47,887)	(46,110)	(44,191)
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		373,459	374,439	375,552	376,807	378,214	379,785	381,531	380,265	382,401	384,752	(51,047)	(49,531)	(47,887)	(46,110)	(44,191)
Future Value of Cash Flows at Yr 15:		2,044,154	1,829,926	1,638,718	1,468,031	1,315,638	1,179,555	1,058,016	941,523	845,366	759,433	(89,963)	(77,937)	(67,278)	(57,840)	(49,494)

Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	15-Dec-01	01-Sep-02	15-Nov-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	38,483	3,459,418	345,942				0	0								
Present Value of Contributions:	38,483	3,312,723	327,158	0	0	0										
Cash Flows	(3,678,364)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,737,848

29-Apr-00 **Marketplace Bond**

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	68	Increase in Income from Other Sources:	1.5%
Percent Restricted:	85.00%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,366,174	Expense increase:	3%
Total Development Cost per Unit:	104,577	Vacancy Rate:	5%
Total Development Cost Per SF:	114.36	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	284,065	Sponsor's Estimated Yield:	76.59%

LIHTC - 9%	8.10%	(November 2001)
LIHTC - 4%	3.47%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - tax exempt	2,364,637	28.26%	7.00%	40	40
First Mortgage - tax exempt	175,000	2.09%	7.00%	10	10
HOME	216,000	2.58%	6.00%	30	30
VCDP	562,500	6.72%	6.00%	30	30
VHCB	1,721,767	20.58%	0.00%	30	30
HUD Special Purpose	305,934	3.66%	6.00%	10	10
VHFA 0% Loan	300,000	3.59%	0.00%	30	30
Developer Loan	230,000	2.75%	3.00%	15	15
VHCB Development Loan	50,000	0.60%	0.00%	15	15
REEP	150,000	1.79%	N/A	N/A	N/A
Tax Credit Equity	2,290,000	27.37%	N/A	N/A	
TOTAL SOURCES	8,365,838	100.00%			
VHFA Construction Loan	4,600,637	54.99%	6.00%		18 months

USES

Acquisition	732,500	8.76%	
Construction Hard Costs	6,553,000	78.33%	2,839,637
Soft Costs	1,080,674	12.92%	6,500,000
TOTAL USES	8,366,174	100.00%	43.69%
Gap	336		

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		12	1,081,680		
2 Br	95,890		60	5,753,400		
3 Br	101,637		8	813,096		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			80	7,648,176		
Projected total cost, excluding cash accounts				12,369,261	Cost Overage %	61.83%
		(over)/under		(4,721,085)		

General Partner's Capital Contribution	22,900	1.00%
Limited Partner's Capital Contribution	2,267,100	99.00%
Total Equity	2,290,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	68
Total Units	80
Unit Fraction	85.00%
Tax Credit Square Footage	62,270
Total Residential Square Footage	73,156
Square Footage Fraction	85.12%
Applicable Fraction	85.00%

07-Nov-01 **Marketplace Bond** 99.59

TOTAL BOND SOURCES/USES

#	Item	Budget	Per Unit	Per s.f.
	80	Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	720,000	9,000	9.84
2	Purchase of Building(s)	0	0	0.00
3	Demolition (without replacement)	0	0	0.00
4	Property Appraisal	2,000	25	0.03
5	Legal - Title and Recording	10,500	131	0.14
	Subtotal - Acquisition	732,500	9,156	10.01
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	0	0	0.00
7	New Building(s)	5,880,000	73,500	80.38
8	Accessory Buildings	0	0	0.00
9	Sitework	500,000	6,250	6.83
10	Commercial Space Costs (if any)	0	0	0.00
11	General Requirements	0	0	0.00
12	Contractor Overhead	0	0	0.00
13	Contractor Profit	0	0	0.00
14	Construction Contingency	109,000	1,363	1.49
15	Construction Management	0	0	0.00
16	Construction Bond Fee	0	0	0.00
17	Hazardous Materials Abatement	0	0	0.00
18	Off-Site Improvements	0	0	0.00
19	Furnishings, Fixtures, & Equipment	64,000	800	0.87
20	Other (________________)	0	0	0.00
	Subtotal - Hard Costs	6,553,000	81,913	89.58
	SOFT COSTS			
21	Architectural	10,000	125	0.14
22	Engineering	0	0	0.00
23	Legal/Accounting	17,500	219	0.24
24	Relocation	0	0	0.00
25	Environmental Assessment	2,000	25	0.03
26	Energy Assessment	0	0	0.00
27	Permits/Fees	0	0	0.00
28	Independent Market Study	0	0	0.00
29	Construction Period Inspections	0	0	0.00
30	Construction Interest	120,000	1,500	1.64
31	Construction Loan Origination Fee	81,510	1,019	1.11
32	Taxes During Construction	0	0	0.00
33	Clerk of the Works	20,000	250	0.27
34	Marketing	3,750	47	0.05
35	Tax Credit Fees	11,690	146	0.16
36	Soft Cost Contingency	10,568	132	0.14
37	Permanent Loan Origination Fee	0	0	0.00
38	Lender's Counsel's Fee	0	0	0.00
39	Other (VCDP Admin Fee)	13,656	171	0.19
	SYNDICATION COSTS			
40	Organizational (Partnership)	0	0	0.00
41	Bridge Loan Fees and Expenses	0	0	0.00
42	Syndication Consultant	0	0	0.00
43	Tax Opinion	0	0	0.00
	DEVELOPER'S FEES			
44	HVT Development Fee	320,000	4,000	4.37
45	LCHDC Development Fee	320,000	4,000	4.37
46	Consultant Fees	10,000	125	0.14
	RESERVES			
47	Working Capital	120,000	1,500	1.64
48	Rent-up (Deficit Escrow) Reserve	20,000	250	0.27
49	Other Operating Reserves	0	0	0.00
50	Sinking Fund	0	0	0.00
51	Replacement Reserves	0	0	0.00
	Subtotal - Soft Costs	1,080,674	13,508	14.77
	TOTAL DEVELOPMENT COSTS	8,366,174	104,577	114.36

07-Nov-01 **Marketplace Bond**

	Total Bond (80 unit) Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	5,880,000		5,880,000	5,880,000		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	109,000		109,000	109,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other (_______________)	0					
	Subtotal - Hard Costs	6,553,000					
	SOFT COSTS	0					
21	Architectural	10,000		10,000	10,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	2,000		2,000	2,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	81,510					
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	11,690		11,690	11,690		
36	Soft Cost Contingency	10,568		10,568	10,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (_____________)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	10,000		10,000	10,000		
	RESERVES	0					
47	Working Capital	120,000					
48	Rent-up (Deficit Escrow) Reserve	20,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,080,674					
	TOTALS	8,366,174	2,000	7,408,414	7,360,664	0	
LESS	Amount of Non-qualified Financing						
LESS	Adjustment for per unit cost limits	100.00%		0			
LESS	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,408,414		0 Annual Historic Credit	
TIMES	Adjusted for QCT/DDA	130.00%		9,630,938			
TIMES	Applicable Fraction	[redacted]	1,700	8,186,297			
	Total Qualified Basis		1,700	8,186,297	7,360,664	Long Term Depreciable Basis	
TIMES	Applicable Percentage		3.47%	3.47%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	284,065	267,661	Annual Depreciation	

Total Tax Credits Requested	284,103
Estimated Net Syndication Proceeds (excluding historic credit equity)	2,290,000
Estimated Yield - Housing Credit Syndication	81.42%
Equity Gap	2,290,000
Credits Needed to fill Equity Gap	284,103

64,000	Short Term Depreciable Basis
7	Depreciation Schedule
9,143	Annual Depreciation

07-Nov-01 **Marketplace Bond**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	10	492		59,088
2 Br Flats		925	46	580		320,400
2 Br Townhouses		973	4	595		28,560
3 Br		1,076	8	816		78,336
	Totals	62,270	68			486,384

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	2	622		14,928
2 Br Flats		925	6	747		53,784
2 Br Townhouses		973	4	757		36,336
3 Br		1,076	0	950		0
	Totals	10,886	12			105,048
All Units						
	Grand Totals	73,156	80			591,432

Less Vacancy	5.00%	(29,572)
	NET RENT	561,860

OTHER INCOME

Laundry	600/month	7,200
Section 8		38,486
Commercial Space Income		0
Other		0
	TOTAL INCOME	607,547

07-Nov-01 **Marketplace Bond**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.1%
Admin Salaries & Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	3,264	272	3	
Marketing		0	0	
Other	7,680	640	8	
TOTAL ADMINISTRATIVE	79,104	6,592	82	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
TOTAL UTILITIES	59,520	4,960	62	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
TOTAL MAINTENANCE	86,400	7,200	90	per unit month excl. ds & res. 337
Real Estate Taxes	86,400	7,200	90	
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	176,335	14,695	184	95,414 2 months wc
Other "must pay" debt service	24,383	2,032	25	
Other 0- Developer Loan	19,060	1,588	20	
Total	572,482	47,707	596	
	352,704			
	323,904			

07-Nov-01

Marketplace Bond

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		591,432	600,303	609,308	618,448	627,724	637,140	646,697	656,398	666,244	676,237	686,381	696,677	707,127	717,734	728,500
Other Income (Rental Assistance)		38,486	39,064	39,650	40,244	40,848	41,461	42,083	42,714	43,355	44,005	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(29,572)	(30,015)	(30,465)	(30,922)	(31,386)	(31,857)	(32,335)	(32,820)	(33,312)	(33,812)	(34,319)	(34,834)	(35,356)	(35,887)	(36,425)
Total Operating Income		607,547	616,660	625,910	635,299	644,828	654,500	664,318	674,283	684,397	694,663	660,418	670,324	680,379	690,585	700,943
Operating Expenses																
Total Expenses (excl. Reserves)		323,904	333,621	343,630	353,939	364,557	375,494	386,758	398,361	410,312	422,621	435,300	448,359	461,810	475,664	489,934
Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Total Operating Expense		352,704	362,853	373,300	384,054	395,124	406,519	418,249	430,325	442,755	455,551	468,723	482,284	496,243	510,614	525,408
Net Operating Income		254,843	253,807	252,610	251,244	249,704	247,981	246,068	243,958	241,642	239,112	191,694	188,040	184,135	179,970	175,535
Less Primary Debt Service (tax exempt)		176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335
Less Primary Debt Service (tax exempt)		24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	0	0	0	0	0
Less Developer Loan		19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060
Annual Cash Flow		35,065	34,029	32,832	31,466	29,926	28,203	26,291	24,180	21,864	19,334	(3,701)	(7,355)	(11,260)	(15,425)	(19,860)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	3,701	7,355	11,260	15,425	19,860
Net Cash		35,065	34,029	32,832	31,466	29,926	28,203	26,291	24,180	21,864	19,334	0	0	0	0	0
DCR		115.95%	115.48%	114.94%	114.32%	113.62%	112.83%	111.96%	111.00%	109.95%	108.80%	98.11%	96.24%	94.24%	92.11%	89.84%
Cumulative Cash Flow																
Beginning Balance		0	35,415	70,847	106,133	141,098	175,556	209,308	242,140	273,827	304,124	332,775	339,058	341,875	340,871	335,672
Deposits		35,065	34,029	32,832	31,466	29,926	28,203	26,291	24,180	21,864	19,334	0	0	0	0	0
Interest	2.0%	351	1,403	2,454	3,499	4,532	5,549	6,542	7,506	8,433	9,317	9,983	10,172	10,256	10,226	10,070
Withdrawals		0	0	0	0	0	0	0	0	0	0	(3,701)	(7,355)	(11,260)	(15,425)	(19,860)
Ending Balance		35,415	70,847	106,133	141,098	175,556	209,308	242,140	273,827	304,124	332,775	339,058	341,875	340,871	335,672	325,882
Cumulative Replacement Reserves																
Beginning Balance		0	29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609
Deposits		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	2.0%	288	1,165	2,081	3,038	4,037	340	1,286	2,274	3,306	4,383	767	1,798	2,875	3,999	5,173
Withdrawals*		0	0	0	0	(158,000)	0	0	0	0	(158,000)	0	0	0	0	(158,000)
Ending Balance		29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609	43,256

* = assumes $1975 per unit is expended every 5 years

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		254,843	253,807	252,610	251,244	249,704	247,981	246,068	243,958	241,642	239,112	191,694	188,040	184,135	179,970	175,535
Plus Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense		(251,821)	(253,040)	(254,322)	(255,669)	(257,085)	(258,572)	(260,133)	(261,771)	(263,488)	(265,287)	(267,970)	(271,763)	(275,779)	(280,030)	(284,529)
Less Long Depreciation		(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)
Less Short Depreciation		(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(521,930)	(523,753)	(525,793)	(528,061)	(530,565)	(533,317)	(536,325)	(521,315)	(524,868)	(528,711)	(578,318)	(585,264)	(592,675)	(600,575)	(608,985)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		182,676	183,313	184,028	184,821	185,698	186,661	187,714	182,460	183,704	185,049	202,411	204,842	207,436	210,201	213,145
Plus Tax Credits		284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065					
After Tax Cash Flow		466,740	467,378	468,092	468,886	469,762	470,725	471,778	466,525	467,768	469,113	202,411	204,842	207,436	210,201	213,145
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		466,740	467,378	468,092	468,886	469,762	470,725	471,778	466,525	467,768	469,113	202,411	204,842	207,436	210,201	213,145
Future Value of Cash Flows at Yr 15:		2,554,732	2,284,128	2,042,516	1,826,768	1,634,092	1,462,001	1,308,278	1,155,098	1,034,087	925,947	356,718	322,323	291,433	263,676	238,722
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	15-Dec-01	30-Sep-02	15-Dec-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	340,065	1,813,680	90,684				0	0								
Present Value of Contributions:	340,065	1,728,399	85,332	0	0	0										
Cash Flows	(2,153,796)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17,700,520
IRR:	15.08%															
Equity Yield:	76.59%															

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: November 7, 2001

RE: Multifamily Construction Loan Application for Moose River, St. Johnsbury

Name:	Moose River Housing	**Location:**	St. Johnsbury
Housing Type:	General Occupancy	**Unit Type:**	Flats & Townhouses
Total Units:	28	**Unit Sizes:**	8 1-BR 746 s.f.; 12 2-BR 1,123 s.f; 5 3-BR 2,050 s.f; 3 4-BR 2,050 s.f.
Total Cost:	$3,787,700	**Per S.F. Acquisition & Construction Cost:**	$86.19
Loan Requested:	$2,200,000 construction	**Housing Credits (4%):**	$157,734
Other Funding:	Rural Development (RD), VHCB, Neighborworks, REEP, State Tax Credits, Affordable Housing Program (AHP), bank debt (subsidized by AHP)		
Sponsors:	Housing Vermont (HVT) & Gilman Housing Trust (GHT)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of a subsidiary of HVT and GHT) is seeking $2,200,000 in tax-exempt construction financing to rehabilitate four buildings at what was formerly called Townhouse Terrace (and Moonlight Ridge) in St. Johnsbury. This project was built in 1972 as 36 units of federally-subsidized housing. The development has had a horrendous reputation for a long time because of its rough physical shape (it was poorly maintained) and difficult tenants. A partnership consisting of HVT and GHT purchased the property a year ago, and have since assembled the majority of the funding needed to re-develop the project. The number of units will be downsized from 36 to 28 to make it a less dense, more livable environment. In addition to addressing bedroom size and livability, the re-development will address problems with drainage and site design, as the project is located on a terrace part way up a hillside. There will be a 43% decrease in the number of bedrooms on site, while still accommodating some large family units. The sponsors have a commitment for RD permanent financing and rental assistance, and all other funding except for AHP. VHCB has made a contingent commitment for funds should AHP not fund the project. The sponsors have the necessary permits and hope to begin construction in December and complete it within one year. Northern Community Management Corporation will be the property manager. A Phase 1 Environmental Site Assessment was completed and found no environmentally hazardous conditions. An as-built appraisal has been ordered but is not yet available. A budget is attached.

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/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

RESOLUTION RE: CONSTRUCTION FINANCING
FOR MOOSE RIVER, ST. JOHNSBURY

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Gilman Housing Trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of twenty-eight (28) units of rental housing in the Town of St. Johnhsbury (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 (the "Bonds") to finance a loan to the Borrowers;

WHEREAS, the application contemplates a mortgage loan for construction financing for the Development with the interest rates 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;

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 7, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.

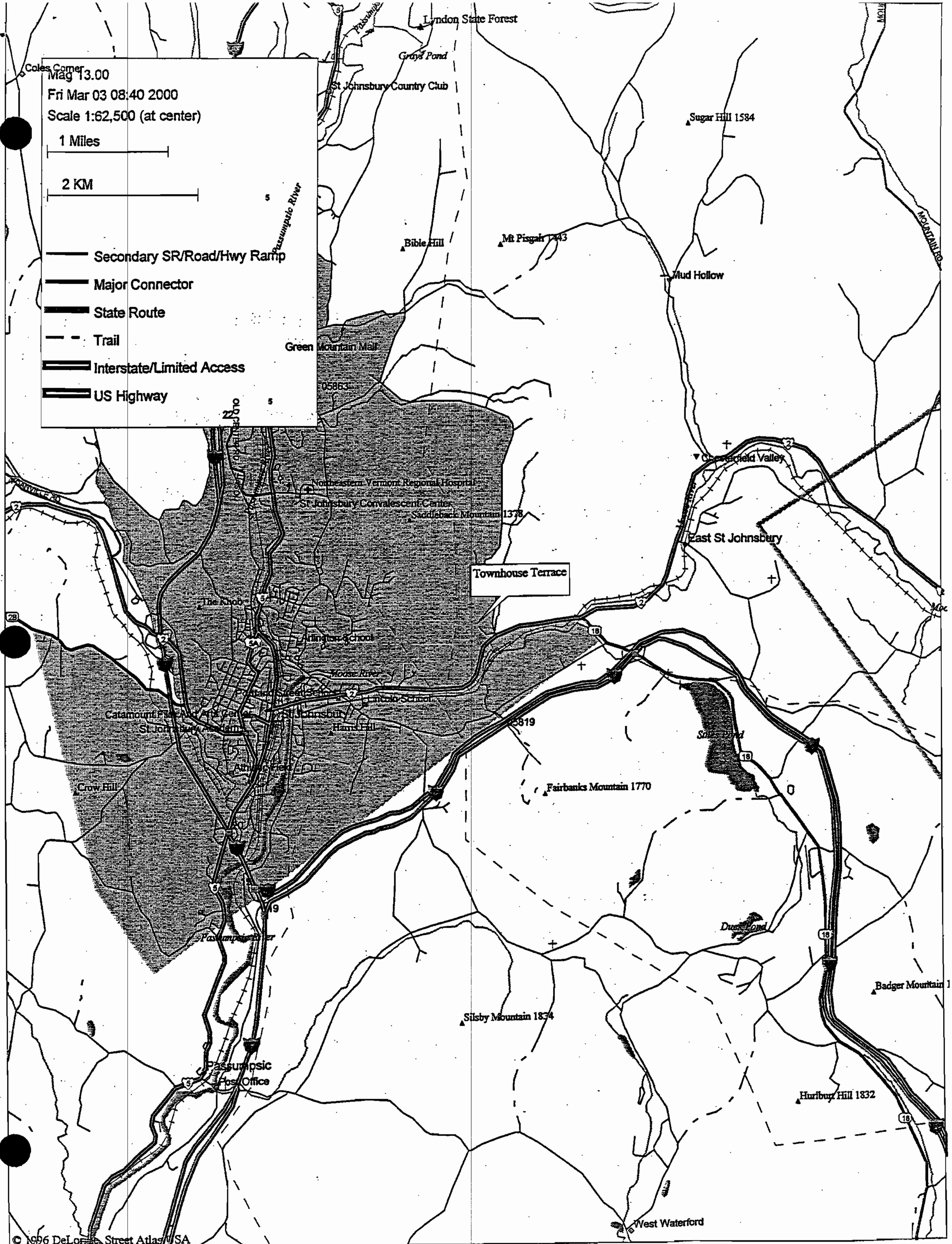
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are

appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 November 15, 2001.

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency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Fri Mar 03 08:40 2000
Scale 1:62,500 (at center)
1 Miles
2 KM
Secondary SR/Road/Hwy Ramp
Major Connector
State Route
Trail
Interstate/Limited Access
US Highway
Coles Corner
Lyndon State Forest
Grays Pond
St Johnsbury Country Club
Sugar Hill 1584
Passumpsic River
Bible Hill
Mt Pisgah 1443
Mud Hollow
Green Mountain Mall
05863
Chesterfield Valley
Northeastern Vermont Regional Hospital
St Johnsbury Convalescent Center
Saddleback Mountain 1378
East St Johnsbury
Townhouse Terrace
The Knob
Arlington School
Moose River
Lincoln School
Catamount Film And Arts Center
St Johnsbury
St Johnsbury Academy
Harris Hill
05819
Fairbanks Mountain 1770
Crow Hill
Athletic Field
Passumpsic River
Dunn Pond
Badger Mountain
Silsby Mountain 1834
Passumpsic
Post Office
Hurlburt Hill 1832
West Waterford
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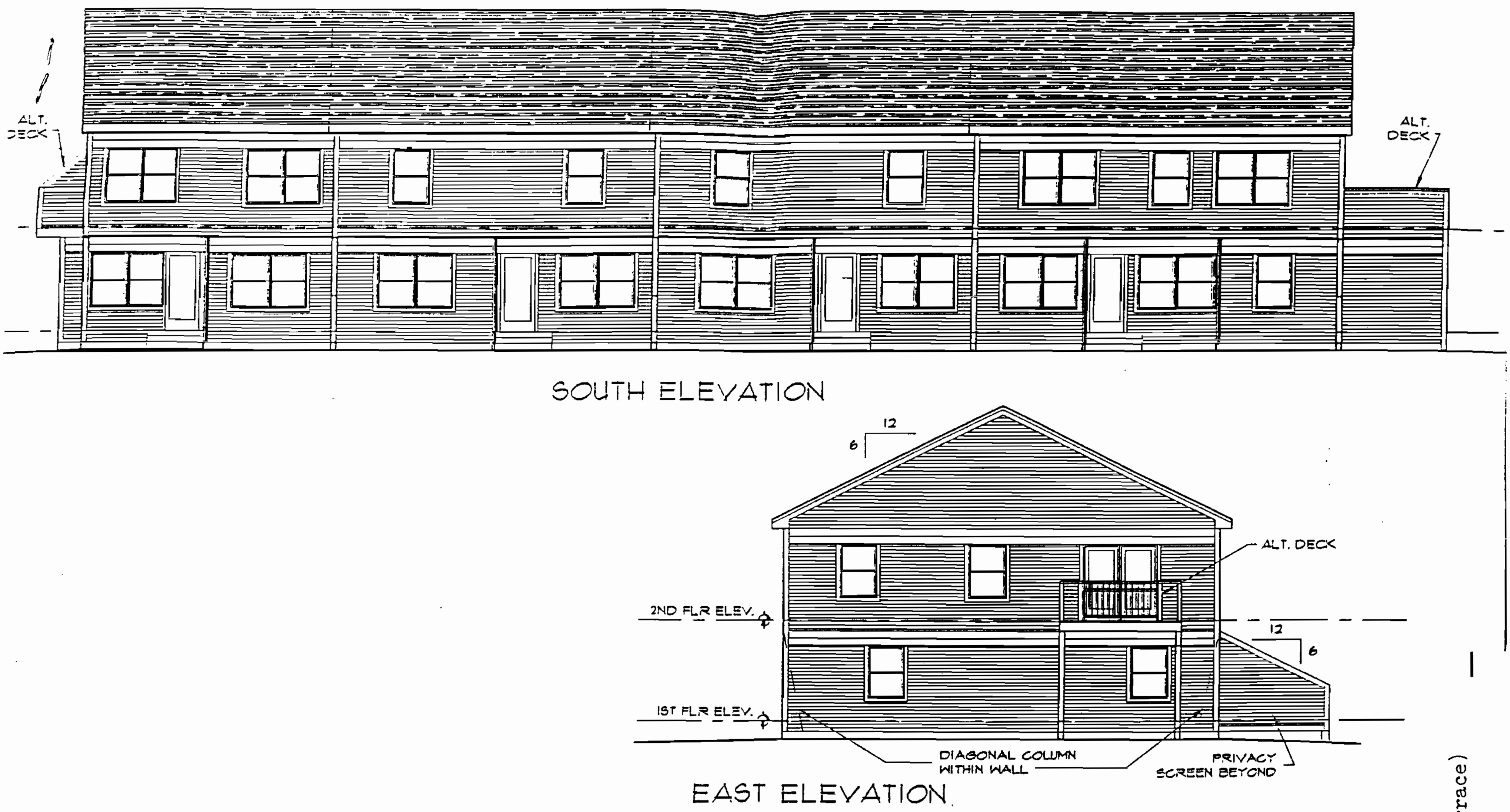

LDING 1 & 3 ELEVATIONS ' = 1'-0" 3/22/91	TOWNHOUSE TERRACE	WILLIAM MACLAY ARCHITECTS & PLANNERS 4509 MAIN STREET WAITSFIELD, VT 05673 (802) 496-4C04

Moose River (Townhouse Terrace)
St. Johnsbury

Moose River Housing (Townhouse Terrace)

Total Residential Units:	28	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	3,787,700	Expense increase:	2.50%
Total Development Cost per Unit:	135,275	Vacancy Rate:	5%
Total Development Cost Per SF:	105.68	Partner's Tax Rate:	35%
Total Cost Per SF, Acq & Hard Costs	86.19	Long Depreciation Schedule:	27.5 years
Max 4% Credit Potential:	157,734	Short Depreciation Schedule:	7 years
State Credit Allocated:	50,000	Sponsor's Estimated Yield:	94.26%

LIHTC - 9%	8.10%	(November 2001)
LIHTC - 4%	3.47%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - Rural Development	1,000,000	26.40%	1.00%	50	50
AHP/Passumpsic Loan	357,540	9.44%	3.25%	30	30
AHP	400,000	10.56%	0.00%	30	30
VHCB	453,282	11.97%	0.00%	30	30
Neighborworks	100,000	2.64%	0.00%	N/A	30
REEP	5,000	0.13%	N/A	N/A	
Tax Credit Equity	1,471,878	38.86%	N/A	N/A	
TOTAL SOURCES	3,787,700	100.00%			
VHFA Construction Loan	2,200,000	58.08%			12 months

USES

Acquisition	344,050	9.08%
Construction Hard Costs	2,744,866	72.47%
Soft Costs	698,784	18.45%
TOTAL USES	3,787,700	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	8	721,120		
2 Br	95,890	12	1,150,680		
3 Br	101,637	5	508,185		
4 Br	107,390	3	322,170		
Maximum cost allowed under the per unit cost limits		28	2,702,155		
Projected total cost, excluding cash accounts			3,611,100	Cost Overage	74.83%
		(over)/under	(908,945)		

General Partner's Capital Contribution	14,719	1.00%
Limited Partner's Capital Contribution	1,457,159	99.00%
Total Equity	1,471,878	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	35,840
Total Residential Square Footag	35,840
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	55,134	1,969	1.54
2	Purchase of Building(s)	251,166	8,970	7.01
3	Rent Loss During Contract	30,000	1,071	0.84
4	Property Appraisal	5,500	196	0.15
5	Legal - Title and Recording	2,250	80	0.06
	Subtotal - Acquisition	344,050	12,288	9.60
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	2,180,393	77,871	60.84
7	New Building(s)		0	0.00
8	Accessory Buildings		0	0.00
9	Sitework	158,212	5,650	4.41
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	233,861	8,352	6.53
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement	150,000	5,357	4.19
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipm	22,400	800	0.63
20	Other (__________)		0	0.00
	Subtotal - Hard Costs	2,744,866	98,031	76.59
	SOFT COSTS			
21	Architectural	110,000	3,929	3.07
22	Engineering		0	0.00
23	Legal/Accounting	15,000	536	0.42
24	Relocation	22,000	786	0.61
25	Environmental Assessment	3,500	125	0.10
26	Energy Assessment		0	0.00
27	Permits/Fees	11,933	426	0.33
28	Independent Market Study		0	0.00
29	Construction Period Insurance	6,000	214	0.17
30	Construction Interest	93,333	3,333	2.60
31	Construction Loan Origination F	67,000	2,393	1.87
32	Taxes During Construction		0	0.00
33	Clerk of the Works	15,600	557	0.44
34	Marketing	4,000	143	0.11
35	Tax Credit Fees	2,500	89	0.07
36	Soft Cost Contingency	11,318	404	0.32
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee		0	0.00
39	Other (Rent Loss)		0	0.00
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	HVT Development Fee	155,000	5,536	4.32
45	GHT Development Fee	155,000	5,536	4.32
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	21,000	750	0.59
48	Rent-up (Deficit Escrow) Reserv	5,600	200	0.16
49	Other Operating Reserves		0	0.00
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	698,784	24,957	19.50
	TOTAL DEVELOPMENT COST	3,787,700	135,275	105.68

06-Nov-01 **Moose River Housing (Townhouse Terrace)**

	Total Project Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	55,134					
2	Purchase of Building(s)	251,166	251,166		251,166		
3	Rent Loss During Contract	30,000					
4	Property Appraisal	5,500	5,500		5,500		
5	Legal - Title and Recording	2,250	2,250		2,250		
	Subtotal - Acquisition	344,050					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	2,180,393		2,180,393	2,180,393		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	158,212		158,212	158,212		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0			
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	233,861		233,861	233,861		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	150,000		150,000	150,000		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	22,400		22,400	22,400		
20	Other (__________)	0					
	Subtotal - Hard Costs	2,744,866					
	SOFT COSTS						
21	Architectural	110,000		110,000	110,000		
22	Engineering	0		0	0		
23	Legal/Accounting	15,000		15,000	15,000		
24	Relocation	22,000		22,000	22,000		
25	Environmental Assessment	3,500		3,500	3,500		
26	Energy Assessment	0		0	0		
27	Permits/Fees	11,933		11,933	11,933		
28	Independent Market Study	0		0	0		
29	Construction Period Insurance	6,000		6,000	6,000		
30	Construction Interest	93,333		93,333	93,333		
31	Construction Loan Origination Fee	67,000		67,000	67,000		
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	15,600		15,600	15,600		
34	Marketing	4,000					
35	Tax Credit Fees	2,500		2,500	2,500		
36	Soft Cost Contingency	11,318		11,318	11,318		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (Rent Loss)	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	HVT Development Fee	155,000		155,000	155,000		
45	GHT Development Fee	155,000		155,000	155,000		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	21,000					
48	Rent-up (Deficit Escrow) Reserve	5,600					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	698,784					
	TOTALS	3,787,700	258,916	3,413,050	3,649,566	0	
LESS:	Amount of Non-qualified Financing		0	0	0	0	
LESS:	Adjustment for per unit cost limits	1		0			
LESS:	Historic tax Credit (Residential Portion)			0	0		
	Total Eligible Basis		258,916	3,413,050			
TIMES:	Adjusted for QCT/DDA	130.0%		4,436,965			
TIMES:	Applicable Fraction	100.00%	258,916	4,436,965			
	Total Qualified Basis		258,916	4,436,965			
TIMES:	Applicable Percentage		3.47%	3.47%			
	Total Annual Credit Qualified		8,984	153,963			

20% Historic Credit Rate
0 Annual Historic Credit

Total Tax Credits Requested	157,734		162,947
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,471,878		
Estimated Yield - Housing Credit Synd	94.26%		
Equity Gap	1,471,878		
Credits Needed to fill Equity Gap	157,734		

3,649,566	Long Term Depreciable Basis
27.5	Depreciation Schedule
132,711	Annual Depreciation
22,400	Short Term Depreciable Basis
7	Depreciation Schedule
3,200	Annual Depreciation

form revision date: 2/27/97

06-Nov-01 **Moose River Housing (Townhouse Terrace)**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0	0	0
1 Br		746	8	507	0	48,672
2 Br		1,123	12	637	0	91,728
3 Br		2,050	5	707	0	42,420
4+ Br		2,050	3	807	0	29,052
	Totals	29,690	28			211,872

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0	0	0
1 Br			0	0	0	0
2 Br			0	0	0	0
3 Br			0	0	0	0
4+ Br			0	0	0	0
	Totals	0	0	0	0	0
All Units						
	Grand Total	29,690	28			211,872
		Less Vacancy	5.00%			(10,594)
					NET RENT	201,278

OTHER INCOME

Laundry	1,200
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCO	202,478

06-Nov-01

Moose River Housing (Townhouse Terrace)

	Check all Applicable									A				
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)
1	1			1	1	1	1			1	701	507	38	545
	2			1	1	1				1	790	507	38	545
	3	1		1	1	1				4	2,050	807	60	867
	4			1	1	1				3	2,050	707	54	761
	5			1	1	1				2	1,105	607	47	654
	6			1	1	1				2	1,200	607	47	654
2	7			1	1	1				2	1,165	697	47	744
	8			1	1	1				2	1,218	697	47	744
	9	1		1	1	1				3	2,050	707	54	761
	10			1	1	1				2	1,025	607	47	654
	11			1	1	1				2	1,025	607	47	654
	12	1		1	1	1				3	2,050	707	54	761
	13			1	1	1	1			1	701	507	38	545
	14			1	1	1				1	790	507	38	545
3	15			1	1	1	1			1	701	507	38	545
	16			1	1	1				1	790	507	38	545
	17	1		1	1	1				3	2,050	707	54	761
	18			1	1	1				4	2,050	807	60	867
	19			1	1	1				2	1,105	607	47	654
	20			1	1	1				2	1,200	607	47	654
4	21			1	1	1	1			2	1,165	697	47	744
	22			1	1	1				2	1,218	697	47	744
	23	1		1	1	1				3	2,050	707	54	761
	24			1	1	1				2	1,025	607	47	654
	25			1	1	1				2	1,025	607	47	654
	26	1		1	1	1				4	2,050	807	60	867
	27			1	1	1	1			1	701	507	38	545
	28			1	1	1				1	790	507	38	545
Total # Units	28	6	0	28	28	28	5	0	0	Totals:	35,840	17,656		Total # Units:
											S.F.	Rent		
									1		746	507		
									2		1,123	637		

06-Nov-01 **Moose River Housing (Townhouse Terrace)**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	15,120	1,260	45	7.5%
Supportive Services	1,680	140	5	
Audit/Accounting	3,800	317	11	
Legal	840	70	3	
Compliance Monitoring	0	0	0	
Marketing	672	56	2	
Other	4,620	385	14	
TOTAL ADMINISTRATIVE	26,732	2,228	80	
Utilities				
Electricity	2,688	224	8	
Fuel	18,480	1,540	55	
Water and Sewer	8,400	700	25	
Fire Alarm / Emergency	1,200	100	4	
Other		0	0	
TOTAL UTILITIES	30,768	2,564	92	
Maintenance				
Maintenance / Janitor Payroll	16,800	1,400	50	
Janitor Supplies	1,680	140	5	
Exterminating	672	56	2	
Trash Removal	5,040	420	15	
Snow Removal	3,360	280	10	
Grounds	3,360	280	10	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	3,360	280	10	
Other		0	0	
TOTAL MAINTENANCE	34,272	2,856	102	
				per unit month
Real Estate Taxes	23,520	1,960	70	excl. ds & res.
Property Insurance	4,704	392	14	357
Replacement Reserves	31,787	2,649	95	
Primary Debt Service	25,423	2,119	76	
Other "must pay" debt service	18,672	1,556	56	
Other		0	0	
Total	195,879	16,323	583	

06-Nov-01 **Moose River Housing (Townhouse Terrace)**

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		211,872	213,991	216,131	218,292	220,475	222,680	224,906	227,155	229,427	231,721	234,038	236,379	238,743	241,130	243,541
Other Income		1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,299	1,312	1,326	1,339	1,352	1,366	1,379
Vacancy and other losses		(10,594)	(10,700)	(10,807)	(10,915)	(11,024)	(11,134)	(11,245)	(11,358)	(11,471)	(11,586)	(11,702)	(11,819)	(11,937)	(12,057)	(12,177)
Total Operating Income		202,478	204,503	206,548	208,614	210,700	212,807	214,935	217,084	219,255	221,448	223,662	225,899	228,158	230,439	232,744
Operating Expenses																
Total Expenses (excl. Reserves)		119,996	122,996	126,071	129,223	132,453	135,764	139,159	142,638	146,203	149,859	153,605	157,445	161,381	165,416	169,551
Reserves		31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Total Operating Expense		151,783	155,101	158,497	161,973	165,531	169,173	172,901	176,718	180,624	184,624	188,718	192,909	197,200	201,592	206,090
Net Operating Income		50,695	49,402	48,051	46,641	45,169	43,634	42,034	40,367	38,631	36,824	34,944	32,990	30,958	28,847	26,654
Less Primary Debt Service		25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Secondary Debt Service		18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672
Annual Cash Flow		6,600	5,307	3,956	2,545	1,073	(462)	(2,062)	(3,729)	(5,465)	(7,271)	(9,151)	(11,106)	(13,137)	(15,249)	(17,441)
Operating Subsidies / Sinking Fund		0	0	0	0	0	462	2,062	3,729	5,465	7,271	9,151	11,106	13,137	15,249	17,441
Net Cash		6,600	5,307	3,956	2,545	1,073	0	0	0	0	0	0	0	0	0	0
DCR		114.97%	112.03%	108.97%	105.77%	102.43%	98.95%	95.32%	91.54%	87.61%	83.51%	79.25%	74.81%	70.21%	65.42%	60.45%
Cumulative Cash Flow																
Beginning Balance		0	6,699	12,286	16,670	19,754	21,436	21,618	20,204	17,082	12,129	5,222	(3,773)	(14,878)	(28,016)	(43,264)
Deposits		6,600	5,307	3,956	2,545	1,073	0	0	0	0	0	0	0	0	0	0
Interest	3.0%	99	281	428	538	609	643	649	606	512	364	157	0	0	0	0
Withdrawals		0	0	0	0	0	(462)	(2,062)	(3,729)	(5,465)	(7,271)	(9,151)	(11,106)	(13,137)	(15,249)	(17,441)
Ending Balance		6,699	12,286	16,670	19,754	21,436	21,618	20,204	17,082	12,129	5,222	(3,773)	(14,878)	(28,016)	(43,264)	(60,706)
Cumulative Replacement Reserves																
Beginning Balance		0	32,264	65,818	100,705	136,968	174,650	213,800	254,462	296,687	340,525	386,027	433,247	482,240	533,063	585,774
Deposits		31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Interest	3.0%	477	1,449	2,461	3,512	4,605	5,741	6,920	8,145	9,417	10,737	12,108	13,529	15,004	16,535	18,121
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		32,264	65,818	100,705	136,968	174,650	213,800	254,462	296,687	340,525	386,027	433,247	482,240	533,063	585,774	640,434
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		50,695	49,402	48,051	46,641	45,169	43,634	42,034	40,367	38,631	36,824	34,944	32,990	30,958	28,847	26,654
Plus Reserves		31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Less Interest Expense		(21,443)	(21,051)	(20,650)	(20,239)	(19,819)	(19,388)	(18,946)	(18,494)	(18,031)	(17,556)	(17,070)	(16,571)	(16,060)	(15,536)	(14,998)
Less Long Depreciation		(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)
Less Short Depreciation		(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(74,872)	(75,456)	(76,084)	(76,760)	(77,484)	(78,257)	(79,082)	(76,759)	(77,691)	(78,679)	(79,724)	(80,829)	(81,995)	(83,224)	(84,517)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		26,205	26,409	26,629	26,866	27,119	27,390	27,679	26,866	27,192	27,538	27,903	28,290	28,698	29,128	29,581
Plus State Tax Credits		32,500	32,500	32,500	32,500	32,500										
Plus Federal Tax Credits		157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734					
After Tax Cash Flow		216,439	216,643	216,863	217,100	217,353	185,124	185,413	184,600	184,926	185,272	27,903	28,290	28,698	29,128	29,581
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		216,439	216,643	216,863	217,100	217,353	185,124	185,413	184,600	184,926	185,272	27,903	28,290	28,698	29,128	29,581
uture Value of Cash Flows at Yr 15:		1,184,695	1,058,761	946,282	845,816	756,074	574,967	514,164	457,062	408,812	365,693	49,175	44,515	40,319	36,539	33,131
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	01-Dec-01	01-May-02	01-Sep-02	01-May-03	01-May-04	15-Oct-04	15-Oct-05									
Amount of Capital Contribution:	14,572	14,572	1,428,016	0	0	0	0	0								
Present Value of Contributions:	14,572	14,210	1,364,275	0	0	0	0									
Cash Flows	(1,393,057)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,316,004

IRR: 11.69%
Equity Yield: 89.21%

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Director of Homeownership Programs PC

DATE: November 7, 2001

RE: Summary of Homeownership Activities

PROGRAM OPERATIONS

Loan purchases during the month of October totaled $5.5 million with year to date loan purchases at $25.8 million. There are currently $21 million in loans in the pipeline from Series 13, Series 14, and Series 15.

The Cash Assistance Option represents approximately 33% of new reservations. Reservations average $1.0 to $1.5 million per week. Attached is FY 2002 production reports.

Conventional interest rates have declined since the sale of the Series 15 Bonds. The average 30 year fixed rate, zero point option is approximately 6.625%. VHFA is offering a rate of 6.30% with zero points, and 6.75% for the Cash Assistance Option.

Staff is in the process of distributing new Loan Origination Procedural Guides to lenders. There are several program changes that will become effective on December 3rd. The guide will also be available to lenders on VHFA's website. Future enhancements to the website will include program notices and a fillable reservation form that can be emailed to VHFA.

With the release of the new guide we are introducing a new "Limited Refinance" program. This program is targeted to owners of mobile homes in VHFA eligible parks and on owned land, and owners of property with shared appreciation. Attached is a fact sheet with additional information about this program. The interest rate on the zero point option will be 8.75%.

COLLECTIONS

Delinquency levels increased slightly in September and are attached. Delinquency numbers for October were not available at the time of the Board mailing but should be available at the Board meeting on November 15th.

October was a very busy month. We had 2 new foreclosures, 5 loans were reinstated from foreclosure, 1 loan in foreclosure was paid in full, and 7 new REOS were booked. As of October 31, 2001 VHFA owned 20 properties; however, 5 have sold, 4 are under contract, and offers are pending on 2 properties. Attached are REO Inventory Reports as of September 30, 2001 and October 31, 2001.

VHFA Limited Refinance Program

vhfa

VHFA is now offering a **Limited Refinance Program** that allows homeowners to:

- Replace a high interest rate mobile home loan,or;
- Replace shared appreciation financing for all property types

In addition, borrowers can finance the cost of property improvements and all closing costs associated with the loan.

Program Eligibility Requirements

- VHFA Income Limits apply (See reverse side.)
- Property must be the borrower's principal residence
- Debt to be replaced must have a 24 month acceptable payment history
- Borrowers with a valid FICO credit score of **660 or above** are eligible for the lesser of: a maximum loan amount equal to 95% of the appraised value, or 100% of the pay-off of the current housing debt plus closing costs and property improvement costs
- Borrowers with a valid FICO credit score of **659 or below** are eligible for the lesser of: a maximum loan amount equal to 90% of the appraised value, or 100% of the pay-off of the current housing debt plus closing costs and property improvement costs

Property Eligibility Requirements

- Mobile homes on land the homeowner owns
- Mobile homes located in VHFA eligible mobile home parks
- Relocation of mobile homes to an eligible park or owned land
- All mobile homes must be permanently affixed to land
- Property currently financed with shared appreciation financing from a non-profit organization (all property types)

** Additional program and property requirements apply.*

Rates and Terms

VHFA offers terms of 10, 15, 20, 25 and 30 years (pre-1976 mobile homes maximum 20 years). For our latest rates, visit **www.vhfa.org**. Or call our Rate Line: **(802) 652-3426**. Rates are subject to change without notice.

Make It Happen

To apply, contact a participating VHFA lender. (See reverse.) *VHFA lenders determine eligibility, complete the application, and process and close the loan.*

Mobile home foundation requirements

VHFA will only finance mobile homes that are permanently affixed to land. To meet this requirement the mobile home foundation must meet the following:

The wheels, hitch and axles must be removed and the **foundation must consist of:**

- Poured concrete slab on grade with a frost wall or floating slab, <u>or</u>;
- Poured concrete support columns installed below the frost line, <u>or</u>;
- Concrete block piers installed below the frost line.

All foundations must be placed on an adequately prepared site. If the home is on column or piers, they must be of sufficient size and adequate bearing to support the unit. Insulated skirting must be installed around the perimeter to protect the undercarriage from air infiltration.

Pre-1976 units must be currently financed with VHFA, are restricted to a maximum 20-year loan term, and require full property inspections. For all other units, VHFA reserves the right to request a full property inspection based on the age and condition of the unit.

REV. NOVEMBER 2001

Vermont Housing Finance Agency
LIMITED REFINANCE PROGRAM

Area	Income Limits		Participating Lenders
	2 or Fewer Persons	3+ Persons	Banknorth Mortgage Company The Bank of Bennington Beacon Mortgage Company Brattleboro Savings & Loan Charter One Bank Chittenden Bank CitiMortgage Inc. Citizens Savings Bank Community National Bank Connecticut River Bank, N.A. CTX Mortgage Co. Direct Financial Services, Inc. Factory Point National Bank First Brandon National Bank First Community Bank GMAC Mortgage Corporation Heritage Family Credit Union Kittredge Mortgage Corp. Lyndonville Savings Bank Mascoma Savings Bank Mortgage Financial Services, Inc. Mortgage Service Center National Bank of Middlebury National City Mortgage New England Federal Credit Union North Country Federal Credit Union Northeast Home Loan, LLC Northfield Savings Bank Passumpsic Savings Bank Peoples Trust Company Summit Financial Center, Inc. Union Bank Universal Mortgage Corp. VT Development Credit Union VT Federal Credit Union VT State Employees Credit Union Wells Fargo Home Mortgage Inc. Wells River Savings Bank
Addison County	$45,500	$52,300	
Bennington County	$45,500	$52,300	
Burlington Targeted Area – (Census Tract areas 4 & 10)	$58,000	$68,000	
Caledonia County	$54,600	$63,700	
MSA Area (Metropolitan Statistical Area) • **Chittenden County** - Burlington, Charlotte, Colchester, Essex, Essex Junction, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, Williston, and Winooski. • **Franklin County** - Fairfax, Georgia, St. Albans City, St. Albans Town, and Swanton. • **Grand Isle County** - Grand Isle and South Hero.	$55,600	$63,900	
Chittenden County (Non-MSA)*- Bolton, Buels Gore, Huntington, Underhill, and Westford.	$57,500	$66,000	
Franklin County (Non-MSA)* - Bakersfield, Berkshire, Enosburg, Fairfield, Fletcher, Franklin, Highgate, Montgomery, Richford, and Sheldon.	$54,600	$63,700	
Grand Isle County (Non-MSA)* - Alburg, Isle La Motte, and North Hero.	$45,500	$52,300	
Essex County	$54,600	$63,700	
Lamoille County	$54,600	$63,700	
Orange County	$54,600	$63,700	
Orleans County	$54,600	$63,700	
Rutland County	$54,600	$63,700	
Washington County	$54,900	$64,100	
Windham County	$54,600	$63,700	
Windsor County	$45,500	$52,300	

* Metropolitan Statistical Area

VHFA Production Report by Product FY 2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	4,897,229	8,307,876	6,634,708	5,410,431									**25,250,244**
HOUSE	0	162,365	140,400	94,000									**396,765**
YESS	0												**0**
RURAL DEV.	23,800	126,730	29,000	46,500									**226,030**
Total	4,921,029	8,596,971	6,804,108	5,550,931	0	0	0	0	0	0	0	0	25,873,039

MOBILE HOME	309,300	835,015	628,425	547,936									**2,320,676**

VHFA Production Report By Product FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY Total
MOVE	6,948,719	6,245,359	6,779,574	5,508,307	6,186,222	7,576,798	4,377,870	1,986,485	2,581,182	2,509,617	1,798,548	4,287,862	**56,786,543**
HOUSE	142,750	55,000	221,600	89,165	124,500	195,500	99,000	97,000	162,750	125,500	199,000	0	**1,511,765**
YESS	157,150	100,000	0	170,450	217,455	246,629	126,675	114,820	0	0	0	0	**1,133,179**
RURAL DEV.	139,900	64,180	57,360	26,640	48,300	54,560	100,500	71,520	0	0	16,000	31,660	**610,620**
Total	7,388,519	6,464,539	7,058,534	5,794,562	6,576,477	8,073,487	4,704,045	2,269,825	2,743,932	2,635,117	2,013,548	4,319,522	60,042,107

MOBILE HOME	866,063	348,550	616,554	524,049	486,555	1,093,304	508,419	161,900	700,457	121,235	308,713	615,715	**6,351,514**

VHFA Production Report- Dollar volume by lender FY2002

July 1, 2001 - June 30, 2002

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$882,050	$1,869,045	$1,567,915	$924,210									$5,243,220
NEFCU	$144,050	$1,199,150	$298,950	$324,000									$1,966,150
SUMMIT	$374,100	$362,445	$767,540	$198,100									$1,702,185
BANKNORTH	$452,575	$626,300	$198,350	$401,800									$1,679,025
UNIVERSAL	$374,625	$391,000	$469,240	$247,955									$1,482,820
PEOPLES TRUST	$277,055	$357,937	$466,985	$143,450									$1,245,427
UNION	$226,900	$211,900	$332,700	$210,846									$982,346
VT STATE ECU	$0	$174,363	$194,975	$571,755									$941,093
NORTHFIELD	$249,000	$268,295	$254,390	$66,000									$837,685
COMMUNITY	$95,545	$381,450	$234,505	$112,725									$824,225
N.E. HOME LOAN	$0	$69,355	$380,550	$323,495									$773,400
BRATTLEBORO	$0	$249,500	$308,900	$185,000									$743,400
CHARTER ONE	$0	$431,550	$246,000	$0									$677,550
HERITAGE FCU	$164,400	$159,125	$134,400	$212,075									$670,000
MTG FINANCIAL	$280,470	$270,000	$0	$88,000									$638,470
GMAC	$225,650		$156,500	$254,049									$636,199
FACTORY	$236,235	$231,900	$78,000	$0									$546,135
CTX	$296,054	$106,400	$50,440	$77,676									$530,570
CT RIVER	$73,000	$137,500	$87,200	$204,000									$501,700
LYNDONVILLE	$63,500	$102,125	$131,740	$152,000									$449,365
VDCU	$0	$113,176	$50,000	$277,960									$441,136
NCFCU	$152,800	$95,000	$48,403	$98,000									$394,203
CITIZENS	$63,000	$147,700	$44,625	$102,125									$357,450
BNK OF BENN	$161,720	$89,900	$83,600	$0									$335,220
KITTREDGE	$0	$85,500	$136,950	$56,500									$278,950
VHFA (RD)	$23,800	$126,730	$29,000	$46,500									$226,030
NAT'L BNK MIDDLE	$52,000	$65,075	$0	$80,910									$197,985
WELLS FARGO	$52,500	$95,000	$0	$0									$147,500
FIRST COMMUNITY	$0	$63,050	$0	$80,000									$143,050
CITIMORTGAGE, IN	$0		$0	$111,800									$111,800
FIRST BRANDON	$0	$50,000	$52,250	$0									$102,250
WELLS RIVER	$0	$66,500	$0	$0									$66,500
MASCOMA	$0		$0	$0									$0
PASSUMPSIC	$0		$0	$0									$0
NAT'L CITY MTG	$0		$0	$0									$0
BEACON MTG	$0		$0	$0									$0
VT FEDERAL CU	$0		$0	$0									$0
TOTAL	$4,921,029	$8,596,971	$6,804,108	$5,550,931	$0	$0	$0	$0	$0	$0	$0	$0	$25,873,039

VHFA Production Report- Dollar volume by lender FY2001

July 1, 2000 - June 30, 2001

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD TOTAL
MTG SVC CENTER	$2,213,475	$1,049,968	$2,099,177	$906,400	$1,473,065	$1,633,254	$1,171,952	$341,900	$466,550	$575,157	$413,400	$734,750	$13,079,048
NEFCU	$441,615	$78,958	$677,905	$588,430	$162,500	$789,070	$321,100	$406,070	$574,000	$283,700	$298,150	$331,060	$4,952,558
BANKNORTH	$232,990	$227,170	$582,660	$298,950	$339,300	$493,315	$253,500	$79,050	$56,300	$187,850	$190,000	$266,500	$3,207,585
SUMMIT	$386,875	$595,453	$306,250	$104,500	$314,390	$268,200	$437,125	$83,220	$86,450	$126,600	$0	$380,992	$3,090,055
UNIVERSAL	$68,870	$870,970	$323,590	$175,413	$85,405	$124,780	$291,100	$304,720	$297,115	$146,655	$0	$327,690	$3,016,308
VDCU	$242,235	$0	$390,129	$360,170	$687,874	$680,974	$22,325	$0	$0	$226,675	$0	$0	$2,610,382
CTX	$225,746	$120,150	$361,400	$310,565	$192,200	$0	$234,874	$172,400	$390,317	$0	$194,763	$309,275	$2,511,690
GMAC	$462,050	$309,600	$253,850	$88,250	$164,350	$181,450	$141,350	$0	$73,700	$58,805	$0	$519,800	$2,253,205
UNION	$128,100	$343,275	$49,955	$435,932	$140,740	$485,805	$134,425	$66,000	$81,900	$92,000	$64,660	$0	$2,022,792
VT STATE ECU	$153,500	$597,350	$0	$280,550	$145,000	$239,900	$235,725	$133,500	$76,800	$72,000	$76,500	$0	$2,010,825
NORTHFIELD	$228,018	$99,000	$246,128	$334,260	$320,100	$226,861	$176,120	$0	$71,250	$78,375	$148,500	$0	$1,928,612
COMMUNITY	$197,500	$0	$493,950	$60,500	$222,763	$271,940	$187,750	$0	$69,000	$0	$0	$198,550	$1,701,953
CHARTER ONE	$119,700	$578,120	$0	$428,255	$188,815	$296,930	$0	$59,000	$0	$0	$0	$0	$1,670,820
PEOPLES TRUST	$110,000	$0	$0	$256,300	$101,650	$287,632	$244,625	$241,155	$72,750	$63,650	$0	$224,100	$1,601,862
FACTORY	$209,500	$187,425	$85,400	$61,750	$0	$110,825	$145,500	$0	$120,110	$307,750	$52,250	$246,800	$1,527,310
BRATTLEBORO	$72,000	$125,000	$78,300	$0	$264,725	$348,700	$68,000	$0	$231,750	$0	$0	$0	$1,188,475
HERITAGE FCU	$64,505	$194,745	$0	$69,600	$204,390	$155,607	$137,450	$0	$0	$48,500	$76,000	$125,010	$1,075,807
CITIMORTGAGE, IN	$454,975	0	$143,750	$170,383	$77,500	$165,500	$0	0	$0	$0	$0	$0	$1,012,108
BNK OF BENN	$278,850	$0	$0	$282,730	$57,700	$90,000	$66,699	$89,640	$0	$0	$55,000	$58,685	$979,304
KITTREDGE	$201,270	$243,500	$38,000	$86,400	$113,850	$0	$0	$120,000	$0	$0	$110,550	$61,750	$975,320
MTG FINANCIAL	$159,610	$176,000	$0	$0	$178,900	$237,905	$0	$101,650	$0	$0	$96,425	$0	$950,490
NCFCU	$268,000	$0	$112,635	$74,690	$101,755	$168,625	$0	$0	$0	$166,000	$0	$0	$891,705
MASCOMA	$0	$147,400	$169,750	$0	$72,450	$74,800	$125,750	$0	$0	$0	$0	$129,375	$719,525
VHFA (RD)	$213,775	$64,180	$57,360	$26,640	$60,850	$54,560	$100,500	$71,520	$0	$0	$16,000	$31,660	$697,045
N.E. HOME LOAN	$0	$0	$0	$0	$0	$229,000	$137,175	$0	$0	$29,450	$73,000	$222,675	$691,300
LYNDONVILLE	$78,375	$281,000	$46,500	$72,000	$0	$53,675	$0	$0	$0	$0	$50,350	$97,500	$679,400
CT RIVER	$0	$0	$105,000	$87,084	$150,785	$148,000	$0	$0	$0	$0	$98,000	$0	$588,869
PASSUMPSIC	$61,750	$0	$104,000	$29,450	$207,320	$0	$0	$0	$75,940	$0	$0	$0	$478,460
WELLS RIVER	$91,200	$129,200	$0	$70,310	$81,000	$60,000	$0	$0	$0	$0	$0	$0	$431,710
CITIZENS	$24,035	$46,075	$206,645	$0	$146,450	$0	$0	$0	$0	$0	$0	$0	$423,205
NAT'L CITY MTG	$0	$0	$126,200	$63,050	$81,200	$52,679	$0	$0	$0	$0	$0	$53,350	$376,479
NAT'L BNK MIDDLE	$0	$0	$0	$72,000	$52,250	$87,000	$71,000	$0	$0	$68,450	$0	$0	$350,700
WELLS FARGO	$0	$0	$0	$0	$187,200	$56,500	$0	$0	$0	$0	$0	$0	$243,700
BEACON MTG	$0	$0	$0	$0	$0	$0	$0	$0	$0	$103,500	$0	$0	$103,500
FIRST BRANDON	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FIRST COMMUNITY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	$7,388,519	$6,464,539	$7,058,534	$5,794,562	$6,576,477	$8,073,487	$4,704,045	$2,269,825	$2,743,932	$2,635,117	$2,013,548	$4,319,522	$60,042,107

HOMEOWNERSHIP DELINQUENCY REPORT
FISCAL YEAR 2002

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
Total Portfolio #	6450	6431	6443	6465										6446
Total Portfolio $	$381.3	$381.1	$384.0	$387.0										$384.0

NUMBER OF DELINQUENT LOANS

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	229	233	234	255										241
60 Days	68	68	62	73										68
90 Days	41	40	34	37										37
Foreclosure	55	56	61	63										60
Total Delq 01-02	393	397	391	428										405
Total Delq 00-01	429	418	438	452	430	434	511	432	452	407	399	388	393	430

PERCENT BY NUMBER OF DELINQUENT LOANS

	Jun-01	Jul	Aug	Sep	Oct	Nov	Dec	Jan-02	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	3.55%	3.62%	3.63%	3.94%										3.73%
60 Days	1.05%	1.06%	0.96%	1.13%										1.05%
90 Days	0.64%	0.62%	0.53%	0.57%										0.57%
Foreclosure	0.85%	0.87%	0.95%	0.97%										0.93%
Total Delq 01-02	6.09%	6.17%	6.07%	6.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.28%
Total Delq 00-01	6.77%	6.55%	6.81%	6.99%	6.63%	6.65%	7.77%	6.55%	6.86%	6.19%	6.11%	5.98%	6.09%	6.60%

DOLLAR AMOUNT OF DELINQUENT LOANS

	Jun-00	Jul	Aug	Sep	Oct	Nov	Dec	Jan-01	Feb	Mar	Apr	May	Jun	YTD Average
30 Days	$13.2	$13.4	$13.3	$14.3										$13.7
60 Days	$3.8	$4.0	$3.6	$4.1										$3.9
90+ Days	$5.6	$5.6	$5.6	$5.7										$5.6
Total Delq 01-02	$22.6	$23.0	$22.5	$24.1										$23.2
Total Delq 00-01	$24.1	$23.3	$24.7	$25.3	$24.2	$24.0	$28.5	$24.2	$25.5	$22.6	$22.0	$22.0	$22.6	$24.1

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM MONTHLY DELINQUENCY REPORT
September 30, 2001

Lenders	Total Loans	30 Days		60 Days		90+ Days		In Foreclosure		Total Delinquent		Real Estate Owned	
Bank of Bennington	83	3	3.61%	0	0.00%	0	0.00%	0	0.00%	3	3.61%	0	0.00%
Brattleboro Savings & Loan	65	1	1.54%	0	0.00%	0	0.00%	0	0.00%	1	1.54%	0	0.00%
Charter One	328	18	5.49%	3	0.91%	2	0.61%	7	2.13%	30	9.15%	5	1.52%
Citizens Savings Bank	120	4	3.33%	2	1.67%	0	0.00%	0	0.00%	6	5.00%	0	0.00%
Community National Bank	326	7	2.15%	4	1.23%	1	0.31%	5	1.53%	17	5.21%	2	0.61%
Connecticut River Bank	17	1	5.88%	0	0.00%	0	0.00%	0	0.00%	1	5.88%	0	0.00%
Factory Point Nat. Bank	63	1	1.59%	1	1.59%	0	0.00%	0	0.00%	2	3.17%	0	0.00%
First Brandon Nat. Bank	14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
GMAC Mortgage	55	2	3.64%	0	0.00%	0	0.00%	0	0.00%	2	3.64%	0	0.00%
Graystone Mortgage Company	1518	68	4.48%	19	1.25%	14	0.92%	16	1.05%	117	7.71%	2	0.13%
Heritage Family Credit Union	49	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	88	1	1.14%	1	1.14%	0	0.00%	0	0.00%	2	2.27%	0	0.00%
Mascoma Savings Bank	16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mortgage Service Ctr. of NE	2681	122	4.55%	40	1.49%	17	0.63%	32	1.19%	211	7.87%	5	0.19%
New England Federal CU	170	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	183	2	1.09%	0	0.00%	0	0.00%	3	1.64%	5	2.73%	1	0.55%
Passumpsic Savings Bank	145	6	4.14%	1	0.69%	0	0.00%	0	0.00%	7	4.83%	0	0.00%
Peoples Trust Co.	101	2	1.98%	0	0.00%	0	0.00%	0	0.00%	2	1.98%	0	0.00%
Randolph National Bank	18	1	5.56%	0	0.00%	0	0.00%	0	0.00%	1	5.56%	0	0.00%
Union Bank	229	11	4.80%	1	0.44%	1	0.44%	0	0.00%	13	5.68%	0	0.00%
Vermont Development CU	159	3	1.89%	1	0.63%	2	1.26%	0	0.00%	6	3.77%	0	0.00%
Wells River Savings Bank	32	2	6.25%	0	0.00%	0	0.00%	0	0.00%	2	6.25%	0	0.00%
Totals	**6465**	**255**	**3.94%**	**73**	**1.13%**	**37**	**0.57%**	**63**	**0.97%**	**428**	**6.62%**	**15**	**0.23%**
Totals Previous Month	**6443**	**234**	**3.63%**	**62**	**0.96%**	**34**	**0.53%**	**61**	**0.95%**	**391**	**6.07%**	**14**	**0.22%**
Totals Same Mo. Last Yr.	**6429**	**263**	**4.09%**	**72**	**1.12%**	**49**	**0.76%**	**54**	**0.84%**	**438**	**6.81%**	**20**	**0.31%**

Note: Of the loans in foreclosure, a total of 23 are under a Chapter 13 Bankruptcy Plan

VERMONT HOUSING FINANCE AGENCY
HOMEOWNERSHIP PROGRAM DELINQUENCY STATISTICAL REPORT BY LENDER

Lenders	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	June 2001	July 2001	Aug 2001	Sept 2001
Bank of Bennington	4.05%	5.06%	5.06%	6.33%	5.06%	5.06%	6.33%	3.90%	3.85%	2.53%	2.47%	3.66%	3.61%
Brattleboro Savings & Loan	3.92%	5.88%	3.77%	3.51%	0.00%	1.72%	3.33%	3.33%	5.08%	3.39%	1.69%	3.28%	1.54%
Charter One	11.02%	9.21%	9.97%	11.11%	10.57%	10.08%	7.48%	7.12%	8.14%	7.46%	6.93%	5.17%	9.15%
Citizens Savings Bank	3.25%	2.44%	3.97%	4.76%	5.56%	4.80%	6.40%	4.07%	3.31%	2.52%	7.63%	3.36%	5.00%
Community National Bank	8.06%	7.49%	10.45%	9.52%	7.72%	6.27%	7.19%	6.33%	7.88%	6.08%	5.18%	5.79%	5.21%
Connecticut River Bank	0.00%	11.11%	9.09%	7.69%	15.38%	30.77%	8.33%	8.33%	7.69%	0.00%	7.14%	6.25%	5.88%
Factory Point Nat. Bank	7.14%	11.63%	11.63%	13.33%	10.87%	10.87%	12.50%	7.69%	11.32%	10.71%	10.17%	8.06%	3.17%
First Brandon Nat. Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GMAC Mortgage	0.00%	0.00%	4.76%	2.27%	6.52%	6.52%	2.17%	4.26%	2.13%	3.85%	3.64%	3.77%	3.64%
Graystone Mortgage Company	8.67%	8.39%	7.12%	7.65%	7.37%	7.40%	7.16%	6.80%	6.33%	6.85%	6.10%	6.93%	7.71%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	2.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lyndonville Savings Bank	2.44%	1.20%	1.18%	3.49%	3.49%	2.33%	3.49%	1.14%	1.14%	1.14%	1.16%	1.16%	2.27%
Mascoma Savings Bank	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	6.67%	6.67%	0.00%	0.00%	0.00%	0.00%	0.00%
Mortgage Service Ctr. of NE	17.81%	13.89%	15.28%	18.06%	6.55%	7.35%	6.39%	6.94%	6.88%	7.06%	7.70%	7.50%	7.87%
New England Federal CU	0.85%	0.80%	0.79%	0.74%	0.00%	0.00%	0.00%	0.67%	0.00%	0.00%	0.00%	0.00%	0.00%
Northfield Savings Bank	5.95%	8.14%	4.55%	6.18%	4.44%	5.03%	5.56%	5.56%	3.33%	2.79%	2.75%	2.73%	2.73%
Passumpsic Savings Bank	4.52%	4.49%	5.13%	10.32%	5.16%	5.81%	2.60%	4.58%	4.58%	5.30%	4.05%	2.74%	4.83%
Peoples Trust Co.	6.33%	7.50%	6.17%	4.76%	3.49%	5.68%	4.55%	4.49%	2.27%	2.20%	3.19%	2.06%	1.98%
Randolph National Bank	0.00%	0.00%	12.00%	12.50%	12.50%	13.04%	8.70%	0.00%	0.00%	9.52%	5.26%	5.26%	5.56%
Union Bank	5.26%	6.13%	7.01%	5.48%	6.79%	5.43%	6.31%	4.50%	4.04%	5.83%	6.19%	6.19%	5.68%
Vermont Development CU	5.71%	6.25%	4.67%	6.33%	3.80%	5.70%	1.28%	1.26%	1.27%	1.90%	1.90%	1.88%	3.77%
Wells River Savings Bank	2.94%	0.00%	2.78%	5.41%	5.56%	5.88%	5.88%	6.06%	9.09%	9.68%	9.68%	6.25%	6.25%

REO INVENTORY REPORT
As of September 30, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 6/30/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 8,190	$ 6,764	$ 48,385	$ (5,100)	$ 47,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Under Deposit $47,000; Closing Delay due to Easement Agreement
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 8,409	$ 9,663	$ 46,336	$ 27,844	$ 15,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	Under Contract $15,000
Deschamp	5/22/01	Richford	$ 57,352	$ 4,216	$ 7,308	$ 14,462	$ 54,414	$ 2,828	$ 58,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Was under contract; Unable to finance
Brown	6/1/01	Barre	$ 49,398	$ 5,360	$ 9,590	$ 11,280	$ 53,068	$ 12,934	$ 45,000	$ 46,000	2/8/01	$ 59,000	6/24/92	SF	Under Contract $45,000
Laughlin	6/7/01	Pittsford	$ 42,210	$ 6,898	$ 9,523	$ -	$ 58,631	$ -	$ 115,000	$ 112,500	7/25/01	$ 87,000	8/17/87	SF	Under Contract $115,000
Blomquist	6/11/01	Rochester	$ 37,235	$ 5,692	$ 5,161	$ 3,422	$ 44,666	$ -	$ 35,000	$ 43,000	7/17/01	$ 53,000	7/8/86	SF	Under Contract $35,000
Lucas	6/22/01	North Troy	$ 32,477	$ 1,773	$ 5,441	$ -	$ 39,691	$ 4,689	$ 43,000	$ 43,000	6/27/01	$ 38,000	5/2/96	SF	Under Contract $43,500
Bezanson	7/13/01	Bellows Falls	$ 46,245	$ 2,236	$ 5,628	$ 11,750	$ 42,359	$ -	$ -	$ 53,000	8/9/01	$ 65,000	9/25/98	Condo	Waiting for MA to list
Griggs	7/20/01	Newport City	$ 48,483	$ 3,485	$ 4,881	$ 3,419	$ 53,430	$ -	$ 29,500	$ 28,000	7/18/01	$ 57,000	9/23/92	SF	Price reduction if not under deposit by 9/30
Whittier	8/2/01	Canaan	$ 54,674	$ 3,632	$ 3,994	$ 7,269	$ 55,031	$ -	$ 43,000	$ 35,000	10/5/01	$ 65,000	12/9/93	SF	Under Contract $43,500
Gagne	8/13/01	Highgate	$ 73,666	$ 14,079	$ 5,834	$ 22,000	$ 71,579	$ -	$ 50,000	$ 50,000	8/22/01	$ 80,000	4/27/95	SF	Under Deposit $60,000;
Nelson	8/23/01	Rutland City	$ 63,414	$ 7,870	$ 2,564	$ 19,000	$ 54,848	$ -	$ 54,000	$ 54,000	8/13/01	$ 70,000	7/10/95	SF	Under Contract $54,000;
Lawson	9/4/01	Cavendish	$ 69,499	$ 5,690	$ 8,187	$ -	$ 83,376	$ -	$ 51,000	$ 50,500	9/19/01	$ 77,000	8/2/96	SF	
Jones	9/7/01	Burlington	$ 67,744	$ 6,876	$ 4,516	$ -	$ 79,136	$ -	$ 89,000	$ 88,000	9/18/01	$ 76,000	6/10/94	Condo	Under Contract $89,000
14			$ 728,643	$ 76,110	$ 89,226	$ 109,029	$ 784,950	$ 43,195	$ 674,500	$ 738,000		$ 890,500			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

REO INVENTORY REPORT
As of October 31, 2001

Mortgagor	REO Date	City	Princ. Bal.	Interest	Expenses	Receipts (1)	Total Cost Basis	Valuation Allowance as of 6/30/01	List Amount (2)	Current Appraisal	Date Last Appraised	Original Appraisal	Loan Date	Type	Comments
Kearney	12/15/00	Poultney	$ 43,514	$ 3,445	$ 8,322	$ 6,764	$ 48,517	$ (5,100)	$ 47,000	$ 55,000	2/26/01	$ 51,500	3/7/94	SF	Boundary Issues have lost VHFA 2 sales; Working on Easement
Jarvis	4/16/01	Springfield	$ 42,732	$ 4,858	$ 8,541	$ 9,663	$ 46,468	$ 27,844	$ 15,000	$ 18,000	9/22/00	$ 50,000	7/14/93	SF	Under Contract $15,000; Closing 11/9/01
Deschamp	5/22/01	Richford	$ 57,352	$ 4,216	$ 8,378	$ 14,462	$ 55,484	$ 2,828	$ 58,000	$ 62,000	4/16/01	$ 62,000	3/22/99	SF	Was under contractbuyer unable to finance; price reduction in 30 days
Brown	6/1/01	Barre	$ 49,398	$ 5,360	$ 9,738	$ 11,280	$ 53,216	$ 12,934	$ 45,000	$ 46,000	2/8/01	$ 59,000	6/24/92	SF	**Property Sold on 11/01/01**
Laughlin	6/7/01	Pittsford	$ 42,210	$ 6,898	$ 9,695	$ -	$ 58,803	$ -	$ 115,000	$ 112,500	7/25/01	$ 87,000	8/17/87	SF	Under Contract $115,000; Closing 11/12/01
Blomquist	6/11/01	Rochester	$ 37,235	$ 5,692	$ 5,403	$ 3,422	$ 44,908	$ -	$ 35,000	$ 43,000	7/17/01	$ 53,000	7/8/86	SF	**Property Sold on 11/01/01**
Lucas	6/22/01	North Troy	$ 32,477	$ 1,773	$ 5,618	$ -	$ 39,868	$ 4,689	$ 37,500	$ 43,000	6/27/01	$ 38,000	5/2/96	SF	Under Contract $37,500; Closing 12/15/01; RD Guaranteed
Bezanson	7/13/01	Bellows Falls	$ 46,245	$ 2,236	$ 6,036	$ 11,750	$ 42,767	$ -	$ 50,000	$ 53,000	8/9/01	$ 65,000	9/25/98	Condo	
Griggs	7/20/01	Newport City	$ 48,483	$ 3,485	$ 5,069	$ 3,419	$ 53,618	$ -	$ 29,500	$ 28,000	7/18/01	$ 57,000	9/23/92	SF	Price reduction pending
Whittier	8/2/01	Canaan	$ 54,674	$ 3,632	$ 5,924	$ 7,269	$ 56,961	$ -	$ 43,500	$ 35,000	10/5/01	$ 65,000	12/9/93	SF	Under Contract $43,500; Closing 11/15/01
Nelson	8/23/01	Rutland City	$ 63,414	$ 7,870	$ 3,237	$ 19,000	$ 55,521	$ -	$ 54,000	$ 54,000	8/13/01	$ 70,000	7/10/95	SF	**Property Sold on 11/7/01**
Lawson	9/4/01	Cavendish	$ 69,499	$ 5,690	$ 8,227	$ 20,000	$ 63,416	$ -	$ 51,000	$ 50,500	9/19/01	$ 77,000	8/2/96	SF	Offer Pending
Jones	9/7/01	Burlington	$ 67,744	$ 6,876	$ 4,702	$ 15,000	$ 64,322	$ -	$ 89,000	$ 88,000	9/18/01	$ 76,000	6/10/94	Condo	**Property Sold 11/01/01**
McAlister	10/1/01	Newport City	$ 43,591	$ 2,620	$ 2,880	$ 6,800	$ 42,291	$ -	$ 43,000	$ 43,000	10/5/01	$ 49,500	12/20/94	SF	New to market
Balestra	10/4/01	Clarendon	$ 73,927	$ 9,529	$ 4,222	$ 20,000	$ 67,678	$ -	$ 23,000	$ 40,000	10/17/01	$ 82,500	4/15/91	MH	**Property Sold on 11/7/01**
Langlois	10/5/01	Eden	$ 38,097	$ 1,734	$ 1,730	$ 9,524	$ 32,037	$ -	$ -	$ -		$ 44,000	10/14/99	SF	Values Ordered
Dell'Orto	10/8/01	Calais	$ 60,298	$ 3,199	$ 3,629	$ 15,074	$ 52,052	$ -	$ 66,000	$ 66,000	7/30/01	$ 65,000	2/25/00	SF	Septic Issues Need to be Resolve; Several interested buyers
Blanton	10/15/01	Newport City	$ 42,104	$ 3,378	$ 4,316	$ -	$ 49,798	$ -	$ 50,000	$ 49,500	9/24/01	$ 46,000	9/9/97	SF	RD Guaranteed
Lewis	10/19/01	Lunenburg	$ 22,011	$ 2,267	$ 4,868	$ -	$ 29,146	$ -	$ -	$ 18,000	1/3/01	$ 33,000	2/12/96	SF	RD Guaranteed; RD has agreed to waive public sale (they have a 2nd)
Lacourse	10/29/01	Lyndon	$ 38,829	$ 3,184	$ 1,990	$ 7,820	$ 36,183	$ -	$ -	$ -		$ 52,000	8/30/95	MH	Values Ordered
20			$ 973,834	$ 87,942	$ 112,525	$ 181,247	$ 993,054	$ 43,195	$ 851,500	$ 904,500		$ 1,182,500			

REOS that are under deposit

(1) Receipts column represents actual and projected mortgage insurance claim payments

(2) If Property is under deposit the List Price is the actual sale price.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: NOVEMBER 7, 2001

RE: MULTI-FAMILY BOND FINANCING

We are currently working on a financing plan for several projects that have recently come before the Board. Although, you have approved the individual projects and a master resolution, we wanted to update you on the funding progress. We are targeting around December 10th for the closing of the bond transaction. We expect this will be publicly placed through our standard bond financing team, consisting of PaineWebber, Piper Jaffray and Kutak Rock. We are expecting to issue approximately $15 million of bonds for the Farrell Street, Falcon Manor, Smith's Housing, Townhouse Terrace, Boves and Ben South developments. Recent financial market developments have given us hope to deliver the lowest financing rates in memory. These bonds will be sold for construction financing, permanent financing, taxable and tax exempt purposes and short and long term. Each variation will require a different series of bonds to be issued under the same issue.

We will be starting the bond process with the working group by having a kickoff conference call scheduled for Thursday, November 8th. If new information develops subsequent to the call we will update the Board at the meeting on the 15th.

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000

of Bonds In One or More Series to Finance Multi-Family Projects

Adopted November 15, 2001

01-370100.01

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

November 15, 2001

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 No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all 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. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

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

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such Bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Chief Financial Officer and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. 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 Montpelier, Vermont on November 15, 2001.

Sarah E. Carpenter

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake EMD

RE: Additional Board Allocation of Volume Cap

DATE: November 7, 2001

To followup on the June 2001 update on the Agency's use of its allocation of the State's private activity bond volume cap, I have updated this information based on the Agency's most recent bond issues.

Since January, the Agency has allocated a total of $66,000,000 ($46 million for Homeownership and $20 million for Multifamily) of the Agency's 2001 State Allocation of $77,750,000. The Agency has issued a total of $57,412,865 ($42,562,865 in Homeownership bonds and $14,850,000 in Multifamily bonds) in private activity bonds issued against the State's volume cap. As the year end approaches, the remaining unallocated balance in the amount of $11,750,000 should be allocated between Homeownership and Multifamily for carryover purposes.

The following chart shows the status of the Agency's available private activity volume cap.

			Allocated by VHFA Board	
		Unallocated by VHFA	Homeownership	Multifamily
Carryforward from 2000			7,000,000.00	13,424,000.00
2001 State Allocation		77,750,000.00		
VHFA Board Allocation		(66,000,000.00)	46,000,000.00	20,000,000.00
2001 Private Activity Bonds Issued			(42,562,865.00)	(14,850,000.00)
Balance as of 11/7/01	40,761,135.00	11,750,000.00	10,437,135.00	18,574,000.00

Recommended Board Action: To adopt the attached resolution to allocate the remaining $11,750,000 of the Agency's 2001 State Allocation to Multifamily.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

RESOLUTION RE: ALLOCATION OF 2001 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board ("2001 Allocation"); and

WHEREAS, the Agency has allocated $66 million of the 2001 Allocation and desires to elect to utilize another $11,750,000 of the 2001 Allocation for exempt facility bonds;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate $11,750,000 of its 2001 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake EMD

RE: Resolutions regarding
1. General Authorizing Resolution to Finance Multi-Family Projects; and
2. Federal Home Loan Bank Signatory Authority

DATE: November 7, 2001

General Authorizing Resolution to Finance Multi-Family Projects.

The Agency is currently planning a public offering of multi-family bonds. The Board has outstanding authorizing resolutions in the amount of $15,760,000. After issuing the multifamily bonds in December, there will be little authorizing authority remaining to issue bonds for additional advances and new commitments. A new resolution in the amount of $10 million is attached for your consideration.

Federal Home Loan Bank Signatory Authority.

The Agency needs to update its signatory authority with the Federal Home Loan Bank ("Bank). At this time, Roger is the only current employee that is an authorized representative of the Agency for purposes of the Bank's programs. The attached resolution authorizes Sarah, Roger and Dave in their capacity as officers and/or employees of the Agency to execute various documents required by the Bank when the Agency uses its various financing programs.

Recommended Board Action: To adopt the attached resolutions entitled "Resolution Authorizing the Issuance and Sale of a Maximum of $10,000,000 of Bonds In One or More Series to Finance Multi-Family Projects" and "Resolution Pertaining to Federal Home Loan Bank of Boston Advances."

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $10,000,000 of Bonds In One or More Series to Finance Multi-Family Projects

Adopted November 15, 2001

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $10,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

November 15, 2001

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WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $10,000,000 in the aggregate, all as hereinafter provided;

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

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DEFINITIONS AND AUTHORITY

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"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

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"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $10,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

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

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

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Section 2.01. Authorization of Bonds, Principal Amount 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 this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $10,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. 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 from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which 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 purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds to be used, directly or indirectly, in a manner which would result in such Bonds being qualified for the exclusion of any such 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) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such 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 such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such 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 of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, 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 Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such 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 such 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 III 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 III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Chief Financial Officer and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. 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 Burlington, Vermont on November 15, 2001.

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 been a nonmember borrower with the Federal Home Loan Bank of Boston ("FHLB") since 1996; and

WHEREAS, the FHLB requires approval of an authorizing resolution and because of changes in personnel, the following resolution to amend the authorized agents of the Vermont Housing Finance Agency is necessary;

THEREFORE, it is hereby RESOLVED:

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

Name	Signature
Sarah E. Carpenter	
Roger A. Schoenbeck	
David S. Adams	

be and they are hereby authorized to apply to the Federal Home Loan Bank of Boston for advances, and 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 FHLB as security for the payment and performance of any and all obligations due the FHLB, and to extend, renew, or consolidate the advances obtained when convenience may require and the FHLB 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 the FHLB and all other obligations due the FHLB 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 FHLB of written notice of its amendment or revocation.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: November 8, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

Administration

The long awaited multifamily computer conversion is in progress. Tim from Mitas was here this week to review the system with staff. We will hopefully signoff on the conversion and be live by the time of the Board meeting. Rick Jean and Sherri Mullin from IS, Nina McDonnell, Ann Marie Plank, and Kim Roy from Multifamily, and Lisa Clark from Finance, have worked many hours to ensure a smooth transition. Their time and effort is very much appreciated.

We have kicked off the United Way Campaign for 2001 with a pizza lunch on the 31st. The Homeownership department hosted a silent auction and bake sale on November 2nd. The Finance department will be sponsoring a pie and ice cream social on the 19th and the Administration department will be hosting a breakfast on the 29th. These events are open to all Board members. Polly Thibault and Veronica Devos have already started on the 2002 United Way Campaign with the planning of a murder mystery dinner at the Radisson next September. We will keep you posted on our progress.

Public Affairs

This has been a busy autumn for the Public Affairs department.

The annual report is done and looks great!! Craig Bailey from our staff did all the design work. He oversaw the contracting, photography and printing, and brought the report in on time and on budget. This will serve as a promotional item for VHFA with lenders and other partners. We welcome your feedback. Congratulations to John and Craig for the fine job.

The public awareness campaign is moving along. We are fund raising right now, and hoping to start launching things after the first of the year. The Campaign has raised $28,000 to date from its members, and we're awaiting other pledges. Fannie Mae has told us they have $5,000 available for the Campaign, but that we need to design a specific task, such as a public roundtable or other similar event, to dedicate these funds. We're working on that. We are also awaiting word on a $15,000 grant request to the Vermont Community Foundation. The Awareness Campaign is also talking with a polling firm, CSC, out of Plymouth, MA, about putting a survey into the field in early to mid-January, to give us a benchmark on public attitudes and to test message and messengers for the Campaign. Pam Boyd, from VHCB, has designed a very good-looking Campaign brochure and letterhead, which are undergoing minor revisions, and Craig has designed a Campaign website, which we hope to have up in January. We are also making a strong outreach effort at Vermont banks and businesses, as well as collecting "real life" stories of Vermonters caught in the housing crunch. The next Campaign meeting will be Wednesday, November 28th, at 10 a.m., in the VHFA board room, if you're interested in attending.

As a corollary effort to the Campaign, we're working with several other organizations on a new report comparing Vermonters' wages and housing costs. It is modeled on the "Feeling the Pinch" report that was put out by the New Hampshire Housing Forum. John will be serving as general editor for the final product. Target date for release of that report is January 28, 2002.

Public Affairs staff is helping Homeownership get ready for the 10th annual Home Buyers' Fair, scheduled for March 9th. We feel we should acknowledge the fact that this is the 10th annual fair, so we're planning some media outreach and an opening event.

We are putting together an external Agency newsletter, tentatively titled "Housing Matters," that will be produced electronically. Target date for the first edition, which will feature Agency news, housing issues briefs, and a letter from me, among other things, is December 3rd.

Public Affairs also gave assistance to the Department of Aging and Disabilities, which is developing a communications plan for its Robert Wood Johnson Foundation-funded "Coming Home" project.

We got some response to our October 26th press release announcing the tax credit awards. WKDR, Burlington, ran a story with comments from Dave Adams, and WFAD, Middlebury, will have Sarah on its afternoon talk program later this month.

Homeownership Programs

VHFA's round of luncheons to thank our lending partners are complete and were well attended and appreciated. This year we recognized fourteen originators who were top producers of VHFA loans over the past year. Top producers received a certificate and a special VHFA sweatshirt.

Homeownership is very close to releasing a new and improved VHFA Loan Origination Procedural Guide to Participating Lenders. With the release of the new guide VHFA is also introducing a new limited refinance program that will allow homeowners to replace a high interest rate mobile home loan or refinance a home with shared equity provisions. Pat will provide additional information in her Board report.

Purchase Servicing Update

We have completed the servicing transfer for Wells River Savings Bank as of September 30th. This was small portfolio of 32 loans with balances of $1.6 million. Passumpsic Savings Bank has decided not to transfer their portfolio at this time. We are working through contract issues with First Brandon with no final resolution at this time (12 loans with balances of $800,000). We have started discussions with Mascoma Savings Bank, and Charter One. We are conducting pricing analysis on these two portfolios against our experience with the BankNorth portfolio that we acquired two years ago, along with current prepay spends in this loan interest rate environment.

Multifamily Management

Staff has now completed all Contract Administration Management Reviews for year 2001 and is nearing completion of all onsite inspections and tenant file reviews required for tax credit compliance audits. We are in the process of preparing final reports for 42 properties where we have not completed our full review of annual status reports and owner certifications. This work is expected to be wrapped up by early next year. Although time consuming, most of the compliance issues identified are minor in nature.

The 2002 budget approval process is underway and has been augmented this year with a request to update the Capital Needs Assessments (CNA) for all properties. These were last prepared in 1997 and we have urged owners and managers to include the cost of needed capital improvements with their budget submissions.

Preservation activity continues to produce both agreements to provide extended affordability along with transfers of project ownership to qualified nonprofits. We have 5 pending preservation transactions; two pending final documents in Rutland and Poultney, and three others under verbal agreement in Island Pond, Montpelier, and Westminster.

Nina McDonnell and Erin Philbrick have reorganized 23 years worth of VHFA multifamily management and development file history in our basement and this major effort has been an ongoing project since early summer. This was not pleasant work but for those of us who must venture into the catacombs to retrieve documents, site plans and old correspondence, we are elated with the major transformation and progress that has been made. Thank you Nina and Erin!

All of this has been accomplished as staff begins the final phase of the MF Mitas conversion from DOS to Windows. Staff has worked diligently to prepare for this conversion and looking forward much greater access to the Multifamily database.

October has been a month of workshops and training. Various staff members attended the 30th NCSHA Annual Conference in Boston, the 11th New England Regional HFA Management Conference on Cape Cod, the Vermont Housing Managers Association Annual Conference in Stowe, and Sam attended NCSHA's Executive Development Program at Notre Dame University.

Development

Development staff also is spending time on the Mitas conversion, and looking forward to using features of the program that we have not had before. Several Board-approved loans have worked through difficult issues and are getting much closer to closing, including Marketplace, Falcon Manor, and Victoria Apartments. Smith Housing recently had a construction loan closing and a portion of the McAuley Square project had a permanent closing as well.

Staff is beginning to process the work from the recent last tax credit meeting as well as prepare for all the year-end work with IRS. We need to make a few changes to the tax credit application and will be accepting them by January 4. We hope to have the meeting on allocations with the Tax Credit Committee in conjunction with the February Board meeting.

Finance

Finance has been updating their computer programs from Mitas to utilize the windows based version for the year-end disclosure reports that we are obligated to provide. These show very detailed performance information on each series of bonds issued. The annual transition of completing one fiscal year and closing, and opening the new fiscal year that takes place after the final audit is completed. This included the conversion to some new software updates.

After working for the last several months with the Vermont Community Foundation we received a deposit from them for $100,000 to invest into our housing programs.

Legal

Staff has reviewed the existing agency administrative rules and has found that revisions are necessary to reflect current practice. Specific revisions will be reviewed with the Board before filing with the Secretary of State's office. The multifamily lending documents are also being reviewed and revised to streamline and consolidate where possible. In anticipation of the legislative session, Representative Tom Little has kindly submitted a draft request for a repeal of the current sunset on the property transfer tax exemption for VHFA-financed home mortgages. We will be approaching possible sponsors in the coming weeks, including the Joint Housing Committee.

Other

On October 29, I attended a meeting of the Boston Federal Reserve Bank Community Development Advisory Council. I heard very similar issues from around the region, particularly about the continued high price of producing housing and lack of affordable and available housing.

On October 30, Roger, John and I attended a meeting at the Radisson sponsored by the Chamber, GBIC and Chittenden County RPC. The focus was economic development and a 20-year vision for Chittenden County. This meeting was attended by a large number of business and political leaders in the state, and one of the consistent themes identified was the need and support for housing in Northwest Vermont.

November 5-7, I will be speaking at an AAHSA / National Cooperative Bank training on developing affordable senior housing and assisted living options.

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake EMD

RE: Revisions to Administrative Rules

DATE: November 7, 2001

The Agency currently has the following administrative rules adopted and effective under the Vermont Administrative Procedures Act:

1. Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing: Mortgage Loans to Housing Sponsors for Single Family Developments (Note: includes Loans for Mixed-Use Developments) Effective Date: June 4, 1990

2. Rules and Regulations Pertaining to Certain Single Family Mortgage Loans Effective Date: March 1, 1995

3. Rules for Loans to Housing Sponsors for Multi-Family Developments Effective Date: March 1, 1995

4. Home Improvement Loans Rules and Regulations Effective Date: March 13, 1995

Copies of these rules were distributed to you as part of the Retreat materials.

Over the last month, the Homeownership and Multifamily departments have reviewed the rules and have determined that revisions are needed to update the rules to current practice. Also, there are some areas, such as, mixed-use developments, that staff would like to recommend some changes to the current rules to expand the Agency's ability to address future projects.

With the Board's concurrence, staff would like to proceed by developing the specific revisions for the Board's consideration in preparation for beginning the formal APA process.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: Thomas A. Little

FROM: Sarah Carpenter, Executive Director

DATE: November 1, 2001

RE: Vermont Property Transfer Tax Exemption

In 1997 the former Vermont Home Mortgage Guarantee Board ("VHMGB") discussed with the legislature raising their rates for mortgage insurance as they had begun experiencing significant losses. As part of that discussion, and as a concession to the raised rates the legislature agreed to provide an exemption from paying a portion of the Vermont Property Transfer tax for home buyers using VHMGB mortgage insurance. Under this provision, the first $100,000 of a home purchased with VHMGB mortgage insurance was exempt from paying the Vermont Property Transfer Tax. Any portion of the purchase price that exceeds $100,000 is subject to the property transfer tax at the rate of 1.25%. This was signed into law on June 26, 1997. At that time the bill was due to sunset on July 1, 2000. This was based on the assumption that the raised VHMGB premiums would raise enough capital to stabilize the fund and that rates might be able to be rolled back.

In 1999 the Board of VHMGB (Betsy Costle, Jim Douglas, and Greg Brown), with the support of the VHFA Board (after an in depth study), decided that the only way to stabilize the fund on an ongoing basis was to charge market rates or greater. If that was the case then it seemed prudent to remove this significant contingent liability from the State's books, and "sell" VHMGB. Since we could not afford to subsidize VHMGB rates, VHFA borrowers would use available market PMI, including a VHFA tailored product to be offered by MGIC. As part of the dissolution of VHMGB, the transfer tax exemption was transferred to VHFA. On June 2, 1999, Governor Dean signed into law an amendment to 32 VSA §9602(1). This exemption did include a repeal effective July 1, 2002. Mike Smith, former Deputy State Treasurer, was responsible for most of the direct legislative committee negotiations at that time. It is unclear to me why the sunset was retained, although Senate Finance and others had some concerns that the MGIC product might not adequately serve consumers and that we might want to revisit this issue. We have not seen any negative effects related to the MGIC PMI product.

The result of this exemption is that low and moderate income VHFA borrowers can realize a savings of up to $500 in closing costs. Based on the volume of VHFA mortgages in its fiscal year 2001, approximately $350,000 in revenue was forgone and saved by these homebuyers in Vermont. VHFA's participating lenders, realtors, the Homeownership Centers, and other nonprofits, all believe that this exemption provides a huge benefit for the first-time buyer.

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Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency
164 St. Paul St.
Burlington, VT

Thursday, December 6, 2001 at 9:30 AM

PRESENT: Chairperson Randall, Commissioners Canney, Candon (Designee of Costle), Douglas, Lafayette, Beyer(Designee of Lambert)
Staff: Ms. Carpenter, Ms. Loller, Ms. Reid, Mr. Erdelyi, Ms. Keough, Mr. Schoenbeck, Ms. Crady, Ms. Malmgren, Mr. Fairbanks, Mr. Falzone
Guests: JoAnna Villone, Cathedral Square Corporation; Andy Broderick, Housing Vermont; J. Ladd, Lake Champlain Housing Development Corporation

MINUTES

The meeting was called to order at 9:34 AM by Chairperson Randall.

Two corrections were made to the November 15, 2001 minutes. They included a correction in a bank/servicer name from Mascoma Savings Bank to Wells River Savings Bank, and re-wording of the Winooski project discussion to more accurately reflect the meaning intended. Ms. Beyer made a motion to approve the minutes. The motion carried unanimously after being seconded by Ms. Lafayette.

Ms. Carpenter introduced Ingrid Malmgren, VHFA's new Research Analyst.

FINANCE

Mr. Schoenbeck reviewed the memo on Allocation of Additional Volume Cap and Carryforward of Unused Volume Cap. Multifamily will not use its allocated volume cap until January, then approximately half of the Multifamily carryforward will be used for the upcoming bond issue. Ms. Carpenter commented that within the next few weeks there will be a discussion of next years bond cap allocation between various issuing agencies. Since Vermont Economic Development Authority cannot carryover its allocated cap they may need to put volume cap back into the pool for re-allocation, possibly to VHFA or VSAC.

Ms. Beyer moved to approve the recommended resolution, which allocates any additional volume cap made available to the Agency to Homeownership for the upcoming spring bond issue and authorizes the filing of the Carryforward with the IRS, this was seconded by Ms. Canney. The resolution passed unanimously.

MULTI-FAMILY DEVELOPMENT

O'Dell Parkway (Farrell Street/Marketplace)

Ms. Reid reviewed the memo on O'Dell stating that the project financing has been restructured due to cost increases. The project will now be two projects consisting of two buildings each, this enables them to use tax exempt bonds on one project.

All permits are in place and the appeal period is done. The project has all of its funding commitments except for $150,000. This gap was caused by changes to the foundation work and other construction increases. The change will include heating the garages and adding doors to prevent the slab from freezing. The Agency is being asked to increase its commitment of 0% financing by $50,000. Mr. Schoenbeck stated that these funds are available in the 0% pool.

Mr. Broderick said that marketing will begin in March or April.

Ms. Randall questioned the effect on rents, to which Ms. Reid stated that there was a slight increase of $10 per unit per month because of the cost increases of the project.

Mr. Broderick stated that they are still evaluating whether to add garage doors and heat or whether to add additional insulation and drainage to lessen the potential problems associated with a shallow foundation design. Several other projects in Vermont have used this type of foundation and parking area, including the apartments near Hoyts Cinema 9.

Mr. Candon questioned whether the Agency has done any other projects with over 160 units. Mr. Erdelyi responded that this is one of the largest in units that the Agency has ever done in recent history and the largest in dollars.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Ms. Lafayette. The resolution passed unanimously.

Cathedral Square Assisted Living

Ms. Reid reviewed the memo stating that the Agency would be financing a seven unit addition to the existing building and would include a lounge, mechanical room, and a dining room that would be used for all twenty-eight assisted living units. Twenty-one units will be renovated on two floors of the existing building and paid for under a HUD 202 grant. On the permanent financing of the seven units the Agency would be in a first mortgage position, though the Agency would be in a second position to HUD during the construction period.

The seven units are "market units", four of which will be under median income requirements. Technically this will need a Board waiver of the 75% requirement under the Agency's Rules for occupancy, even though the whole project is over 90% affordable. Ms. Carpenter stated that the Board may want to consider changing the standard rule. The Bond rule is as low as 20%.

Ms. Villone showed plans for the two story addition and discussed how it would blend into the existing building. Accessibility will be improved for the whole building. Construction will begin around the end of January with completion in November.

Ms. Beyer questioned the demand for assisted living. Ms. Villone explained that the expansion was needed due to demand, which will allow people to age in place. The additional services will allow eleven residents who are nursing home eligible to remain in their apartments.

All local permits are in place.

Mr. Candon moved to approve the recommended resolution, this was seconded by Ms. Beyer. The resolution passed unanimously.

HOMEOWNERSHIP

Ms. Crady reviewed the November 30, 2001 production reports showing $7.7 million in loans purchased in November. There is a pipeline of approximately $18 million that will close within the next three months. The majority of those loans will be purchased by VHFA by June 30, 2002.

Delinquency reports as of November 30, 2001 were not available and will be included with the December 31, 2001 reports in the next board mailing. There is no indication that delinquencies have substantially increased over October 31, 2001 numbers. VHFA and our servicers are being very proactive in dealing with delinquent borrowers. The Agency averages approximately four to six loan modifications per month. Mr. Candon questioned the loan modification process. Ms. Crady explained that the servicer has first contact, if the servicer believes that the borrower is committed but cannot bring their loan current with a reasonable repayment plan they obtain current financial information. Then the servicer coordinates a plan of action with VHFA. A loan modification may include capitalizing delinquent interest, taxes, etc. in addition to an interest rate reduction and/or extending the loan term. Ms. Canney asked if VHFA accepted partial payments, to which Ms. Crady stated that the servicer deals with partial payments, but that generally partial payments are accepted as long as the total amount paid each month is sufficient to pay one months' payment plus a portion of the delinquent payments. Ms. Crady also explained that since March 1997 VHFA requires that all taxes and insurance be escrowed. Ms. Randall expressed concern about the property being allowed to deteriorate before the Agency gets involved. VHFA does require that a servicer or its agent inspect a property once the loan is 45 days delinquent. When VHFA reviews a loan for modification, it generally obtains a current market analysis which gives an indication of not only the value but if the property is being maintained. VHFA is flexible and works with people, but does look at things on a case by case basis. VHFA does reevaluate affordability, but is more flexible than the Agency would be if it was approving a new loan.

Cash assistance production is at 1/3 of total production, which is consistent with the amount of cash assistance allocated in the current bond issues. Ms. Canney expressed concern that the fund wiring process was delaying closings. Ms. Crady explained that cash assistance funds were wired to lenders weekly. Requests received on Tuesday are wired so they are available on Friday of that week. Lenders do have to anticipate what loans will close to request the funds; however, Ms. Crady was not aware that closings were being delayed because they have not requested funds. Mr. Schoenbeck stated that the lender may also request cash assistance funds prior to loan closing.

ADMINISTRATION

Demonstration Project Discussion

The feasibility of doing a demonstration project to promote affordable housing was a high priority item for the Board during the October retreat. Ms. Carpenter is requesting feedback from the Board regarding clarification on the scope of this initiative. A listing of Issues to Consider Regarding a Demonstration Project, which were preliminary thoughts of the staff, was distributed to aid the discussion.

Ms. Beyer felt that the baseline design criteria needs to be put out by the Board. The other issue is that this would be moderately priced homes, not necessarily a perpetually affordable development.

Ms. Carpenter thought the intent was to develop tools or loan products to spur development that could be replicated. The Agency is concentrating on homeownership opportunities, rather than rental for this initiative.

Ms. Randall stated that, as a Board, we need to look at this to decide if the Agency should use resource dollars. Ms. Carpenter responded that to take this further the Agency needs to look at what dollars are available and we may need a consultant to spend time on this to narrow down the scope and work with towns and regional entities. Ms. Randall stated that this would not be wasted data, but a learning experience.

Ideas that started forming are:

-This project would be to help developers, not to drive the ship. The Agency would not want to be the developer.

-The money should revolve, if possible, to get back the Agency's investment, maybe not with the return that you could get with another investment, but to enable the use of this money again for future projects.

-The Agency should consider redevelopment, maybe industrial sites that could be redeveloped into usable space.

-The Agency should be careful not to dedicate this resource to do something that it already knows how to do.

-A complimentary tool that could perhaps be used in conjunction with CDBG to finance the infrastructure.

-Housing development near a town where there is employment opportunities.

-Focus on creating partnerships with municipalities that could work for both the municipality and the Agency.

-Partnering with the state for land.

Ms. Randall stated that the Agency shouldn't limit itself until the research is done. Ms. Carpenter responded that the Agency has had a good year and now is the time to look at a project like this. Ms. Carpenter asked for permission from the Board to go forward in designing this project, to which the Board concurred.

Mr. Candon questioned whether we should ask some experienced builder to talk to the Board. Ms. Carpenter said that maybe a focus group of builders should be formed to look at the issues after the Agency has a list of questions identified.

Ms. Carpenter will come back to the Board in January with some suggested ideas/parameters.

Retreat Packet

Ms. Loller handed out a summary packet of the Retreat. Ms. Carpenter shared that the staff appreciated having the Board at the Retreat. Follow up meetings will happen with each department. New initiatives identified at this year's Retreat will be incorporated into the current Strategic Plan Document. An update will be available for the January Board meeting.

The Agency has already implemented a refinancing program for mobile home loans and properties with shared appreciation requirements (i.e. land trust assisted loans). These loans will be funded with General Funds until we have enough activity to sell a taxable bond.

Ms. Beyer brought up the issue of contract administration. Ms. Carpenter stated that the Agency shares contract administration with VSHA, but HUD recently transferred additional contract administration to the state, so that on a project that both VSHA and VHFA may participate, there is some concern about multiple work tasks. VHFA is required to provide asset management oversight and tax credit monitoring on many of these projects. There is some concern how this can be done efficiently and who should take the lead as HUD tries to consolidate contract administration. Ms. Beyer said that the legislature is questioning the layers of redundancy. For example, regarding the Templeton project, VSHA and VHFA are reviewing the same project issues. Mr. Falzone will follow up on this subject with a memo explaining the current agreements.

Ms. Carpenter stated that VSHA wants to come to the January Board meeting to see how much VHFA is willing to commit to Templeton. They really will need direction for the Tax Credit Meeting in February.

For the Board's information, Ms. Carpenter distributed and reviewed the VT Affordable Housing Coalition's 2002 Legislative Priorities.

Mr. Candon stated that subprime lending and predatory lending is becoming an issue in the state as well as nationally. During reviews/audits of banks, the Banking Commission looks at this issue.

Mr. Schoenbeck recommended to the Board a Bond Basics class put on by John Wagner of Kutak Rock. The class will be scheduled for January 15th 9-11 am. Ms. Keough will follow up with the Board on the details.

Mr. Candon made the motion to adjourn. Ms. Beyer seconded the motion and it carried unanimously.

With no further business, the meeting adjourned at 12:02 PM.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director

Book

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Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director

DATE: November 29, 2001

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held on December 6th, 2001, 9:30 a.m. at Vermont Housing Finance Agency, 164 St. Paul St., Burlington, VT.

Attached is the Agenda and Board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on December 6th.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
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Vermont Housing Finance Agency

BOARD AGENDA
Vermont Housing Finance Agency
164 St. Paul St.
Burlington, Vermont

Thursday, December 6th, 2001, 9:30 AM

1. Approval of the minutes of November 15th, 2001 {Enclosures}

2. DEVELOPMENT
   A. Multifamily Construction & Permanent Loans for O'Dell Place (Farrell Street/Marketplace) Allocated and Bond, So. Burlington {Reid/Enclosures}
   B. Multifamily Construction & Permanent Loan Application for Cathedral Square Assisted Living, Burlington {Reid/Enclosures}

3. HOMEOWNERSHIP
   A. Production Reports {Crady/Handout}

4. FINANCE
   A. Allocation of Additional Volume Cap
      Carryforward of Unused Volume Cap {Drake/Resolution}

5. ADMINISTRATION
   A. Demonstration Project Discussion {Carpenter/Discussion}
   B. Retreat Packet {Carpenter/Enclosure}
   C. Executive Directors Report {Carpenter/Enclosure}

6. Any other business to come before the Board.

VHFA Board Minutes
Vermont Housing Finance Agency
VT Association of Realtors
148 State Street
Montpelier, VT

Thursday, November 15th, 9:00AM

PRESENT: Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Karen Lafayette, Gus Seelig
Staff: Sarah Carpenter, Pat Loller, Holly Keough, Roger Schoenbeck, David Adams, Pat Crady, Cindy Reid, Elizabeth Mullikin Drake

MINUTES

Ms. Carpenter handed out the annual report, which is in a calendar form this year. Credit for producing the calendar was given to Mr. Bailey of the Public Affairs Department.

Ms. Carpenter handed out and discussed a survey on construction costs done by the Housing & Conservation Board. She noted that construction costs have increased dramatically resulting in an overall increase in project cost.

Chairperson Randall called the meeting to order at 9:12AM.

Ms. Canney made a motion to approve the September 20, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

DEVELOPMENT

Farrell St. (Marketplace), So. Burlington
Ms. Reid stated that the Marketplace project will not be ready for Board review until the December Board meeting. The budget changed after the board mailing due to a change in pricing.

The foundation design is being reviewed by an independent engineer and an opinion will be provided in the next couple of weeks because there is concern with Code that the foundation footings are not under the frost level. The area that is of concern is at the entrance of the parking garage.

Ms. Beyer asked why there were two separate permanent loans on each project, to which it was replied that one loan per project matched the ten-year term of Section 8 income.

No action was needed at this time.

Moose River, St. Johnsbury
Ms. Reid presented this project based on her memorandum to the Board.

The project has state tax credits and is now seeking Federal Home Loan Bank Affordable Housing Program (AHP) funding. That decision will be made on 11/28. VHCB and VCDP have both provided contingent commitments should the project not receive an AHP award.

NCMC will be managing the project as they are now. Ms. Beyer asked if there were any issues with NCMC management. Ms. Carpenter stated there was nothing specific to report on NCMC except that they have been struggling financially.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Mr. Candon. The resolution passed unanimously.

HOMEOWNERSHIP
Ms. Crady reviewed the Summary of Homeownership Activities.

Ms. Crady stated that Homeownership is on track with the budget, though production is a little slower currently. Loan purchases are at $28.5 million. Lenders purchase activity slowed after 9/11 though it is starting to get back to normal. Rutland County is strong, which Ms. Canney confirmed, but said that Bennington County is not doing as well.

Ms. Crady stated that VHFA is watching the conventional rate point spread, though she doesn't recommend adjusting the Agency's rates downward until after the first of the year.

Ms. Canney stated that many real estate brokers are suggesting 15-20 year mortgages due to the low rates and wondered if VHFA should be offering a similar product. Ms. Crady stated that most of VHFA's borrowers need a long term to keep the payment lower. Though VHFA will need to do some analysis on how many of our borrowers would have qualified for a 15 year product. The other issue is that this could affect the bond issue and would need to be looked at closely. Ms. Carpenter thought that a 15-20 year mortgage is usually more popular in refinances. Discussions ensued around the different ways that VHFA could meet consumer needs. Ms. Randall also suggested that VHFA may want to look at price limits in January in conjunction with qualifications for 15-20 year loan product analysis.

Ms. Crady stated that delinquency rates as of September 30, 2001 have increased and that this is part of a normal fall cycle. (Delinquency rates as of October 31, 2001 were much lower than the September 30th levels.)

VHFA's total portfolio has declined due to refinances. To offset this VHFA needs to continue to offer good programs to add new good loans. Ms. Carpenter suggested that a study be done on who is paying off and why. This may help VHFA understand what needs to be done to keep this business. Mr. Adams will look into this. Mr. Adams discussed the fact that this year prepays are averaging 12-16%, which is 2.5 times higher than normally expected prepay rates. To which Mr. Schoenbeck responded that it was not time for alarm yet.

Ms. Crady stated that the Loan Origination Procedural Guide went out last week and is also online. Homeownership is working on an online reservation form.

With the release of the new procedural guides, several changes will become effective December 3, 2001. Those changes include: 1. Requiring title insurance on all loans; 2. Offering 100% financing to borrowers with credit scores of 700 and above (previously VHFA required a credit score of 720); 3. Offering 97% financing to borrowers with credit scores of 660 or above (previously VHFA required a credit score of 680).

Homeownership also rolled-out a limited refinance program to help people refinance debt on mobile homes and also refinance loans secured by property with shared appreciation requirements. The interest rate will be 8.75% for a zero point loan. This program will greatly benefit household who have interest rates on their mobile home loans of 12% to 14%; however, the feedback we are getting from nonprofits is that we probably won't see a lot of activity in refinancing of shared appreciation properties due to the 8.75% interest rate. VHFA will begin to accept reservations for this loan on Monday, December 3rd. The refinance program is being financed with a taxable bond. Expected level for the first year is $1-1.5 million. Ms. Crady stated that a list of eligible mobile home parks will be available on the VHFA website and that the list has been given to the lenders. Ms. Drake stated that the perfection of the loan would be a mortgage and UCC's. Ms. Beyer feels that this will need to be marketed well. Mr. Seelig stated that this kind of refinancing is a great start for this hard market and would suggest that we market to resident associations. Kelly Deforge is doing regional training of lenders on both the program changes and the new refinance program. After lenders are trained we will begin an outreach and marketing plan to consumers.

Ms. Crady reviewed the delinquency levels stating that VHFA is in decent shape at this time. Ms. Crady also pointed out that VHFA's loss on the former Balestra property is expected to be approximately $68 thousand. The property was in extremely poor condition and cleanup costs were estimated to be $10-15 thousand. VHFA accepted a cash offer for the property in "as is" condition. Two issues were brought up by Board members were concerns about bad appraisals and the need for septic inspections. Ms. Crady stated that the need septic inspections should be part of the educational process during homeownership classes.

Mr. Adams discussed the purchase of servicing. Passumpsic Savings Bank decided not to sell their servicing, we have rescinded the offer. First Brandon has issues with some of the terms of the purchase agreement, so we are not sure where this is going. Wells River Savings Bank has been completed. Charter One has a big portfolio that Graystone is evaluating and we will be reviewing to make an acquisition offer. Mr. Adams announced the hiring of Ingrid Malmgren as the Research Analyst.

FINANCE

Multifamily Bond Financing

Mr. Schoenbeck stated that there have been two calls with the bond working group in regard to the public offering of multi-family bonds. The Farrell St. project deferral has delayed the bond issue because this project comprises $13 million of the total issue. The rates are very low now. VHFA plans to send out offering statements to have a sale in mid-January with a closing at the end of January. Until the bond issuance, the projects, other than Farrell St. will be temporarily funded internally.

Mr. Seelig questioned Ms. Beyer, who is on the VT Community Loan Fund board, whether they could be creative in covering the one month funding need before VHFA bond issuance. Ms. Beyer stated that VT Community Loan Fund has only $500 thousand that may be available and accessibility is questionable. Ms. Carpenter stated that we might look into this because it may help the VT Community Loan Fund meet their match requirements to draw down Federal CDFI funds. Mr. Schoenbeck mentioned that the Vermont Community foundation could possible do some funding. Also noted was the change in the board memo regarding the bond amount, which has increased from $15 million to $21 million.

Additional Board Allocation of Volume Cap

Ms. Drake presented her write up on Additional Board Allocation of Volume Cap and stated that VHFA needs to make the designated allocation for its IRS filing at year end. There are varying rules on volume cap carry over. Ms. Carpenter stated that generally industrial revenue bonds cannot be carried over at year end, but there will be more discussions on the subject of organizational volume cap carryovers with the other issuing agencies.

Resolutions

Ms. Drake presented the General Authorizing Resolution to Finance Multifamily Projects and a resolution regarding Federal Home Loan Bank Signatory Authority.

Ms. Beyer made the motion to accept the General Authorizing Resolution to Finance Multifamily Projects and the $5 million increase for a total of $15 million. Mr. Candon seconded the motion and it was approved unanimously.

Mr. Seelig made the motion to accept the Federal Home Loan Bank Signatory Authority Resolution. Mr. Candon seconded the motion and it was approved unanimously.

General discussion continued around the issue of Volume Cap. Ms. Carpenter stated that the state's annual allocation increases to $225 million. This would probably be split among VEDA, VSAC, the Municipal Bond Bank and VHFA. Ms. Carpenter has learned that the Winooski project has changed its housing developer. Ms. Beyer stated that she will push the Winooski on their plans to use bond cap and that this project should be part of the 2002 funding plan. It was suggested that perhaps not all the bond cap be allocated pending discussions with Winooski. Ms. Beyer suggested that VHFA needs to raise the issue with the emergency board regarding use of the increased bond cap for Winooski Housing. Ms. Carpenter stated that perhaps VHFA should offer again to have them apply for a loan to do the market study. Ms. Lafayette said that she could approach the City of Winooski as middleperson.

Quarterly Financial Report

Mr. Schoenbeck reviewed the general fund budget financial reports and stated that he will have the full financials in the mail to the Board by Thursday. The full report is delayed based on the (early in the month) meeting time. The following are the highlights:

- 25% is where VHFA expects to be in expenses and other costs are in the 21% range
- Bond programs doing well
- Paper gain on investments are healthy
- Loan losses are low ($110 thousand for the quarter)
- Overall VHFA is in good shape through September
- Expect mortgage loans to be lower this month due to payoffs

ADMINISTRATION

Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report.

Ms. Carpenter spoke briefly about the multifamily conversion to Mitas. Mr. Adams stated that Mitas and staff went into the conversion concerned about whether this is a good product fit, but it surpassed their expectations and has created lots of momentum with the staff. Mr. Schoenbeck stated that if the Mitas system is used as designed,there will be a direct feed to GL and accounting records.

Ms. Carpenter reviewed VHFA's United Way campaign. [Ms. Lafayette stated that her mother would make a pie donation for the Pie and Ice Cream Social event. A note of thanks to Mrs. Moran.]

Ms. Carpenter stated that the first electronic external newsletter will go out in December and that we are currently reviewing and obtaining email addresses. Ms. Canney stated that the realtor listing would be a good source for realtor email addresses.

Revisions to Administrative Rules

Ms. Drake stated that staff has reviewed the existing agency administrative rules and found that some revisions need to happen to reflect VHFA's current practices. Ms. Drake then asked if staff can go ahead with the revisions, then review a draft with the Board, to be followed by a filing with the Secretary of State. Ms. Carpenter stated that these were small changes and that staff might suggest eliminating some of the rules because they are agency processes not rules. Unanimously the Board concurred with this request to move forward with the review.

Ms. Carpenter discussed Chapter 117 study committee, which is reviewing the local planning law, its processes and its relationship with other permits. Their findings will be presented to the Board in January. Ms. Lafayette stated that she will be working for the VT Low Income Advocacy Council and will help keep VHFA up to date on the legislative housing committees' work.

Ms. Carpenter reviewed her memo on VT Property Transfer Tax Exemption. She reported that Joint Housing Committee may be looking into increasing property transfer taxes on high end (over $300 thousand) houses. Nothing is concrete at the moment. Mr. Seelig stated that chances of getting this increase passed is low this year. Ms. Drake stated that increasing the $100 thousand exemption has been discussed. Mr. Seelig feels that this could happen.

Ms. Loller is working on summarizing the information collected at the retreat and a report will be forthcoming in December.

Ms. Carpenter concluded and reminded everyone that the Tax Credit Meeting will be before the Board Meeting in February, so plan on a full day.

Ms. Lafayette made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 11:50AM.

Sincerely,

Sarah E. Carpenter
Executive Director

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: November 28, 2001

RE: Multifamily Construction & Permanent Loans for O'Dell Place (Farrell Street/Marketplace) Allocated and Bond, South Burlington

Name:	**O'Dell *Allocated***	**Location:**	So. Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats (elevator) & Townhouses
Total Units:	80	**Unit Sizes:**	12 1-Br 722 sf; 60 2-Br 949 sf; 8 3-Br 1,076 sf
Total Cost:	$8,602,816	**Per S.F. Acquis. & Construction Cost:**	$102.90
Loan Requested:	$2,250,000 permanent $307,000 permanent $5,585,579 construction	**Housing Credits (9%):**	$460,000
Other Funding:	VHCB, VCDP, HUD Special Purpose, Developer Loan, Housing Credits		
Sponsors:	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

Name:	**O'Dell *Bond***	**Location:**	So.Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats (elevator) & Townhouses
Total Units:	80	**Unit Sizes:**	12 1-Br, 722 sf; 60 2-Br 949 sf 8 3-Br 1,076 sf
Total Cost:	$8,596,082	**Per S.F. Devel Cost:**	$102.90
Loan Requested:	$2,365,000 permanent $300,000 permanent $4,600,637 construction $350,000 0% Loan	**Housing Credits (4%):**	$291,192
Other Funding:	VHCB, VCDP, HOME, Developer Loan, Housing Credits, HUD Special Purpose, REEP		
Sponsors:	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

Housing Vermont has re-structured the Farrell Street project (formerly Marketplace, now called O'Dell Place), because of cost increases primarily due to the Act 250 permit appeal. The development consists of four buildings, each with 40 units. Two buildings will use taxable financing and 9% Housing Credits ("Allocated" project) and two buildings will use tax-exempt financing and 4% Housing Credits ("Bond" project). For this reason, each "project" will be owned by a different limited partnership, both of which will be comprised of subsidiaries of Housing Vermont and Lake Champlain Housing Development Corporation.

The project has all of its funding commitments except for $150,000. Housing Vermont is requesting an additional $50,000 in 0% financing (VHFA previously committed $300,000) and plans to go back to VHCB and VCDP for the remainder. The project has all of its permit approvals. Burlington Housing Authority has set aside a total of 25 project-based Section 8 vouchers. Overall, 25 units with Section 8 will be affordable to households with incomes as low as 30% of median income, three units will be affordable to households below 50% of median, 91units will be affordable to households between 50% and 60% of median income, ten units will be affordable to households at 60% of median income, and 31 units will be market units. Each building has four stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the properties once they are completed. Construction will begin as soon as possible. Buildings will be phased with the first building being completed as early as September 2002, and the last completed by March 2003.

An as-completed appraisal estimates the value of the entire property at $13,000,000; the loan-to-value ratio for the permanent loans on the Allocated project is 39%; the loan-to-value ratio for the permanent loans on the Bond project (including the 0% loan) is 46%. A Phase I Environmental Site Assessment was completed and no environmentally hazardous conditions were found.

VHFA's construction inspector has reviewed the plans and specifications and his concerns have been addressed. The foundation plan was reviewed by an independent engineer who recommended some options to improve the design (they are shallow foundations with footings not going below frost level due to soil conditions). Housing Vermont intends to install heat and garage doors in the underground parking areas, which appears to be an acceptable solution to all parties. The estimated cost of that change is included in the attached budgets.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution.

28-Nov-01 **O'Dell Allocated**

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	61	Increase in Income from Other Sources:	1.5%
Percent Restricted:	76.25%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,602,816	Expense increase:	3%
Total Development Cost per Unit:	107,535	Vacancy Rate:	5%
Total Development Cost Per SF:	117.60	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
9% Credit Allocated:	460,000	Sponsor's Estimated Yield:	79.18%
Max Credit Potential:	465,405		

LIHTC - 9%	8.16%	(October 2001)
LIHTC - 4%	3.50%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - taxable bond	2,250,000	26.15%	8.50%	40	40
First Mortgage - taxable bond	307,000	3.57%	8.50%	10	10
HUD Special Purpose	369,436	4.29%	0.00%	10	10
VCDP Loan	240,750	2.80%	0.00%	30	30
VHCB Special	1,472,233	17.11%	0.00%	30	30
Developer Loan	125,000	1.45%	0.00%	15	15
Tax Credit Equity	3,838,224	44.62%	N/A	N/A	
TOTAL SOURCES	8,602,643	100.00%			
VHFA Construction Loan	5,585,579	64.93%	6.00%		18 months

USES

Acquisition	732,500	8.51%
Construction Hard Costs	6,795,008	78.99%
Soft Costs	1,075,308	12.50%
TOTAL USES	8,602,816	100.00%
Gap	173	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	12	1,081,680		
2 Br	95,890	60	5,753,400		
3 Br	101,637	8	813,096		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		80	7,648,176		
Projected total cost, excluding cash accounts			8,602,816	Cost Overage %	88.90%
	(over)/under		(954,640)		

General Partner's Capital Contribution	38,382	1.00%
Limited Partner's Capital Contribution	3,799,842	99.00%
Total Equity	3,838,224	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	61
Total Units	80
Unit Fraction	76.25%
Tax Credit Square Footage	55,998
Total Residential Square Footage	73,156
Square Footage Fraction	76.55%
Applicable Fraction	76.25%

O'Dell Allocated

102.90

Total Allocated Costs (2 Buildings)

	Budget	Per Unit	Per s.f.
ACQUISITION			
Land	720,000	9,000	9.84
Purchase of Building(s)	0	0	0.00
Demolition (without replacement)	0	0	0.00
Property Appraisal	2,000	25	0.03
Legal - Title and Recording	10,500	131	0.14
Subtotal - Acquisition	732,500	9,156	10.01
CONSTRUCTION HARD COSTS			
Rehabilitation		0	0.00
New Building(s)	5,971,008	74,638	81.62
Accessory Buildings	0	0	0.00
Sitework	500,000	6,250	6.83
Commercial Space Costs (if any)	0	0	0.00
General Requirements	0	0	0.00
Contractor Overhead	0	0	0.00
Contractor Profit	0	0	0.00
Construction Contingency	260,000	3,250	3.55
Construction Management	0	0	0.00
Construction Bond Fee	0	0	0.00
Hazardous Materials Abatement	0	0	0.00
Off-Site Improvements	0	0	0.00
Furnishings, Fixtures, & Equipment	64,000	800	0.87
Other (________________)	0	0	0.00
Subtotal - Hard Costs	6,795,008	84,938	92.88
SOFT COSTS			
Architectural	4,000	50	0.05
Engineering	0	0	0.00
Legal/Accounting	17,500	219	0.24
Relocation	0	0	0.00
Environmental Assessment	400	5	0.01
Energy Assessment	0	0	0.00
Permits/Fees	0	0	0.00
Independent Market Study	0	0	0.00
Construction Period Inspections	0	0	0.00
Construction Interest	120,000	1,500	1.64
Construction Loan Origination Fee	95,284	1,191	1.30
Taxes During Construction	0	0	0.00
Clerk of the Works	20,000	250	0.27
Marketing	3,750	47	0.05
Tax Credit Fees	18,650	233	0.25
Soft Cost Contingency	9,568	120	0.13
Permanent Loan Origination Fee		0	0.00
Lender's Counsel's Fee	0	0	0.00
Other (________________)	13,656	171	0.19
SYNDICATION COSTS	0	0	0.00
Organizational (Partnership)	0	0	0.00
Bridge Loan Fees and Expenses	0	0	0.00
Syndication Consultant	0	0	0.00
Tax Opinion	0	0	0.00
DEVELOPER'S FEES	0	0	0.00
HVT Development Fee	320,000	4,000	4.37
LCHDC Development Fee	320,000	4,000	4.37
Consultant Fees	7,500	94	0.10
RESERVES	0	0	0.00
Working Capital	110,000	1,375	1.50
Rent-up (Deficit Escrow) Reserve	15,000	188	0.21
Other Operating Reserves	0	0	0.00
Sinking Fund	0	0	0.00
Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	1,075,308	13,441	14.70
TOTAL DEVELOPMENT COSTS	8,602,816	107,535	117.60

28-Nov-01 **O'Dell Allocated**

#	Combined Allocated project	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	5,971,008		5,971,008	5,971,008		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	260,000		260,000	260,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other (________________)	0					
	Subtotal - Hard Costs	6,795,008					
	SOFT COSTS	0					
21	Architectural	4,000		4,000	4,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	400		400	400		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	95,284		0			
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	18,650		18,650	18,650		
36	Soft Cost Contingency	9,568		9,568	9,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	7,500		7,500	7,500		
	RESERVES	0					
47	Working Capital	110,000					
48	Rent-up (Deficit Escrow) Reserve	15,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,075,308					
	TOTALS	8,602,816	2,000	7,646,282	7,598,532	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0		20% Historic Credit Rate
	Total Eligible Basis		2,000	7,646,282			0 Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	100.00%		7,646,282			
TIMES:	Applicable Fraction	[redacted]	1,525	5,830,290			
	Total Qualified Basis		1,525	5,830,290	7,598,532 Long Term Depreciable Basis		
TIMES:	Applicable Percentage		3.50%	8.16%	27.5 Depreciation Schedule		
	Total Annual Credit Qualified		0	475,752	276,310 Annual Depreciation		

Total Tax Credits Requested	460,000
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	3,838,224
Estimated Yield - Housing Credit Syndication	84.28%
Equity Gap	3,838,224
Credits Needed to fill Equity Gap	460,000

64,000 Short Term Depreciable Basis

7 Depreciation Schedule

9,143 Annual Depreciation

28-Nov-01 **O'Dell Allocated**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	9	492		53,136
2 Br Flats		925	40	590		282,960
2 Br Townhouses		973	4	605		29,040
3 Br		1,076	8	826		79,296
	Totals	55,998	61			444,432

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	3	622		22,392
2 Br Flats		925	12	757		109,008
2 Br Townhouses		973	4	767		36,816
3 Br		1,076	0	0		0
	Totals	17,158	19			168,216
All Units						
	Grand Totals	73,156	80			612,648
		Less Vacancy	5.00%			(30,632)
					NET RENT	582,016

OTHER INCOME

Laundry	600/month	7,200
Section 8		53,044
Commercial Space Income		0
Other		0
TOTAL INCOME		642,260

28-Nov-01 **O'Dell Allocated**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.0%
Admin Salaries/Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	2,928	244	3	
Marketing		0	0	
Other	7,680	640	8	
TOTAL ADMINISTRATIVE	78,768	6,564	82	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
TOTAL UTILITIES	59,520	4,960	62	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
TOTAL MAINTENANCE	86,400	7,200	90	per unit month excl. ds & res.
Real Estate Taxes	86,400	7,200	90	337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	197,935	16,495	206	
Other "must pay" debt service	45,676	3,806	48	
Other		0	0	
Total	595,980	49,665	621	
	323,568			
	352,368			567,180

99,330 2 months wc

28-Nov-01	O'Dell Allocated															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		612,648	621,838	631,165	640,633	650,242	659,996	669,896	679,944	690,143	700,496	711,003	721,668	732,493	743,480	754,633
Other Income (Rental Assistance)		53,044	53,840	54,647	55,467	56,299	57,144	58,001	58,871	59,754	60,650	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(30,632)	(31,092)	(31,558)	(32,032)	(32,512)	(33,000)	(33,495)	(33,997)	(34,507)	(35,025)	(35,550)	(36,083)	(36,625)	(37,174)	(37,732)
Total Operating Income		642,260	651,894	661,672	671,597	681,671	691,896	702,275	712,809	723,501	734,353	683,809	694,066	704,477	715,044	725,770
Operating Expenses																
Total Expenses (excl. Reserves)		323,568	333,275	343,273	353,571	364,179	375,104	386,357	397,948	409,886	422,183	434,848	447,894	461,331	475,171	489,426
Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Total Operating Expense		352,368	362,507	372,944	383,687	394,746	406,130	417,848	429,911	442,329	455,112	468,272	481,819	495,764	510,121	524,900
Net Operating Income		289,892	289,387	288,728	287,910	286,925	285,766	284,426	282,897	281,172	279,241	215,537	212,247	208,712	204,923	200,869
Less Primary Debt Service (taxable)		197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935
Less Primary Debt Service (taxable)		45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	0	0	0	0	0
Less Developer Loan		8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333
Annual Cash Flow		37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	9,268	5,978	2,444	(1,346)	(5,399)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	1,346	5,399
Net Cash		37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	9,268	5,978	2,444	0	0
DCR		115.06%	114.86%	114.60%	114.27%	113.88%	113.42%	112.89%	112.29%	111.60%	110.83%	104.49%	102.90%	101.18%	99.35%	97.38%
Cumulative Cash Flow																
Beginning Balance		0	38,326	77,292	116,762	156,589	196,617	236,675	276,582	316,141	355,144	393,367	414,529	433,003	448,461	460,570
Deposits		37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	9,268	5,978	2,444	0	0
Interest	2.0%	379	1,524	2,687	3,863	5,047	6,237	7,425	8,607	9,776	10,927	11,894	12,496	13,015	13,454	13,817
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	(1,346)	(5,399)
Ending Balance		38,326	77,292	116,762	156,589	196,617	236,675	276,582	316,141	355,144	393,367	414,529	433,003	448,461	460,570	468,988
Cumulative Replacement Reserves																
Beginning Balance		0	29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609
Deposits		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	2.0%	288	1,165	2,081	3,038	4,037	340	1,286	2,274	3,306	4,383	767	1,798	2,875	3,999	5,173
Withdrawals*		0	0	0	0	(158,000)	0	0	0	0	(158,000)	0	0	0	0	(158,000)
Ending Balance		29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609	43,256
	1,975	80	5													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		289,892	289,387	288,728	287,910	286,925	285,766	284,426	282,897	281,172	279,241	215,537	212,247	208,712	204,923	200,869
Plus Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense		216,297	213,883	211,255	208,395	205,282	201,894	198,207	194,193	189,825	185,071	181,719	180,285	178,725	177,027	175,179
Less Long Depreciation		(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)
Less Short Depreciation		(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		249,920	247,433	244,585	241,352	237,706	233,618	229,056	233,129	227,514	221,316	154,753	150,532	145,946	140,975	135,597
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(87,472)	(86,602)	(85,605)	(84,473)	(83,197)	(81,766)	(80,170)	(81,595)	(79,630)	(77,461)	(54,164)	(52,686)	(51,081)	(49,341)	(47,459)
Plus Tax Credits		460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000					
After Tax Cash Flow		372,528	373,398	374,395	375,527	376,803	378,234	379,830	378,405	380,370	382,539	(54,164)	(52,686)	(51,081)	(49,341)	(47,459)
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		372,528	373,398	374,395	375,527	376,803	378,234	379,830	378,405	380,370	382,539	(54,164)	(52,686)	(51,081)	(49,341)	(47,459)
Future Value of Cash Flows at Yr 15:		2,039,056	1,824,840	1,633,671	1,463,043	1,310,728	1,174,737	1,053,300	936,917	840,877	755,065	(95,455)	(82,903)	(71,765)	(61,894)	(53,154)
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	31-Jan-02	15-Dec-02	15-Nov-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	37,998	3,761,843	0				0	0								
Present Value of Contributions:	37,998	3,567,672	0	0	0	0										
Cash Flows	(3,605,670)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,667,062

29-Apr-00 **O'Dell Bond**

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	68	Increase in Income from Other Sources:	1.5%
Percent Restricted:	85.00%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,596,082	Expense increase:	3%
Total Development Cost per Unit:	107,451	Vacancy Rate:	5%
Total Development Cost Per SF:	117.50	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	291,192	Sponsor's Estimated Yield:	78.76%

LIHTC - 9%	8.05%	(December 2001)
LIHTC - 4%	3.45%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	Total Both Projects
First Mortgage - tax exempt	2,365,000	27.51%	7.00%	40	40	115.19%
First Mortgage - tax exempt	300,000	3.49%	7.00%	10	10	
HOME	216,000	2.51%	6.00%	30	30	
VCDP	559,250	6.51%	6.00%	30	30	800,000
VHCB	1,761,767	20.49%	0.00%	30	30	3,234,000
HUD Special Purpose	305,814	3.56%	6.00%	10	10	675,250
VHFA 0% Loan	350,000	4.07%	0.00%	30	30	
Developer Loan	125,000	1.45%	2.50%	15	15	
VHCB Development Loan	50,000	0.58%	0.00%	15	15	
REEP	123,000	1.43%	N/A	N/A	N/A	
Tax Credit Equity	2,440,000	28.39%	N/A	N/A		
TOTAL SOURCES	8,595,831	100.00%				
VHFA Construction Loan	4,660,637	54.22%	6.00%		18 months	

USES

Acquisition	732,500	8.52%
Construction Hard Costs	6,795,008	79.05%
Soft Costs	1,068,574	12.43%
TOTAL USES	8,596,082	100.00%
Gap	251	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	12	1,081,680		
2 Br	95,890	60	5,753,400		
3 Br	101,637	8	813,096		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		80	7,648,176		
Projected total cost, excluding cash accounts			12,729,123	Cost Overage %	60.08%
	(over)/under		(5,080,947)		

General Partner's Capital Contribution	24,400	1.00%
Limited Partner's Capital Contribution	2,415,600	99.00%
Total Equity	2,440,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	68
Total Units	80
Unit Fraction	85.00%
Tax Credit Square Footage	62,270
Total Residential Square Footage	73,156
Square Footage Fraction	85.12%
Applicable Fraction	85.00%

28-Nov-01 **O'Dell Bond** 102.90

TOTAL BOND SOURCES/USES

	80	Budget	Per Unit	Per s.f.
ACQUISITION				
1	Land	720,000	9,000	9.84
2	Purchase of Building(s)	0	0	0.00
3	Demolition (without replacement)	0	0	0.00
4	Property Appraisal	2,000	25	0.03
5	Legal - Title and Recording	10,500	131	0.14
	Subtotal - Acquisition	732,500	9,156	10.01
CONSTRUCTION HARD COSTS				
6	Rehabilitation	0	0	0.00
7	New Building(s)	5,971,008	74,638	81.62
8	Accessory Buildings	0	0	0.00
9	Sitework	500,000	6,250	6.83
10	Commercial Space Costs (if any)	0	0	0.00
11	General Requirements	0	0	0.00
12	Contractor Overhead	0	0	0.00
13	Contractor Profit	0	0	0.00
14	Construction Contingency	260,000	3,250	3.55
15	Construction Management	0	0	0.00
16	Construction Bond Fee	0	0	0.00
17	Hazardous Materials Abatement	0	0	0.00
18	Off-Site Improvements	0	0	0.00
19	Furnishings, Fixtures, & Equipment	64,000	800	0.87
20	Other (____________)	0	0	0.00
	Subtotal - Hard Costs	6,795,008	84,938	92.88
SOFT COSTS				
21	Architectural	4,000	50	0.05
22	Engineering	0	0	0.00
23	Legal/Accounting	17,500	219	0.24
24	Relocation	0	0	0.00
25	Environmental Assessment	400	5	0.01
26	Energy Assessment	0	0	0.00
27	Permits/Fees	0	0	0.00
28	Independent Market Study	0	0	0.00
29	Construction Period Inspections	0	0	0.00
30	Construction Interest	120,000	1,500	1.64
31	Construction Loan Origination Fee	81,510	1,019	1.11
32	Taxes During Construction	0	0	0.00
33	Clerk of the Works	20,000	250	0.27
34	Marketing	3,750	47	0.05
35	Tax Credit Fees	11,690	146	0.16
36	Soft Cost Contingency	8,568	107	0.12
37	Permanent Loan Origination Fee	0	0	0.00
38	Lender's Counsel's Fee	0	0	0.00
39	Other (VCDP Admin Fee)	13,656	171	0.19
SYNDICATION COSTS				
40	Organizational (Partnership)	0	0	0.00
41	Bridge Loan Fees and Expenses	0	0	0.00
42	Syndication Consultant	0	0	0.00
43	Tax Opinion	0	0	0.00
DEVELOPER'S FEES				
44	HVT Development Fee	320,000	4,000	4.37
45	LCHDC Development Fee	320,000	4,000	4.37
46	Consultant Fees	7,500	94	0.10
RESERVES				
47	Working Capital	110,000	1,375	1.50
48	Rent-up (Deficit Escrow) Reserve	30,000	375	0.41
49	Other Operating Reserves	0	0	0.00
50	Sinking Fund	0	0	0.00
51	Replacement Reserves	0	0	0.00
	Subtotal - Soft Costs	1,068,574	13,357	14.61
	TOTAL DEVELOPMENT COSTS	8,596,082	107,451	117.50

28-Nov-01 **O'Dell Bond**

	Total Bond (80 unit) Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	0					
7	New Building(s)	5,971,008		5,971,008	5,971,008		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	260,000		260,000	260,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other (________________)	0					
	Subtotal - Hard Costs	6,795,008					
	SOFT COSTS	0					
21	Architectural	4,000		4,000	4,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	400		400	400		
26	Energy Assessment	0		0	0		
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	81,510					
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	11,690		11,690	11,690		
36	Soft Cost Contingency	8,568		8,568	8,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (________________)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	7,500		7,500	7,500		
	RESERVES	0					
47	Working Capital	110,000					
48	Rent-up (Deficit Escrow) Reserve	30,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,068,574					
	TOTALS	8,596,082	2,000	7,638,322	7,590,572	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,638,322		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.00%		9,929,819			
TIMES:	Applicable Fraction	[redacted]	1,700	8,440,346			
	Total Qualified Basis		1,700	8,440,346	7,590,572	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.45%	3.45%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	291,192	276,021	Annual Depreciation	

Total Tax Credits Requested	291,268
Estimated Net Syndication Proceeds (excluding historic credit equity)	2,440,000
Estimated Yield - Housing Credit Syndication	84.62%
Equity Gap	2,440,000
Credits Needed to fill Equity Gap	291,268

64,000	Short Term Depreciable Basis
7	Depreciation Schedule
9,143	Annual Depreciation

28-Nov-01 **O'Dell Bond**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	10	502		60,288
2 Br Flats		925	46	590		325,920
2 Br Townhouses		973	4	605		29,040
3 Br		1,076	8	826		79,296
	Totals	62,270	68			494,544

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	2	632		15,168
2 Br Flats		925	6	757		54,504
2 Br Townhouses		973	4	767		36,816
3 Br		1,076	0	950		0
	Totals	10,886	12			106,488
All Units						
	Grand Totals	73,156	80			601,032

Less Vacancy	5.00%	(30,052)
	NET RENT	570,980

OTHER INCOME

Laundry	600/month	7,200
Section 8		37,346
Commercial Space Income		0
Other		0
	TOTAL INCOME	615,527

28-Nov-01 **O'Dell Bond**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.0%
Admin Salaries & Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	3,264	272	3	
Marketing		0	0	
Other	7,680	640	8	
TOTAL ADMINISTRATIVE	79,104	6,592	82	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
TOTAL UTILITIES	59,520	4,960	62	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
TOTAL MAINTENANCE	86,400	7,200	90	
				per unit month
Real Estate Taxes	86,400	7,200	90	excl. ds & res.
Property Insurance	12,480	1,040	13	337
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	176,362	14,697	184	
Other "must pay" debt service	41,799	3,483	44	
Other 0- Developer Loan	10,002	833	10	
Total	580,867	48,406	605	
	352,704			
	323,904			552,067

96,811 2 months wc

form revision date: 2/27/97

28-Nov-01 **O'Dell Bond**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		601,032	610,047	619,198	628,486	637,913	647,482	657,194	667,052	677,058	687,214	697,522	707,985	718,605	729,384	740,325
Other Income (Rental Assistance)		37,346	37,907	38,475	39,052	39,638	40,233	40,836	41,449	42,070	42,701	0	0	0	0	0
Other Income (Laundry)		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses		(30,052)	(30,502)	(30,960)	(31,424)	(31,896)	(32,374)	(32,860)	(33,353)	(33,853)	(34,361)	(34,876)	(35,399)	(35,930)	(36,469)	(37,016)
Total Operating Income		615,527	624,760	634,131	643,643	653,298	663,097	673,044	683,139	693,386	703,787	671,002	681,067	691,283	701,652	712,177
Operating Expenses																
Total Expenses (excl. Reserves)		323,904	333,621	343,630	353,939	364,557	375,494	386,758	398,361	410,312	422,621	435,300	448,359	461,810	475,664	489,934
Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Total Operating Expense		352,704	362,853	373,300	384,054	395,124	406,519	418,249	430,325	442,755	455,551	468,723	482,284	496,243	510,614	525,408
Net Operating Income		262,823	261,907	260,831	259,589	258,174	256,578	254,794	252,815	250,631	248,236	202,278	198,783	195,040	191,038	186,769
Less Primary Debt Service (tax exempt)		176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362
Less Primary Debt Service (tax exempt)		41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	0	0	0	0	0
Less Developer Loan		10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002
Annual Cash Flow		34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
DCR		115.19%	114.79%	114.32%	113.77%	113.15%	112.45%	111.67%	110.80%	109.85%	108.80%	108.54%	106.66%	104.66%	102.51%	100.22%
Cumulative Cash Flow																
Beginning Balance		0	35,006	70,137	105,236	140,133	174,648	208,586	241,741	273,891	304,801	334,219	360,319	383,672	403,945	420,784
Deposits		34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
Interest	2.0%	347	1,388	2,431	3,471	4,504	5,524	6,524	7,499	8,441	9,345	10,186	10,934	11,597	12,165	12,628
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		35,006	70,137	105,236	140,133	174,648	208,586	241,741	273,891	304,801	334,219	360,319	383,672	403,945	420,784	433,816
Cumulative Replacement Reserves																
Beginning Balance		0	29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609
Deposits		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	2.0%	288	1,165	2,081	3,038	4,037	340	1,286	2,274	3,306	4,383	767	1,798	2,875	3,999	5,173
Withdrawals*		0	0	0	0	(158,000)	0	0	0	0	(158,000)	0	0	0	0	(158,000)
Ending Balance		29,088	59,485	91,237	124,390	995	32,361	65,138	99,375	135,124	14,437	48,627	84,350	121,659	160,609	43,256

* = assumes $1975 per unit is expended every 5 years

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		262,823	261,907	260,831	259,589	258,174	256,578	254,794	252,815	250,631	248,236	202,278	198,783	195,040	191,038	186,769
Plus Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense		(256,425)	(257,184)	(257,965)	(258,768)	(259,592)	(260,436)	(261,300)	(262,181)	(263,078)	(263,989)	(266,279)	(270,331)	(274,613)	(279,139)	(283,922)
Less Long Depreciation		(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)
Less Short Depreciation		(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(535,275)	(536,517)	(537,935)	(539,535)	(541,323)	(543,305)	(545,487)	(529,589)	(532,190)	(535,010)	(582,763)	(589,809)	(597,326)	(605,337)	(613,865)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		187,346	187,781	188,277	188,837	189,463	190,157	190,920	185,356	186,267	187,253	203,967	206,433	209,064	211,868	214,853
Plus Tax Credits		291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192					
After Tax Cash Flow		478,538	478,973	479,469	480,029	480,655	481,349	482,112	476,548	477,459	478,445	203,967	206,433	209,064	211,868	214,853
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		478,538	478,973	479,469	480,029	480,655	481,349	482,112	476,548	477,459	478,445	203,967	206,433	209,064	211,868	214,853
Future Value of Cash Flows at Yr 15:		2,619,309	2,340,795	2,092,161	1,870,183	1,671,982	1,494,996	1,336,935	1,179,916	1,055,509	944,366	359,460	324,826	293,720	265,767	240,635
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	31-Jan-02	31-Jan-03	30-Jun-03	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	25,156	2,174,040	217,404				0	0								
Present Value of Contributions:	25,156	2,045,739	199,523	0	0	0										
Cash Flows	(2,270,418)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,090,561

IRR: 14.84%

Equity Yield: 78.76%

form revision date: 2/27/97

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR FARRELL STREET/O'DELL/MARKETPLACE, SOUTH BURLINGTON

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

WHEREAS, a revised application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the new construction of four buildings containing 160 units of rental housing in the City of South Burlington (the "Development"); and

WHEREAS, the Agency has taken action on two (2) previous proposals for the Development in November 2000 and April 2001;

WHEREAS, the application now contemplates a 0% loan and mortgage loans for construction and permanent term financing for the Development with the interest rates 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;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 28, 2001, containing information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 28, 2000 resolution including the "official action" taken under paragraphs 3 and 4 of the RESOLVED are incorporated herein by reference and remain in full force and effect. The contents of the November 28, 2000 and April 19, 2001 resolutions of the Agency related to financing terms and conditions are superceded by the action taken in this resolution.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the limited partnership to be created by the Sponsors for the construction and permanent term

financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to one or both of the Sponsors as a representative(s) of the Borrower. 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 Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than $350,000 at an interest rate of 0%.

4. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 December 6, 2001.

Sarah E. Carpenter

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

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

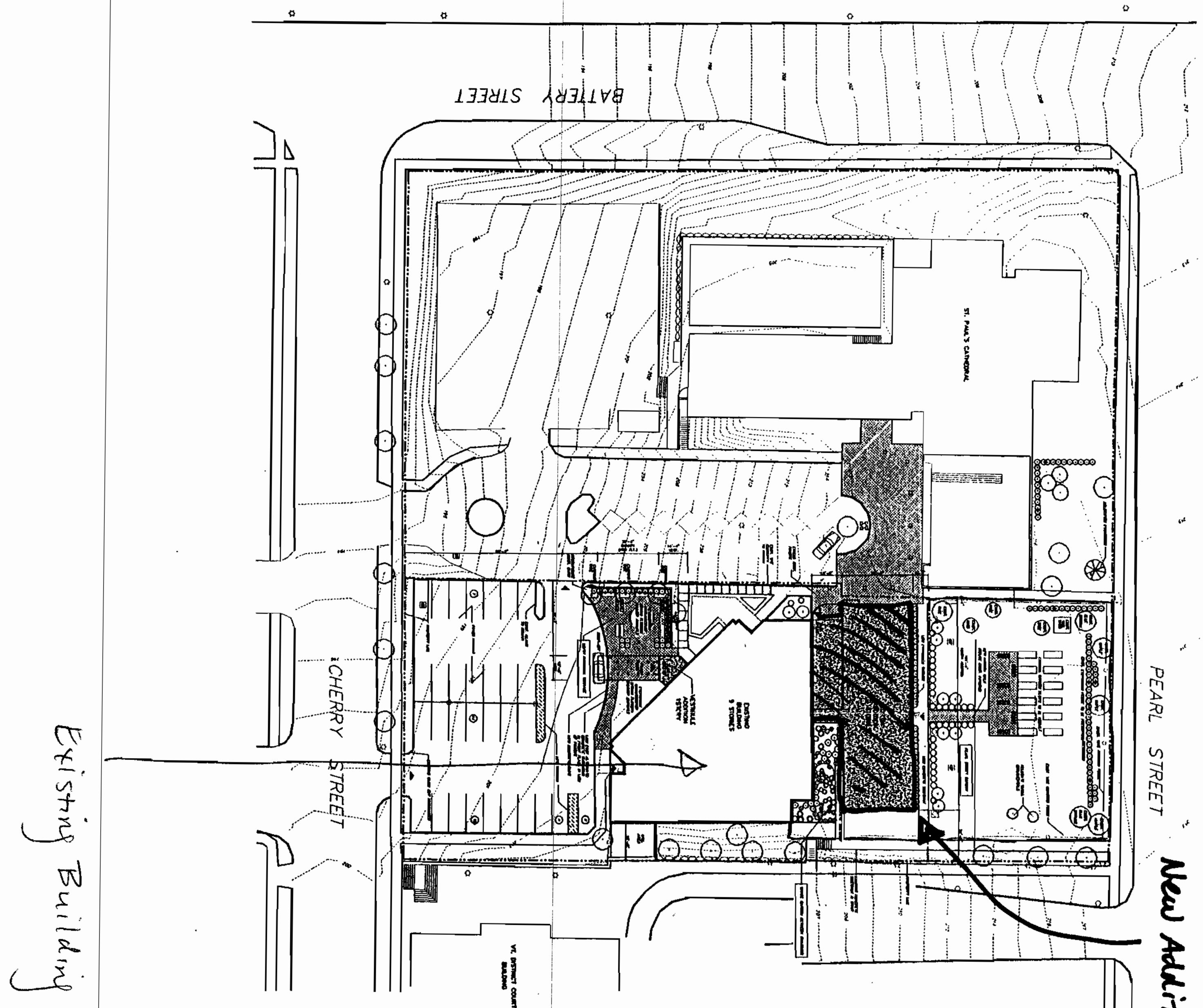
DATE: November 28, 2001

RE: Multifamily Construction and Permanent Loan Application for Cathedral Square Assisted Living, Burlington

Name:	Cathedral Square Assisted Living	**Location:**	Burlington
Housing Type:	Elderly	**Unit Type:**	Flats (elevator)
Total Units:	7	**Unit Sizes:**	7 1-BR 490 s.f.
Total Cost:	$893,878	**Per S.F. Acquisition & Construction Cost:**	$179
Loan Requested:	$200,500 construction $200,500 permanent		
Other Funding:	VHCB, HUD Special Purpose		
Sponsors:	Cathedral Square Corporation		

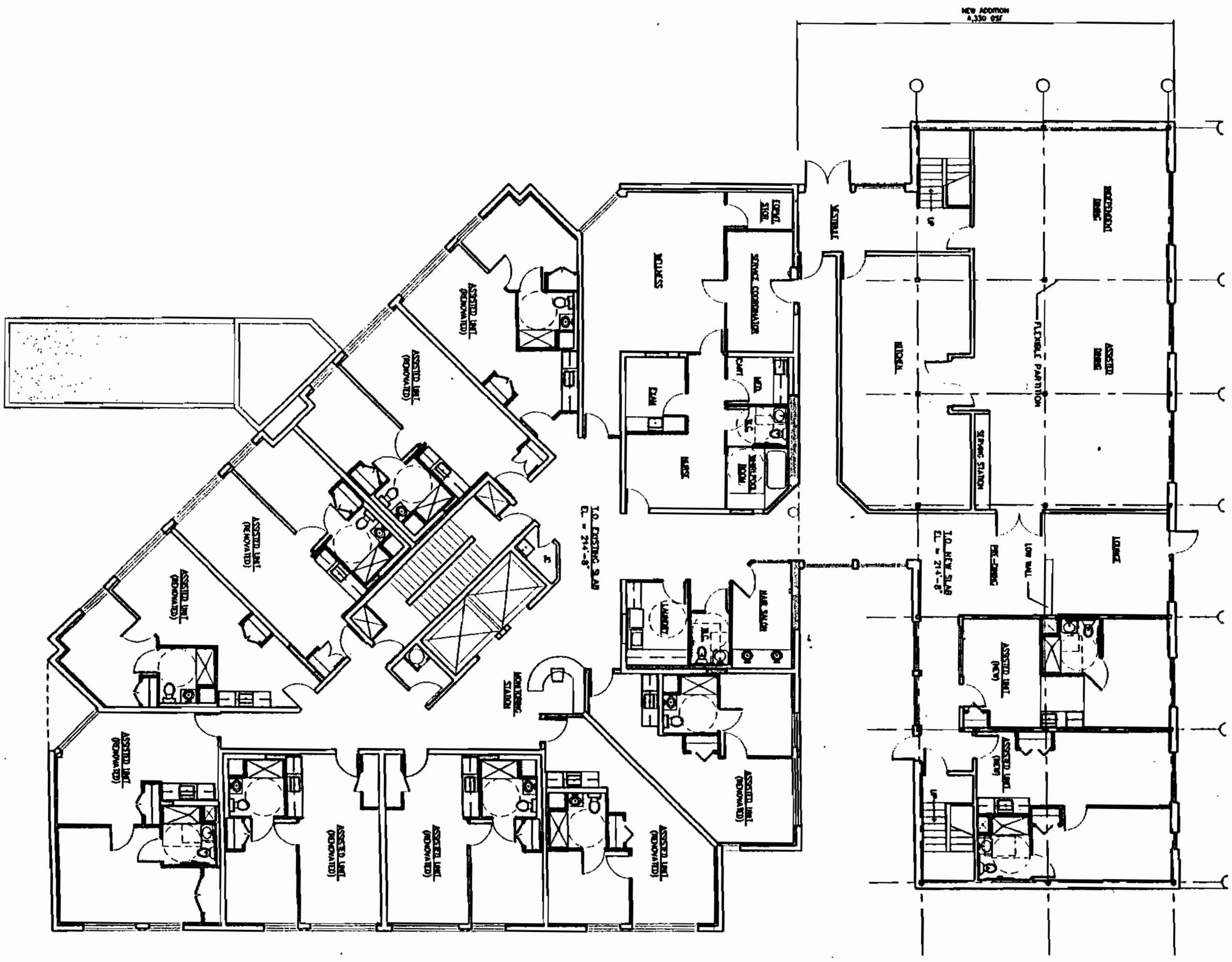
Cathedral Square Corporation (CSC) is seeking construction and permanent financing to build a seven-unit addition on their existing 101-unit building at 3 Cathedral Square on Cherry Street in Burlington. CSC obtained a grant from HUD to convert two floors of the building totaling 21 units into assisted living, in order to better serve the needs of the frail elderly residents. The new addition will add 7 market units, a commercial kitchen, a dining room, a lounge and a mechanical room. A total of 28 assisted living units will be created which is enough to support the cost of the services which will be offered at the facility. Services will include assistance with personal care needs, nursing overview, medication management, three meals daily, weekly housekeeping, laundry, transportation, service coordination, daily activities, and 24-hour awake staff supervision. The seven units to be financed by VHFA are the "market units"; of those, four will be affordable to households below 80% of area median income. This would meet the VHFA requirement that "more than half" of the units shall be affordable to persons of low to moderate income. *This requires a Board waiver from our standard 75% requirement.* (Affordability is calculated on the rental expense only, not on the total package of rent plus services; the other 21 assisted living units are affordable to households below 50% of median income and 12 of those units will have Medicaid waivers to insure services are affordable to those residents.) In addition to creating 28 assisted living units, kitchen and dining room, the project will also add a wellness center which will include a nursing area and an exam room, a hair salon, and fire alarm upgrades to the entire building. HUD has an existing mortgage and will have additional covenants for a new grant. Because HUD has been and continues to be the primary lender, they will not subordinate to VHFA, so our loan security will be a second-position mortgage on the entire property during construction. At permanent closing VHFA would make a loan to a 501(c)3 organization to be created by CSC, which will be secured by a lease of the seven new units and the related common utilities and space. This will be a first-position mortgage. An Environmental Site Assessment was completed and no environmentally hazardous conditions were found. An as-built appraisal has not yet been obtained.

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/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



Schematic Design

3 CATHEDRAL SQUARE ADDITIONS AND ALTERATIONS BURLINGTON VERMONT TRUEXCULLINS&PARTNERSARCHITECTS 209 Battery Street, Burlington, Vermont 05401	Date: 08/03/01 Scale: 1"=50' Drawn by:	SITE PLAN	S 1.



Schematic Design

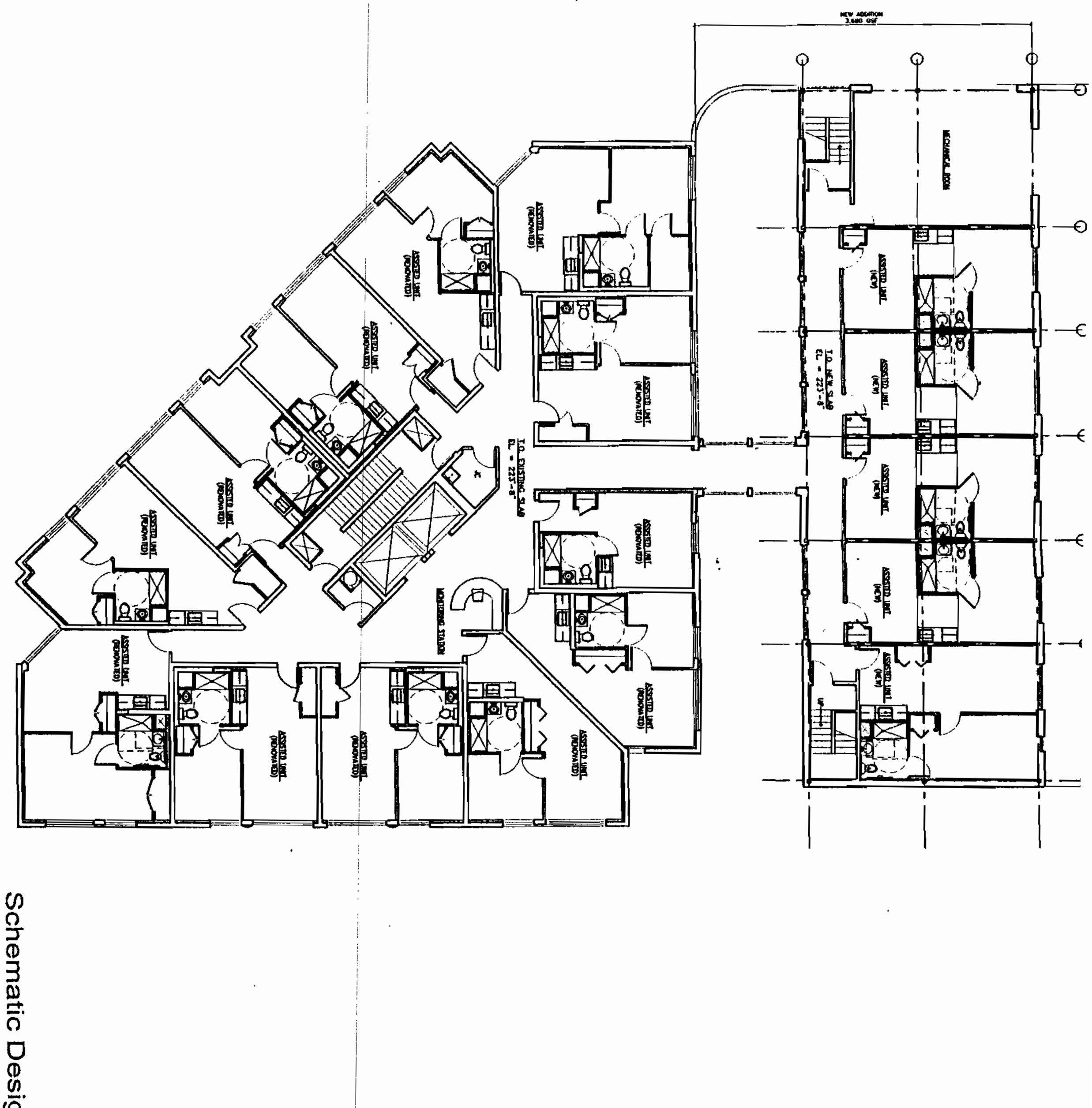
3 CATHEDRAL SQUARE
ADDITIONS AND ALTERATIONS
BURLINGTON VERMONT

TruexCullins & Partners Architects 209 Battery Street, Burlington, Vermont 05401

Date:	07/26/01
Scale:	1"=16'
Drawn by:	

FIRST
FLOOR PLAN

A 1.1



Schematic Design

3 CATHEDRAL SQUARE ADDITIONS AND ALTERATIONS BURLINGTON VERMONT TRUEXCULLINS & PARTNERS ARCHITECTS 209 Battery Street, Burlington, Vermont 05401	Date: 07/26/01 Scale: 1"=16' Drawn by:	SECOND FLOOR PLAN	A

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR CATHEDRAL SQUARE ASSISTED LIVING, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Sponsor") on behalf of itself and a to be formed 501c3 nonprofit organization (the "Borrowers") involving the new construction of seven (7) units of elderly assisted living housing in the City of Burlington (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates 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 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 (the "Bonds") to finance a loan to the Borrowers; 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 28, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, 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 is financially responsible and is a qualified housing sponsor within the meaning of the Act. The second Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrowers for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. 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 Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the second Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Borrowers of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Sponsor and/or Borrowers 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 described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.

5. The Executive Director is hereby authorized to make the construction loan secured by a second mortgage on 3 Cathedral Square.

6. The Board has determined that the occupancy requirement should be waived and that more than half of the housing units in the Development shall remain reserved for initial occupancy by persons and families of low and moderate income.

7. The Executive Director and the Loan Review Committee will establish the final

sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

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 December 6, 2001.

Sarah E. Carpenter

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Allocation of Additional Volume Cap
Carryforward of Unused Volume Cap

DATE: November 28, 2001

As part of the end of year housekeeping, I have prepared the attached resolution to address the allocation of any additional volume cap and the carryforward of unused volume cap.

At your last meeting, the Board allocated the remainder of the Agency's 2001 State Allocation of $77,750,000. In the event that the Governor or Emergency Board decides to allocate any additional 2001 State volume cap to the Agency before the end of the 2001 calendar year, staff recommends that this new allocation be assigned to Homeownership for the upcoming spring bond issue. In addition, the Board should authorize the filing of the Carryforward Election with the IRS.

The following chart shows the status of the Agency's available private activity volume cap.

		Unallocated by VHFA	Allocated by VHFA Board: Homeownership	Multifamily
Carryforward from 2000			7,000,000.00	13,424,000.00
2001 State Allocation		77,750,000.00		
VHFA Board Allocation		(77,750,000.00)	46,000,000.00	31,750,000.00
2001 Private Activity Bonds Issued			(42,562,865.00)	(14,850,000.00)
Balance as of 11/28/01	40,761,135.00	-0-	10,437,135.00	30,324,000.00

<u>**Recommended Board Action:**</u> To adopt the attached resolution to allocate any additional volume cap to Homeownership and to authorize the carryforward of any unused volume cap.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

**RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO CARRYFORWARD
2001 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $77,750,000 in 2001 private activity bond volume cap by the State of Vermont and has allocated $46,000,000 of that to qualified mortgage bonds and mortgage credit certificates and has allocated $31,750,000 to exempt facility bonds; and

WHEREAS, the Agency desires to carry forward any of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986;

NOW, THEREFORE, it is hereby RESOLVED:

1. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 6, 2001, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

2. The Vermont Housing Finance Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing exempt facility bonds unless it is allocated any additional volume cap by the State of Vermont on or after December 6, 2001, in which case it elects to carryforward all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

3. The Executive Director and Chief Financial Officer are directed, and each of them is authorized, to take all steps necessary to carryforward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with 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 December 6, 2001.

Sarah E. Carpenter

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah Carpenter, Executive Director SC

DATE: November 29, 2001

RE: **2001 Staff/Board Retreat**

Enclosed are several documents generated from the staff/Board retreat held in October. During the December Board meeting, we will focus on and discuss in greater detail the 'New Strategic Initiatives for 2002' document. These initiatives will be incorporated into the Agency's overall strategic plan, which will be updated and distributed at the January meeting.

The remaining documents are also open for discussion should you have any questions or concerns. The enclosed documents include:

- *New Strategic Initiatives 2002*
  - Detailed listing of top priority initiatives from retreat
  - Bullet listing of all initiatives discussed at retreat

- *Board and Senior Management Porch Discussion 4-5 p.m.*
  - Summary of Board/senior staff impressions of the day with staff

- *VHFA Board Retreat Breakfast Meeting Discussions*

- *Agency Risks/Program Initiatives/Concerns Identified by Board and SR. Staff*
  - Bullet listing of responses to questions asked of Board and Sr. Management regarding what the future holds for the Agency in terms of 'risk' and 'program initiatives/concerns'.

- *Best Practices Summary/Looking to the Future*
  - Abbreviated listing of best practices and looking to the future exercises.

In addition to discussing the top strategic initiatives, there will be a discussion regarding a demonstration project.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

New Strategic Initiatives for 2002

Overview

There were six initiatives that were a priority for the Board as a result of the staff/Board retreat in October. Attached is a complete listing of all items of interest for the assembled group. Below is more detailed information regarding the top initiatives. These initiatives will be discussed further during the December Board meeting.

Initiatives

<u>Demo Project</u>

- Senior Management is meeting December 5th to identify issues surrounding VHFA participating in a demo project
- Sarah and Lisa will lead a discussion on this topic during the December Board meeting

<u>Automation/Technology</u>

- We have made great strides in this area in the past few years, but there is more work to be done
- Staff to:
  - Evaluate needs
  - Assess resources (both equipment and staff capacity)
  - Make recommendations to management/board

<u>Home Repair Program</u>

- This will be a topic during the January working meeting with our underwriters, legal counsel, and financial advisors.
- Need to assess need in market to determine actual need – not sure if very large
- We may partner with another organization to administer the funds

<u>Refinancing Program</u>

- We will be implementing a program for limited refinancing starting December 3rd
- Conventional refinancing would put us in direct competition with partners; need to assess impact on VHFA
- Complete an analysis of paid off loans to determine demand and risk if we offered refinancing

<u>VHFA/VSHA Contract Administration</u>

- Identify Issues
- Discuss further in Board meeting to establish clearer direction

<u>Designation/Restrictions of Fund Balances</u>

- For discussion with working group in January
- Update financial study
- Designate dollars to specific projects
- Identify other practices

Second Tier Item

<u>Self Loan Origination/Satellite Offices</u>

- Prepare for changes in industry and ready an implementation program should there be a significant change in VHFA originators.

S:/admin/board/board retreat/retreat new strategic initiatives for 2002

STRATEGIC INITIATIVES FOR 2002
As prioritized by the Board on 10/11/01

Major Items

- Demo Project (on State land ?) ✔ ✔ ✔ ✔ ✔ ✔
  - Increase Housing Stock with Successful Models
- Automation/Technology ✔ ✔ ✔ ✔
  - Electronic Reporting and Servicing
- Home Repair Program ✔ ✔ ✔
- Refinancing Program ✔ ✔
- VSHA/VHFA Contract Administration ✔ ✔
- Designation/Restrictions of Fund Balances ✔
- ** Self Loan Origination/Satellite Offices

Other Items

- Loan Loss Reserve
- Change in State Leadership – board composition/allocation of bonding authority
- Succession Plan
- FHA Lending in Chittenden County
- Table Funding
- Increase Out Reach -Hme Buyers/Increase Partners
- Title Insurance
- Mobile Home Replacement Program
- Fuel Assistance
- VHFA Supportive Services

** **This item was not listed as a major priority for the Board, but maybe a necessary initiative to ensure we have an adequate plan in the event we lose our primary originators.**

Board and Senior Management Porch Discussion – 4-5 p.m. on 10/10/01
Summary of Board/Staff Impressions of the Day

Next Steps for staff post retreat:
- Do something like this more than one time a year – touch base to talk about progress on goals/future projects
- Pick something from retreat – make it tangible – do it; create task forces for this purpose
- Focus on a project – capture energy from retreat; suggest participation of staff in selecting project; have fun; use innovative, creative selves
- Department meetings – gain staff input on type of projects to go forward with (Housing VT II, etc.); empower staff
- Try to maintain today; the fires are out in the Agency; good place operationally; fine-tune our practices
- Need to see results in the short-term, see the effects from input; need to walk away with tangible vision and action
- Take new ideas/goals (achievable), align around as an agency; help everyone know how what do contributes to these goals
- Today baseline for continuing to accomplish good things in the future; suggest that when in meetings, incorporate today, use to change behavior in everyday action
- Today generated good ideas that were not new; what is good about today is that we have come together and have planted seeds; this in itself has been helpful without any need to do something more specific as a follow-up

Future Action of Agency:
- Great momentum; Board needs to rise to the occasion and support smart growth in community redevelopment; needs to decide and allocate resources
- VHFA looked to by other agencies as a consulting firm, resource for growth/questions; wonder if the goal is effectiveness in collaboration vs. growth, the intangible ways we improve that do not show up in the bottom line
- Listen to other HFA's - how are they dealing with gaps in affordable housing; benchmark
- Go beyond housing community to work with other agencies to help fill gaps for low-income homeowners – fuel assistance, etc.
- Be catalyst for smart growth; partner with others – environmental and development communities – as build neighborhoods

Specific Suggestions:
- The strength of staff and best practices are a good basis from which to meet future challenges
- Board suggestion that management give tangible acknowledgement of good work to staff

Potential Areas for Improvement:
- Communication
- Technological capacity – confidence in current IT staff; need to balance with cost
- Acknowledgment/recognition
- More staff trips to projects; more contact with customers/data collection
- Staff increases connection with partnering agencies - involvement in developing coordinated efforts, developing outreach activity, legislative area
- Engage in innovations for target populations – likely in collaboration and partnership with other agencies; examples: residential housing, one-stop approaches, and bridge programs to move from renters to home ownership, presence throughout the state
- Some projects and programs will be revenue generating (in addition to growth in current revenue generating programs); others will not generate income, will likely be done through collaboration, partnership and advocacy and will support effectiveness in meeting needs of target populations

VHFA Board Retreat Breakfast Meeting Discussions
October 11, 2001

Size of Board

- After discussion, it was agreed that a seven member board was preferred

Role of Board

- There was a request to have regular updates on the strategic plan. Quarterly would be adequate
- New Board members should participate in a Board orientation, which would include:
  - Spending time with staff to learn about the various Agency functions and initiatives
  - Receipt of Board Manual – Twelve months of minutes, statutes, rules and policies
- Staff to provide the Board with an organizational chart and phone list of who to call for what
- A question was raised about the Act 200 Plan and the Agency's obligation to update this every two years. Kathy stated that no one is doing this
- Board is to provide latitude to staff in the general operations of the Agency. Primary role to provide guidance, support and oversight
- Current fees paid to the Board will remain the same, as well as method and frequency of payment
- Mixed Use Rehab rules should be changed - are there others? This will be part of the policy/rules review lead by Elizabeth
- In the next few months, Roger to provide a presentation on bond issuance and financials for interested Board members

Conflict of Interest

- Elizabeth handed out a packet that included:
  - VHFA Employee Handbook: Conflict of Interest policy
  - Executive Order No. 04-00
  - Code of Ethics required by Executive Order No. 04-00
  - Housing Vermont Conflict of Interest Policy and Disclosure of Affiliations
  - Discussions followed regarding current practices and/or concerns of Board members.
- Board members will read through these documents and we will address with our policy discussions
- If there are any questions in the meantime, Board members should contact Elizabeth for clarification

Board Meeting Schedule

- While the legislature is in session, the Board will meet in Montpelier in the mornings and lunch will be provided at noon
- Burlington meetings will be held in the afternoon at 1:00 pm, with lunch being provided at 12:30 pm (this will be included on the agenda)
- A decision was made to have the Board packet mailed a day sooner so Board members have the information prior to the weekend. For a Thursday meeting, packets will be mailed the previous Thursday

Strategic Planning

- Identify new strategic initiatives discussed during retreat and incorporate into the Strategic Plan
- Identify the top three initiatives
- Identify where we can get VHFA's partners to help meet objectives
- Get back to Board with a revised plan

Agency Risks Identified by Board and Senior Staff
October 11, 2001

- Economy
  - Where heading & how will it impact Agency
  - Ability to buy homes and continue to pay mortgage
- Federal / State Funding support
  - Subsidies
  - Transfer tax
- Delinquency Trends
- Risk not getting new fees
- Run off of our portfolio
- Liquidity of Agency
- Bonding authority
  - 2002-already $30 million additional demand
  - Winooski project $30-50 million extra need for authority
- Constraints in markets served - limits on homes built in price ranges VHFA serve
  - Changes federal level
  - Land use regulations – developers
- Competition from other lenders, including lender partners
- Continued resistance at local level to housing development
  - No growth policies
- Changes in lender landscape
  - Originator - Chittenden 30%
- Change in political environment
  - Country at war
- Automation in general
  - Electronic transfer of information
  - Automation in labor and processes to keep us competitive
- Change in Governor
- Aging of multifamily properties
- Agency succession planning for key staff

Agency Program Initiatives/Concerns Identified by Board and Senior Staff
October 11, 2001

- How can we spur development of moderate income housing
- Develop models (successful) for development & redevelopment
- Figure out whether we can invest in private program / get revolving funds with VHFA dollars
  - Single family developers
  - Multiple partners / development issues, build on chapter 117 work
- Conversion of Mobile Home parks to multifamily / condominium project
- Agency issues title insurance
  - Expense
  - Revenues
  - West Virginia model (limited liability corp. Lawyers title)
- Capitalize revolving rehab programs
- "Duplicate" Williamstown Garden's sense of community
- Refinance program for families splitting up, so that one member can afford to stay in the home
- Promote public awareness & support
- Mobile home loans in parks
- Multifamily loan loss reserve funds
- Agency loan origination in underserved areas of the State
- Continued stream lining of business process
- Outreach to mortgage brokers
- Direct funding by agency
- Help people manage fuel costs programs
- Home buyer fair in Southern VT
- Review Home Ownership centers
- Satellite offices in different parts of the State - Resource center
- Work with VSHA on contract administration initiatives
- Insure that housing we develop works with services needed
- RI Land Bank Program
  - Buy land – hold until builder found (multifamily-single family)
- Staff
  - What should we be doing (direction from Board)?
  - Continue Board sub committees - HR, Risk, New Issues
  - Employee development
  - Meetings at projects
  - Continue to keep employee benefit program positive

Best Practices Summary/Looking to the Future by Staff and Board
October 10, 2001

Best Practices
Below are some of the 'Best Practices' noted during the retreat:

Great place to work!
- Agency-wide Bonding through various activities – United Way, wellness day, birthdays, homebuyer fair, crises etc.
- Internal support from staff across Agency
- Organizational humor
- Teamwork – working together and using creative ways to resolve issues
- Improved communication across departments
- CTO Policy
- Listen and respond to needs – increase in staff, technology, personal development, etc.

Operationally Sound
- Improved use of technology
- Focused on mission, competitive rates, new products/initiatives, homebuyer fair
- Home Ownership Centers
- We are seen as a partner
- Focus on user-friendly when revising new guides
- Visible in addressing housing shortage – media attention, annual report, awareness campaign

Looking to the Future
We captured specific pieces from each group's depiction of the future, which is quite lengthy and repetitive. Below is a summary of the various visions for the future by category.

Administrative
- Employees are continuously developing
- Effective and essential meetings, e-mails are effective in getting message across and only as necessary
- Newsletter good way to learn about what's happening in organization
- More communication between departments

Legislative
- Proactive in influencing regulatory legislative agenda

Marketing
- Innovator in our industry – try new things; influencing and controlling operating environment
- Have community support for smart growth
- Have dynamic messages in the media
- Bennington, etc – statewide coverage
- National recognition for strength of Agency and programs offered

Marketing/Programs
- Example in housing – way deliver services – always experimenting "can do: spirit
- Accommodate diversity of people into neighborhoods making them a part of the community

Operational

- We will be on the cutting edge of technology
- Maximum use of operating systems
- We will have expanded capacity and maintain financial stability
- Efficient delivery system in line with national models
- Delinquencies decrease to 0%
- System has less paper and fewer steps
- Even more improved customer service

Programs

- Mixed type housing
- Housing with supportive services meeting needs
- Bridge programs from renter to home ownership
- Saved family farms by connecting with loan program
- One stop shopping

vhfa

Vermont Housing Finance Agency
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director SC

DATE: November 29, 2001

RE: **EXECUTIVE DIRECTOR'S REPORT**

Administration

Our United Way campaign was once again a huge success. The Agency has pledges in excess of $5,500 and raised and additional $1,192 to date in fund raisers, which include the silent auction and bake sale sponsored by the Homeownership Dept., the pie and ice cream social sponsored by the Finance Dept, a taco lunch and raffle for a day off earlier in the year. A surprise event by Multifamily and Development Depts. and a staff breakfast (sponsored by Administration) will round out the United Way campaign for this year.

Resurrecting the VHFA internal newsletter "VHFA Insider" was discussed at the staff/Board retreat. The first of the new editions was published this week and a copy is enclosed for your perusal. Helen Fleeson and Kathy Curley did an outstanding job with the new format. This will continue to be published monthly.

The Agency is once again sponsoring a mitten stuffing to benefit King Street Youth Center. Handmade Mittens are made/donated by staff and people within the community. VHFA staff then stuff the mittens with candy, wrap them up with a bow and deliver them to the Youth Center. This has been a tradition for over 5 years.

Program Operations

Dave Adams has been representing VHFA with the development of the Vermont Housing Budget and Investment Plan, scheduled to be delivered to the House Committee on General, Housing, and Military Affairs, along with the Senate Committee on General Affairs and Housing, for the 2001-2002 Legislature for the 2003 budget year. The Department of Housing and Community Affairs is the lead agency for the development of this report, working with VHFA, the Vermont State Housing Authority, Vermont Housing and Conservation Board, and the Agency of Human Services. This committee is responding to the provisions of H.483 to provide a summary of who does what in housing, how this is accomplished, and propose recommendations for increased coordination and efficiencies between them. The committee's first draft of the report is still being worked on with final revisions due in time for presentation to the legislature in January.

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EQUAL HOUSING OPPORTUNITY

Multifamily Management

The MF Mitas conversion was completed as scheduled and staff is now in the process learning how to use this new system, verifying data and working on the process of how new and expanded data fields will be populated. Weekly meetings with Development, Finance and IS staff have been very productive in helping to understand agency-wide system integration and have served as a great learning tool for all attending. We are optimistic about how flexible the system appears to be and staff has already found ways to work around some of the system's limitations.

Preparing for the upcoming MF bond issue is now a focus and staff is working on the Preliminary Official Statement with help from IS to retrieve updated financial information. Review and approval of 2002 project budgets has been completed on 25% of the portfolio and this process will continue through year end.

Development

Development attended a groundbreaking at Smith Housing in Middlebury, which has closed and is under construction. Many projects are complete or rapidly approaching completion, including McAuley Square, Jeffersonville, Clark & Canal Streets, Rutland Rehab, and Bus Barns (which had a well-attended open house ceremony and lots of media coverage). Because many of these projects have year-end bond maturity dates, Development will be occupied in December with permanent closings and loan pay-offs, along with tax credit paperwork from the last round. Letters of intent for the upcoming tax credit round are due in December as well.

Homeownership

In conjunction with Public Affairs, Homeownership staff is moving ahead with planning the 10th annual Homebuyer Fair. We'll be working on radio and print advertising and opportunities for "earned media" – hits we don't pay for, like interview programs – leading up to the Fair. Through David's good connections we are very happy to announce that Freddie Mac has agreed to be a sponsor at our Homebuyer Fair in March. They are contributing up to $5,000 and will attending this all day event. Craig is also re-working the Agency Homeownership brochure.

Public Affairs

Public Affairs is gearing up for 2002. With the Agency's annual report/calendar out (reviews are very good), we're already thinking towards next year's edition. We are also beginning planning for the next round of Agency advertising early in 2002.

The Agency's new external electronic newsletter is shaping up. Craig has put a substantial amount of effort into this project, and, like the annual report, the result will be good-looking and informative. We had originally planned a December 3rd launch date, which turned out to be a bit overly ambitious. We're now looking at mid-December. The newsletter will include VHFA news and features, a look at housing issues in the new legislature, and a letter from Sarah. This is intended as a "trade" publication, meaning it will be sent primarily to people we work with in housing, to elected officials and to policymakers.

The Vermont Housing Awareness Campaign is moving along as well. The Vermont Community Foundation has given us a $9,000 grant, and, along with the current pledges from Campaign members, we have $43,000 either promised or in hand. That's just short of half our overall fundraising goal for all our activities in 2002. The Campaign is planning to put a public opinion survey in the field in January, to get some concrete information about Vermonters' attitudes towards affordable housing development and to test some of the Campaign's planned messages. This will also serve as a benchmark to test our effectiveness during the coming year.

Finance

Finance has been working on the yearend disclosure statements, as well as the multi family bond issue which has a lot of moving parts. The bond is due to close January 17. We are planning to have our bond working group (Kutak Rock, Piper Jaffray, Paine Webber) here on the 16th to work with staff on a number of issues and discuss assumptions for an updated financial study. We are planning to have a session for board members on bond basics on the 15th or 16th, and will try to confirm a time at the Board meeting.

Other

I will be attending the NCSHA Executive Directors meeting in New York on December 2nd and 3rd.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: NOVEMBER 21, 2001

RE: SEPTEMBER 2001 FINANCIALS

Attached to this memorandum is the balance sheet and statement of revenues on an agency-wide basis including the bond programs (green sheet) as promised at the Board meeting last week. We did go over the General Fund separate results and comparison to budget report at that meeting. Following are some global comments on the results for the first quarter of the fiscal year. As expected the financial results are very strong.

Balance Sheet. Total assets are $846 million compared with $792 million in September 2000 and $720 million in September of 1999. Total retained outstanding loan balances have increased by $80 million over the last two years! That translates into increased expected earnings capacity of $800,000/year. Fund balances total $68.7 million compared to $58.4 in September of 2000 and $52.9 million in September 1999.

Statement of Revenues. Revenues exceeded expenses by almost $3 million for the three months ended September 30, 2001, compared to $2 million for the same period last year. The standard earnings were similar but the market value gain on investments due to continuing plummeting interest rates added $1.4 million this year compared to $300,000 gain last year. Loan losses decreased from $300,000 for this quarter a year ago to only $100,000 this year. By using the 1% earnings benchmark calculation on loans of $500 million and excess yield pool annual surplus of $1 million, the balance of $6 million annual earnings equals $1.5 million, which is close to the quarterly earnings ignoring the market value gains.

If you have any questions regarding the financial statements as of September 30, 2001, feel free to call me at your convenience.

VERMONT HOUSING FINANCE AGENCY

Consolidated Financial Statements

Date: 09/30/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY	TOTAL
ASSETS				
Cash and cash equivalents	6,389,341.86	137,411,368.20	22,589,084.12	166,389,794.18
Investments	100,000.00	148,303,813.43	8,937,656.64	157,341,470.07
Mortgage and construction loan	15,288,802.54	392,341,757.12	98,635,547.25	506,266,106.91
Less: reserve for loan loss		1,755,747.00-		1,755,747.00-
Accrued interest receivable				
-Mortgage and notes	929,675.48	2,471,678.06	489,459.44	3,890,812.98
-Investments	11,056.29	5,497,354.66	142,972.71	5,651,383.66
Deferred cost of bond issuance		2,603,272.94	941,984.69	3,545,257.63
Deferred mortgage origination fees, net	354,253.49	94,060.46		448,313.95
Office furniture and fixtures	902,935.45			902,935.45
Less: accumulated depreciation	669,836.91-			669,836.91-
Land	775,000.00			775,000.00
Building	1,000,833.95			1,000,833.95
Other receivables:prepaids	1,289,798.51	313,889.77	101,307.31	1,704,995.59
Interfund receivables	201,061.77-	12,584.14	188,477.63	
Other assets		819,695.00		819,695.00
TOTAL ASSETS	26,170,798.89	688,113,726.78	132,026,489.79	846,311,015.46
LIABILITIES & FUND BALANCE				
Deferred income	149,814.00		200,972.59	350,786.59
Accounts payable	876,576.56	652,749.80	145,656.14	1,674,982.50
Escrowed cash deposits	3,673,975.65	37,003.46-	901,329.52	4,538,301.71
Notes payable	11,852,586.80	103,000,000.00		114,852,586.80
Accrued interest	125,051.80	14,165,451.37	914,681.31	15,205,184.48
Accreted interest				
Bonds payable	605,516.45	532,840,000.00	112,940,255.67	646,385,772.12
Unamort premium on bonds/notes		3,596,819.10-	1,781,658.81-	5,378,477.91-
Fund balance	8,887,277.63	41,089,348.17	18,705,253.37	68,681,879.17
TOTAL LIABILITIES & FUND BAL	26,170,798.89	688,113,726.78	132,026,489.79	846,311,015.46

RMONT HOUSING FINANCE AGENCY Consolidated Financial Statements Date: 09/30/2001

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
REVENUES:							
est Income:							
gage & construction loans	243,846.00	7,220,823.28	1,734,061.51				9,198,730.79
stments	11,092.64	3,958,413.99	397,981.00				4,367,487.63
ncome:							
i-family programs	126,830.73		5,404.50				132,235.23
le family programs	4,408.84						4,408.84
income							
income							
llaneous income	12,223.20						12,223.20
L REVENUES	398,401.41	11,179,237.27	2,137,447.01				13,715,085.69
EXPENSES:							
cing costs:							
uding interest and amorti							
on of premium, discount &							
s of issuance	202,958.32	9,083,491.28	1,617,160.55				10,903,610.15
age service, contract							
nistration fees, & proper							
isposition expense	46,759.87	324,035.49	2,514.39-				368,280.97
ies and benefits	510,252.58						510,252.58
ting expenses	230,929.83						230,929.83
ssional fees	64,345.69						64,345.69
ee and assignee fees	49,919.68						49,919.68
on bond redemptions							
losed property loss	31,320.51-	103,861.34					72,540.83
L EXPENSES	1,073,845.46	9,511,388.11	1,614,646.16				12,199,879.73
us before change in							
stment market value	675,444.05-	1,667,849.16	522,800.85				1,515,205.96
e in investment value		1,066,183.02	369,580.05				1,435,763.07
s (deficiency) of							
nues over expenses	675,444.05-	2,734,032.18	892,380.90				2,950,969.03
balance, beginning	9,014,221.68	38,555,315.99	18,161,372.47				65,730,910.14
fer to General Fund (net)	548,500.00	200,000.00-	348,500.00-				
balance, end of period	8,887,277.63	41,089,348.17	18,705,253.37				68,681,879.17