Burlington Free Press
January 20, 1986

State Government Meetings

Week of Jan. 20

MONDAY

Public Service Board, petition of Vermont Electric Power Co. regarding Hydro-Quebec/NEPOOL transmission interconnection, 9 a.m., board conference room, 120 State St., Montpelier.

Water Resources Board, prehearing conference, Killington Ltd. appeal, 10 a.m., Vermont District Courthouse, 92 State St., Rutland.

House Transportation Committee, Senate Highways and Traffic Committee, public hearing on seat belts in motor vehicles, 7 p.m., and seat belts on school buses, 8 p.m., Grand Isle School gymnasium.

District Environmental Commission, Killington 43 Corp., 10 a.m., town clerk's office, Sherburne.

TUESDAY

Public Service Board, Vermont Electric Power hearing, 9 a.m., board conference room, 120 State St., Montpelier.

Vermont Real Estate Commission, 9 a.m., Board Room, Howard Bank, 90 Main St., Montpelier.

Liquor Control Board, 9 a.m., Green Mountain Drive, Montpelier.

State Board of Education, 9 a.m., fifth-floor conference room, Education Department, 120 State St., Montpelier.

Vermont Environmental Board, reconvened hearing, Paul and Dale Percy, 9:30 a.m., Akeley Memorial Building, Vermont 100, Stowe.

Vermont Advisory Council on Historic Preservation, 10 a.m., City Council chambers, City Hall, Rutland.

District Environmental Commission, Berneice Kelley and Thomas Outlaw, subdivision in Ludlow, 1:15 p.m., Town Hall, Ludlow.

WEDNESDAY

Vermont Environmental Board, continuation of Percy hearing, 8:30 a.m.; Eaglewood XI Ltd., city of Vergennes and Lake Realty Corp., apartment housing project in Vergennes, 1:30 p.m.; Akeley Memorial Building, Vermont 100, Stowe.

Public Service Board, continuation of Vermont Electric Power hearing, 9 a.m., board conference room, 120 State St., Montpelier.

Vermont Teachers' Retirement System Board, 9 a.m., Topnotch Inn, Stowe.

Vermont Board of Architects, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Emergency Board, 3:30 p.m., governor's office, Statehouse, Montpelier.

THURSDAY

Public Service Board, continuation of Vermont Electric Power hearing, 9 a.m., board conference room, 120 State St., Montpelier.

Vermont State Retirement System Board and State Deferred Compensation Committee, 9 a.m., Topnotch Inn, Stowe.

Vermont Community Development Board, 9 a.m., conference room, Employment and Training Department, Green Mountain Drive, Montpelier.

Vermont Labor Relations Board, grievance of Marjorie Johnson, 9:30 a.m., board hearing room, 13 Baldwin St., Montpelier.

Water Resources Board, 10 a.m., Memorial Room, City Hall, Montpelier.

Vermont Board of Radiological Technicians, 1 p.m., radiology library, Medical Center Hospital, Burlington.

Vermont Housing Finance Agency, 1:30 p.m., agency office, 1 Burlington Square, Burlington.

House Transportation Committee, Senate Highways and Traffic Committee, public hearing on seat belts on school buses, 2 p.m., and seat belts in motor vehicles, 7 p.m., room 11, Statehouse, Montpelier.

Low-Level Radioactive Advisory Committee, 3:30 p.m., third-floor conference room, Heritage II, 79 River St., Montpelier.

FRIDAY

Public Service Board, continuation of Vermont Electric Power hearing, 9 a.m., board conference room, 120 State St., Montpelier.

Board of Medical Practice, hearing, 9 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Municipal Employees' Retirement System, 9:30 a.m., Topnotch Inn, Stowe.

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
One Burlington Square, Burlington, Vermont
November 22, 1985

Present: Chairman Hunt, Vice-Chairman Shaw, Commissioners Myette, Bard, Hebard, Guest; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Kochman, F.L. Kochman, Inc.; Mr. Gurley, Mr. Holzschuh, Morgan Stanley & Co.; Mr. Underwood, E.F. Hutton & Co., Mr. Ingalls, Mr. Margolis, Palmer & Dodge; Ms. Crost, Ms. Mattes, Orrick, Herrington & Sutcliffe.

Chairman Hunt called the meeting to order at 1:45 PM.

Upon motion duly made and seconded the minutes of the October 31, 1985 Board meeting were unanimously adopted.

The attached summation of the conference call of Friday, November 15, 1985 pertaining to the pricing of the 1985 Series B Home Mortgage Purchase Bonds was disseminated. Upon motion duly made and seconded the summation was unanimously adopted.

Commissioner Guest entered the meeting at this point.

Mr. Ingalls presented the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series B (the "Series Resolution"). Mr. Ingalls explained the two major differences incorporated into this Series Resolution were the recycling concept and the authorization to execute and deliver a representation letter for the book entry form of the bonds with the Depository Trust Company. In addition he noted the Series Resolution authorizes the execution of the Purchase Contract (executed original attached) and ratifies the distribution of the Preliminary Official Statement and approves the final Official Statement (executed original attached) and authorizes its distribution. After Mr. Ingalls' review, Mr. Gurley was asked to summarize the details of the bond issue. He noted that the issue size of $47,226,625 provided new loan proceeds of $40,000,000 at at a true interest cost of 9.07%. He also reviewed general market conditions, compared the Agency's issue with the issues recently sold and the various components of the underwriters takedown.

After further discussion, upon motion duly made and seconded, the attached Series Resolution was unanimously adopted.

Mr. Frazier then proceeded to describe the Letter of Credit and Credit Agreement arrangements with the Industrial Bank of Japan (IBJ). Chairman Hunt abstained from any deliberation and Vice-Chairman Shaw assumed the duties of Chairman.

Commissioner Bard entered the meeting at this point. Mr. Frazier went on to explain the two last minute changes to the Credit Agreement. In essence, the changes provide (1) the Agency would pay IBJ a taxable interest rate and would get the benefit of a tax-exempt rate only in the event IBJ requested a tax-exempt rate and the Agency could produce the necessary opinion of counsel at the time of the draw, and (2) the Agency would provide to IBJ indemnification of up to $5,000 per year for additional costs incurred by IBJ in the event IBJ was required by a change in current law to incur special expenses (e.g., a reserve requirement). Despite the above last minute changes, everyone noted that negotiations for the Letter of Credit went smoothly. Upon motion duly made and seconded the attached Resolution Authorizing Credit Agreement and Note was unanimously adopted. Chairman Hunt abstained.

Chairman Hunt resumed his duties as Chairman at this point.

Mr. Brisson then disseminated a written summary containing an analysis of the Agency's cash contribution into the bond issue and a comparative mortgage rate analysis. The Agency's up front General Fund contribution would total $900,000 including a $600,000 funding of the loan loss reserve fund. To the extent that mortgage loans are originated as expected $300,000 in fee income would be available as an offset. Next a discussion ensued regarding setting the interest rate for the program. Staff reviewed the mortgage rate analysis showing the cash flow results under various recycling assumptions for mortgage rates of 10.05% and 9.95%. Staff recommended a full spread mortgage coupon rate of 10.05%. After discussion, upon motion duly made, and seconded, the program interest rate was unanimously set at 10.0%.

Mr. Brisson continued by summarizing the results of the lender survey. He noted that 29 banks had expressed an interest to participate in the program at the 10.0% interest rate level for a total of $47.7 million. After discussing how the lender requests would be cut back to $40 million, upon motion duly made and seconded the attached Resolution Authorizing Purchase of Mortgage Loans, Approval of Contract Documents, and Appointment of Depositories was unanimously adopted. Vice-Chairman Shaw abstaining.

Mr. Gurley presented the good faith deposit check to the Agency at this point.

The agenda switched to the Enosburg Community Care Home. Mr. Brisson noted that the Franklin-Lamoille Bank is the construction lender and the buyer for the Agency's bond. After further questioning from the Board, upon motion duly made and seconded, the attached Resolution Authorizing the Issuance of Enosburg Housing Bonds was unanimously adopted.

Mr. Frazier then explained the Agreements between the Agency and the Vermont State Housing Authority for sharing the HAP administration fee on the Section 8 multi-family projects. He noted the attached Agreement expires on December 1, 1985 and pursuant to the Authority's request recommended that the Agreement be amended to continue the payments of $7.00 per unit per month as long as the projects remain under HAP contract.

After discussing the relationship of the two Agencies, upon motion duly made and seconded, the Board unanimously resolved to amend Section 2 of the attached Agreement to read:

> "The Agency hereby agrees that said payments shall begin effective December 1, 1980, and shall continue so long as the projects are under HAP contract."

Next, Mr. Brisson was asked to summarize the results of the Homebuilder Survey which were included in the Board mailing. Much discussion ensued relative to the interpretation of the results. This led into a discussion of how the recyclable funds under the Homeownership Opportunity Program should be targeted. Without coming to any clear consensus, Vice-Chairman Shaw tabled further discussion until the next Board meeting.

Mr. Frazier then asked for authorization to reserve funds out of the 8.25% recycled money for up to 9 units in the Howe Meadows development in Burlington on the lots that would be owned by the Burlington Community Land Trust. He noted that the purchase price on these nine homes would be approximately $48,000 - $50,000, but that the Land Trust only has a limited time to find qualified buyers. With the delay in implementing the Homeownership Opportunity Program, and the nine units coming on line by the end of December, it was feared the Land Trust would lose the ability to market the homes at the reduced purchase price. After further discussion, upon motion duly made and seconded, the Executive Director was unanimously authorized to reserve up to $500,000 of the 8.25% recycled money specifically on the nine units on lots owned by the Land Trust and part of the Howe Meadows development in Burlington subject to normal Agency underwriting procedures and the following conditions:

1. The Howe Meadows project must be preapproved by the Agency;

2. The loans must be preapproved by the Agency's pool insurer MGIC; and

3. Purchase price limit of $60,000 and income limits of $20,000 and $24,000 for one wage earner and two-wage earner families, respectively.

Lastly, Mr. Frazier was asked to lead a discussion on possible legislative issues. He noted that Chairman Hunt had questioned staff whether to seek specific statutory authorization on (1) single family construction financing, (2) creating a subsidiary nonprofit development corporation, (3) cooperative housing corporations, and (4) mortgage credit certificates (MCC's). After some discussion it was determined that staff would research the subsidiary corporation and draft legislation relative to cooperative housing corporations.

The Board meeting was adjourned at 3:45 PM.

Respectfully submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary

WSF:pw/204
Attachments

FINAL

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of

Home Mortgage Purchase Bonds, 1985 Series B

Adopted November 22, 1985

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of

Home Mortgage Purchase Bonds, 1985 Series B

November 22, 1985

WHEREAS, the Vermont Housing Finance Agency (the "Agency") in furtherance of the purposes of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") anticipates the purchase from Mortgage Lenders of Mortgage Loans made to persons and families of low and moderate income in the State of Vermont pursuant to the Act; and

WHEREAS, the Agency heretofore has adopted on July 8, 1983 a Resolution entitled "Home Mortgage Purchase Bond Resolution" (the "Bond Resolution"); and

WHEREAS, in order to obtain funds to purchase such Mortgage Loans it is deemed necessary and advisable to issue Home Mortgage Purchase Bonds of the Agency as hereinafter provided.

Be it Resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 101. Short Title. This resolution is hereinafter sometimes referred to as the "1985 Series B Resolution".

Section 102. Definitions. (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 102 of the Bond Resolution.

(B) In this 1985 Series B Resolution unless a different meaning clearly appears from the context:

"Areas of Chronic Economic Distress" means the areas established pursuant to Section 103A(k)(3) of the Code.

"Bond Depository" means The Depository Trust Company, and its successors and any replacement securities depository appointed pursuant to Section 201(I) hereof.

"Code" means the Internal Revenue Code of 1954 of the United States of America, as amended from time to time, and any applicable regulations issued thereunder.

"1985 Series B Bonds" means the Bonds of the Agency of the Series authorized by this 1985 Series B Resolution.

"Official Statement" means the Official Statement of the Agency describing the 1985 Series B Bonds, in preliminary form dated November 8, 1985 and in final form as presented at this meeting and included in the minutes hereof.

"Purchase Contract" means the Contract dated November 22, 1985 by and between the Agency and the Underwriters named therein and providing for the terms and conditions of sale of the 1985 Series B Bonds in the form presented at this meeting and included in the minutes hereof.

"Rebate Account" means the Home Mortgage Purchase Bonds 1985 Series B Rebate Account established pursuant to Paragraph (D) of Section 301 hereof.

"Rebate Requirement" means, with respect to the 1985 Series B Bonds and at all times during the then current Fiscal Year, an amount equal to the cumulative net sum calculated and determined in accordance with the requirements of Section 103A of the Code that must be paid or credited to Mortgagors pursuant to Section 401 hereof.

"Serial Bond" means any of the 1985 Series B Bonds maturing on or before December 1, 2000.

"Term Bond" means any of the 1985 Series B Bonds maturing on December 1, 2005.

"Term Appreciation Bond" means any of the 1985 Series B Bonds maturing on June 1, 2022.

"Yield" means the yield on the 1985 Series B Bonds, the effective rate of interest on any Mortgage Loan, or the yield on any other investment under the Bond Resolution calculated as required by Section 103A of the Code.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in the 1985 Series B Resolution, refer to this 1985 Series B Resolution.

Section 103. Authority. This 1985 Series B Resolution is adopted pursuant to the Bond Resolution and the Act.

ARTICLE II

AUTHORIZATION OF 1985 SERIES B BONDS

Section 201. 1985 Series B Bonds. (A) A Series of Bonds, designated "Home Mortgage Purchase Bonds, 1985 Series B", is hereby authorized to be issued in an aggregate Principal Amount (calculated at their date of delivery) of $47,226,625.

(B) The Agency hereby determines (1) that the original aggregate Principal Amount of the 1985 Series B Bonds is necessary to provide sufficient funds to be used and expended for the Program, (2) that Mortgage Loans made on behalf of the Agency with the proceeds of the 1985 Series B Bonds can be issued bearing 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 (3) that the Agency will derive receipts, revenues or other income from the Mortgage Loans purchased with the proceeds of the 1985 Series B Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the 1985 Series B Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the 1985 Series B Bonds are being issued.

(C) The purposes for which the 1985 Series B Bonds are being issued are to provide funds for deposit in the Bond Reserve Fund, the 1985 Series B Capitalized Interest Account, the 1985 Series B Cost of Issuance Account and the 1985 Series B Home Mortgage Purchase Program Account, subject to the limitations and provisions provided in Article IV of the Bond Resolution and in the amounts determined by or pursuant to Article III hereof.

(D) The 1985 Series B Bonds shall be issued only in the form of fully registered Bonds without coupons in denominations of $5,000 in Principal Amount at maturity or any multiple thereof not exceeding the aggregate Principal Amount of the 1985 Series B Bonds maturing in the year of maturity of the 1985 Series B Bonds for which the denomination is to be specified. Notwithstanding the foregoing, coupon bonds payable to bearer, exchangeable as provided in Section 304 of the Bond Resolution for fully registered 1985 Series B Bonds, may be issued if the Agency so provides by a Supplemental Bond Resolution adopted and becoming effective pursuant to Section 802 of the Bond Resolution and filed with the Trustee accompanied by a Counsel's Opinion to the effect (1) required by Section 805 of the Bond Resolution and (2) that issuance of coupon 1985 Series B Bonds will not adversely effect the exemption from federal income taxation of the interest on the Bonds. Any 1985 Series B Bonds, other than Term Appreciation Bonds, authenticated and delivered before June 1, 1986 shall be dated, and bear interest from, November 1, 1985. Any 1985 Series B Bonds, other than Term Appreciation Bonds, delivered on or after June 1, 1986 shall be dated, and bear interest from, the date provided in Section 301 of the Bond Resolution. All Term Appreciation Bonds regardless of their actual date of delivery, shall be dated their date of delivery thereof to the initial purchasers thereof. Unless the Agency shall otherwise direct, the 1985 Series B Bonds shall be lettered and numbered separately from one consecutively upward in order of maturity, preceded by the letters "BR" and the last two digits of the year of maturity prefixed to the number.

(E) The 1985 Series B Bonds shall mature in the respective amounts (stated as the Principal Amount of such Bonds calculated at the date of their delivery) on June 1 and December 1 in the respective years, and shall bear interest from their dates (i) payable with respect to all 1985 Series B Bonds other than the Term Appreciation Bonds on June 1, 1986 and semiannually thereafter on each June 1 and December 1 of the years and at the rates shown below and (ii) payable with respect to the Term Appreciation Bonds at maturity or earlier redemption in the amounts for each $1,000 Principal Amount at maturity of such Term Appreciation Bonds equal to (a) the Compound Accreted Value set forth in Section 201(F) hereof with respect to each June 1 or December 1 less (b) the original Principal Amount of such Bonds calculated at their date of authentication and delivery:

Date	Face Amount	Interest Rate
June 1, 1986	$ 230,000	5.30%
December 1, 1986	255,000	5.30
June 1, 1987	270,000	5.80
December 1, 1987	525,000	5.80
June 1, 1988	540,000	6.20
December 1, 1988	560,000	6.20
June 1, 1989	575,000	6.60
December 1, 1989	590,000	6.60
June 1, 1990	615,000	6.90
December 1, 1990	2,330,000	6.90
June 1, 1991	635,000	7.20
December 1, 1991	655,000	7.20
June 1, 1992	685,000	7.50
December 1, 1992	705,000	7.50
June 1, 1993	730,000	7.70
December 1, 1993	760,000	7.70
June 1, 1994	790,000	7.90
December 1, 1994	825,000	7.90
June 1, 1995	850,000	8.10
December 1, 1995	890,000	8.10
June 1, 1996	925,000	8.30
December 1, 1996	960,000	8.30
June 1, 1997	1,005,000	8.50
December 1, 1997	1,045,000	8.50
June 1, 1998	1,090,000	8.60
December 1, 1998	1,135,000	8.60
June 1, 1999	1,185,000	8.70
December 1, 1999	1,235,000	8.70
June 1, 2000	1,290,000	8.80

December 1, 2000	1,350,000	8.80
December 1, 2005	17,335,000	9 1/8
June 1, 2022	4,656,625	Priced to yield approximately 10 3/8% at Maturity

(F) The Compound Accreted Value of each Term Appreciation Bond, as of each June 1 and December 1, for each $1,000 of Principal Amount at maturity (which includes both principal and interest) is as follows:

Date	Principal Amount
June 1, 1986	$ 26.22
December 1, 1986	27.58
June 1, 1987	29.01
December 1, 1987	30.51
June 1, 1988	32.09
December 1, 1988	33.76
June 1, 1989	35.51
December 1, 1989	37.35
June 1, 1990	39.29
December 1, 1990	41.33
June 1, 1991	43.47
December 1, 1991	45.73
June 1, 1992	48.10
December 1, 1992	50.59
June 1, 1993	53.22
December 1, 1993	55.98
June 1, 1994	58.88
December 1, 1994	61.94
June 1, 1995	65.15
December 1, 1995	68.53
June 1, 1996	72.09
December 1, 1996	75.83
June 1, 1997	79.76
December 1, 1997	83.90
June 1, 1998	88.25
December 1, 1998	92.83
June 1, 1999	97.64
December 1, 1999	102.71
June 1, 2000	108.04
December 1, 2000	113.64
June 1, 2001	119.53
December 1, 2001	125.74
June 1, 2002	132.26
December 1, 2002	139.12
June 1, 2003	146.34
December 1, 2003	153.93
June 1, 2004	161.91

December 1, 2004	$ 170.31
June 1, 2005	179.15
December 1, 2005	188.44
June 1, 2006	198.22
December 1, 2006	208.50
June 1, 2007	219.31
December 1, 2007	230.69
June 1, 2008	242.66
December 1, 2008	255.25
June 1, 2009	268.49
December 1, 2009	282.42
June 1, 2010	297.07
December 1, 2010	312.48
June 1, 2011	328.69
December 1, 2011	345.74
June 1, 2012	363.67
December 1, 2012	382.54
June 1, 2013	402.38
December 1, 2013	423.26
June 1, 2014	445.21
December 1, 2014	468.31
June 1, 2015	492.60
December 1, 2015	518.16
June 1, 2016	545.04
December 1, 2016	573.31
June 1, 2017	603.05
December 1, 2017	634.34
June 1, 2018	667.24
December 1, 2018	701.86
June 1, 2019	738.27
December 1, 2019	776.57
June 1, 2020	816.85
December 1, 2020	859.22
June 1, 2021	903.80
December 1, 2021	950.68
June 1, 2022	1,000.00

(G) The Principal Amount and Redemption Price of 1985 Series B Bonds shall be payable at the Principal Office of the Trustee, who is hereby appointed Paying Agent for the 1985 Series B Bonds. Interest on the 1985 Series B Bonds (other than the Term Appreciation Bonds) shall be payable by check or draft drawn upon the Trustee and mailed to the address of the registered owner thereof as it shall appear on the registry books of the Trustee, determined as of the close of business on the applicable record date. The record date of payment of interest on the 1985 Series B Bonds (other than Term Appreciation Bonds) is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of such 1985 Series B Bonds other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than 20 days before the date set for payment. The Trustee shall give notice of a special record date by publication in an Authorized Newspaper at least 10 days before the special record date or in such other time and manner as the Trustee may deem appropriate. The Principal Amount and Redemption Price of and interest on 1985 Series B Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution.

(H) Pursuant to Section 308 of the Bond Resolution, the Agency may charge for every exchange or transfer of a 1985 Series B Bond a fee sufficient to reimburse the Agency for any fee required to be paid to the Trustee with respect to such exchange or transfer, which 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.

(I) Notwithstanding the foregoing,

(a) the 1985 Series B Bonds shall be initially issued in the form of a separate single authenticated fully registered bond in the amount of each separate stated maturity of the 1985 Series B Bonds. Upon initial issuance, the ownership of such Bonds 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 1985 Series B Bonds 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 Bond Depository participant or to any beneficial owner of the 1985 Series B Bonds. 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 1985 Series B Bonds, (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 1985 Series B Bonds, 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 of or premium, if any, or interest on the 1985 Series B Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the 1985 Series B Bonds 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 of and premium, if any, and interest on the 1985 Series B Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated 1985 Series B Bond evidencing the obligation of the Agency to make payments of principal of and premium, if any, 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., and subject to the provisions in the Resolution with respect to consents, the words "Cede & Co." in this 1985 Series B 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 willing and able to undertake such functions upon reasonable and customary terms, then the 1985 Series B Bonds 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 1985 Series B Bondholders transferring or exchanging 1985 Series B Bonds shall designate, in accordance with the provisions of the Resolution.

(c) in the event the Agency determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates, the Agency may notify the Bond Depository and the Trustee of the availability of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Bond Depository (or, pursuant to Section 201(I)(b), any other 1985 Series B Bondholder) 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 1985 Series B Bonds to any Bond Depository participant having 1985 Series B Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 1985 Series B Bonds.

(d) notwithstanding any other provision of this 1985 Series B Resolution to the contrary, so long as any 1985 Series B Bond is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to the Bond Depository as provided in the Representation Letter, the form of which is included as Exhibit A to this 1985 Series B Resolution.

Section 202. Redemption Provisions. (A) The 1985 Series B Bonds (other than the Term Appreciation Bonds) shall be subject to redemption prior to maturity on or after December 1, 1995 in whole at any time or in part on any Interest Payment Date from moneys deposited in the Optional Redemption Account in the Redemption Fund at the following Redemption Prices, expressed as percentages of the Principal Amount of each 1985 Series B Bond or portion thereof redeemed, plus accrued interest to the redemption date:

Redemption Dates (Both Dates Inclusive)	Redemption Prices
December 1, 1995 to November 30, 1996	103%
December 1, 1996 to November 30, 1997	102
December 1, 1997 to November 30, 1998	101
December 1, 1998 and thereafter	100

(B) All 1985 Series B Bonds shall be subject to redemption prior to maturity in whole or in part at any time at a Redemption Price equal to the Principal Amount of each 1985 Series B Bond or portion thereof to be redeemed, plus (except for the Term Appreciation Bonds) accrued interest to the redemption date, from moneys deposited in the Special Redemption Account in the Redemption Fund. In the event 1985 Series B Bonds are to be redeemed from moneys deposited in the Special Redemption Account in the Redemption Fund representing Revenues constituting payments of principal on Mortgage Loans or Defaulted Mortgage Loans in excess of the Principal Account Requirement and certain other excess Revenues available pursuant to Section 504(B) of the Bond Resolution, the Agency shall select the 1985 Series B Bonds to be redeemed first from all 1985 Series B Bonds other than the Term Appreciation Bonds and second from the Term Appreciation Bonds. Subject to Sections 506 and 510 of the Bond Resolution, the Agency hereby (1) determines that moneys in the Special Redemption Account in the Redemption Fund derived from (a) proceeds of the 1985 Series B Bonds or (b) Revenues constituting payments of principal on Mortgage Loans or Defaulted Mortgage Loans financed with the proceeds of the 1985 Series B Bonds shall be applied to the purchase or redemption of the 1985 Series B Bonds, and (2) directs any Authorized Officer delivering an Officer's Certificate referred to in Paragraph (E) of Section 510 of the Bond Resolution to designate the 1985 Series B Bonds as the Bonds to be purchased or redeemed from such moneys. As security for the payment to the Trustee for deposit in the Special Redemption Account of amounts, if any, which may be necessary, pursuant to Paragraph (J) of Section 510 of the Bond Resolution, in order to purchase or redeem 1985 Series B Bonds, the Agency will deliver to the Trustee prior to delivery of the 1985 Series B Bonds an irrevocable letter of credit issued or guaranteed by a commercial bank in an amount up to $800,000 and having an initial term of at least five years. The Agency hereby instructs the Trustee to draw upon such letter of credit to the extent the amount stated to be necessary in any Officer's Certificate delivered pursuant to said Paragraph (J) exceeds amounts paid by the Agency to the Trustee for such purpose from the General Fund or from any other lawful source.

(C) The Term Bonds shall be subject to redemption prior to maturity in part by operation of Sinking Fund Installments as provided in the Bond Resolution, upon notice as provided in Article VII of the Bond Resolution, commencing on June 1, 2001 and on each June 1 and December 1 thereafter to and including June 1, 2005 as herein provided, at a Redemption Price equal to the Principal Amount of each such Bond or portion thereof to be redeemed (calculated at the date of redemption), together with accrued interest to the date of redemption. Unless none of the Term Bonds shall then be Outstanding, the Agency shall be required to pay on June 1 and December 1 of each year set forth in the following table, for the retirement of such Term Bonds the amount set opposite such year in said table, and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Term Bonds; provided, however, that where there has been special or optional redemption of such Term Bonds subject to Sinking Fund Redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 510 of the Bond Resolution prior to such special or optional redemption.

Term Bonds Maturing December 1, 2005

Date	Sinking Fund Installment
June 1, 2001	$1,405,000
December 1, 2001	1,470,000
June 1, 2002	1,540,000
December 1, 2002	1,610,000
June 1, 2003	1,680,000
December 1, 2003	1,755,000
June 1, 2004	1,840,000

December 1, 2004	1,925,000
June 1, 2005	2,005,000

(D) The Term Appreciation Bonds shall be subject to redemption prior to maturity in part by operation of Sinking Fund Installments provided in the Bond Resolution, upon notice as provided in Article VII of the Bond Resolution, commencing on June 1, 2006 and on each June 1 and December 1 thereafter to and including December 1, 2021 as herein provided, at a Redemption Price equal to the Principal Amount of each such Bond or portion thereof to be redeemed, calculated at the date of redemption. Unless none of the Term Appreciation Bonds shall then be Outstanding, the Agency shall be required to pay on June 1 and December 1 of each year set forth in the following table, for the retirement of the Principal Amount at maturity of such Term Appreciation Bonds set opposite such year in said table, the amounts designated as Sinking Fund Installments in said table and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Term Appreciation Bonds; provided, however, that where there has been special redemption of such Term Appreciation Bonds subject to Sinking Fund Redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 510 of the Bond Resolution prior to such special redemption.

Term Appreciation Bonds Maturing June 1, 2022

Date	Principal Amount at Maturity	Sinking Fund Installment
June 1, 2006	$11,085,000	$2,197,224.50
December 1, 2006	10,535,000	2,196.532.78
June 1, 2007	10,015,000	2,196,435.82
December 1, 2007	9,525,000	2,197,338.49
June 1, 2008	9,055,000	2,197,277.19

December 1, 2008	8,605,000	$2,196,401.25
June 1, 2009	8,180,000	2,196,233.57
December 1, 2009	7,780,000	2,197,198.20
June 1, 2010	7,395,000	2,196,808.65
December 1, 2010	7,030,000	2,196,715.38
June 1, 2011	6,685,000	2,197,274.38
December 1, 2011	6,355,000	2,197,165.90
June 1, 2012	6,040,000	2,196,588.21
December 1, 2012	5,740,000	2,195,775.91
June 1, 2013	5,460,000	2,197,015.80
December 1, 2013	5,190,000	2,196,707.89
June 1, 2014	4,935,000	2,197,133.90
December 1, 2014	4,690,000	2,196,375.67
June 1, 2015	4,460,000	2,197,015.17
December 1, 2015	4,240,000	2,196,991.96
June 1, 2016	4,030,000	2,196,504.37
December 1, 2016	3,830,000	2,195,787.02
June 1, 2017	3,640,000	2,195,114.80
December 1, 2017	3,460,000	2,194,807.16
June 1, 2018	3,290,000	2,195,232.79
December 1, 2018	3,130,000	2,196,814.75
June 1, 2019	2,975,000	2,196,344.61
December 1, 2019	2,825,000	2,193,796.70
June 1, 2020	2,690,000	2,197,326.64
December 1, 2020	2,555,000	2,195,319.13
June 1, 2021	2,430,000	2,196,228.10
December 1, 2021	2,310,000	2,196,077.01

(E) For so long as all 1985 Series B Bonds shall be Outstanding solely in fully registered form, the requirements of Section 702 of the Bond Resolution for the publication of notice of redemption in an Authorized Newspaper shall not apply to the 1985 Series B Bonds. Notwithstanding said Section 702, notice of redemption of 1985 Series B Bonds shall be sufficiently given for all purposes of the Resolution if given by mailing a copy of such notice, postage prepaid, not less than 20 days before the redemption date, to the registered owners of all 1985 Series B Bonds or portions thereof to be redeemed at their addresses appearing on the registry books, provided failure to mail such notice to the registered owner of any 1985 Series B Bond or any defect in such notice shall not affect the redemption of any other 1985 Series B Bond for which the required notice has been given. Notice having been given by mailing as aforesaid, the 1985 Series B Bonds so called for redemption shall be due and payable on the redemption date in the manner and with the effect provided in Section 704 of the Bond Resolution.

Section 203. Sale of 1985 Series B Bonds. (A) The 1985 Series B Bonds shall be sold to Morgan Stanley & Co. Incorporated and E.F. Hutton & Company Inc. at the price, on the terms and conditions, and upon the representations set forth in the Purchase Contract which is hereby approved in all respects. The Chairman, the Vice Chairman and the Executive Director are each hereby authorized to execute the Purchase Contract evidencing the acceptance thereof by the Agency.

(B) The distribution of the preliminary Official Statement by the Executive Director is hereby ratified and confirmed in all respects. The final Official Statement is hereby approved and the Chairman, the Vice Chairman and the Executive Director of the Agency are each hereby authorized to permit the distribution of the final Official Statement, with such changes, omissions, insertions and revisions as they shall deem advisable and made pursuant to the Purchase Contract, and to sign and deliver such final Official Statement to Morgan Stanley & Co. Incorporated and E.F. Hutton & Company Inc.

(C) The 1985 Series B Bonds shall be delivered upon compliance with the provisions of Section 204 of the Bond Resolution, at such time and place as provided by the Purchase Contract.

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

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF

1985 SERIES B BOND PROCEEDS

Section 301. Establishment of Accounts.

(A) There is hereby established a separate account designated the "1985 Series B Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Paragraph (A) of Section 403 of the Bond Resolution.

(B) There is hereby established a separate account designated the "1985 Series B Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Paragraph (B) of Section 403 of the Bond Resolution.

(C) There is hereby established a separate account designated the "1985 Series B Home Mortgage Purchase Program Account," moneys in which shall be used for the purposes and as authorized by Sections 402 and 507 of the Bond Resolution.

(D) There is hereby established in the General Fund a separate trust account, to be held by the Trustee but not subject to the pledge or lien of the Bond Resolution, designated the "Home Mortgage Purchase Bonds 1985 Series B Rebate Account", moneys in which are pledged to and shall be used for the purposes set forth in Section 401 hereof. As part of the contract of the Agency with the Holders of the Bonds (see Section 202 of the Bond Resolution) and as required by Section 103A of the Code, the Rebate Account shall not be subject to the claim of any party (including Bondholders) and shall not be paid over to any party other than Mortgagors who receive Mortgage Loans financed with the proceeds of the 1985 Series B Bonds or the Agency to the extent provided in Paragraph (D) of Section 401 hereof.

(E) The Agency hereby covenants to establish such other separate accounts or sub-accounts within the Funds and Accounts established pursuant to the Bond Resolution as may be necessary or desirable to account for proceeds of the 1985 Series B Bonds, Revenues derived from or related to the Program for which the 1985 Series B Bonds are being issued, and all moneys and securities in any Fund or Account in order to comply with Section 103A of the Code. Such accounts or sub-accounts may be established at any time upon the written direction of an Authorized Officer.

Section 302. Bond Reserve Requirement. Pursuant to Section 102 of the Bond Resolution, the Bond Reserve Requirement initially established by the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1983 Series B, adopted July 8, 1983, and increased by the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1983 Series B, adopted September 9, 1983, the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1984 Series B, adopted July 10, 1984, and the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series A, adopted May 2, 1985, to $19,623,950 until June 1, 1988, is hereby further increased by $5,634,570. From the date of authentication and delivery of the 1985 Series B Bonds to May 31, 1988 inclusive, the Bond Reserve Requirement shall be $25,258,520. From June 1, 1988 to May 31, 1990 inclusive, the Bond Reserve Requirement shall be $21,118,520. From June 1, 1990 to November 30, 1990 inclusive, the Bond Reserve Requirement shall be $19,618,520. On and after December 1, 1990, the Bond Reserve Requirement shall be an amount equal to the maximum amount required in any single current or future Fiscal Year for Principal Installments of and interest on the Bonds Outstanding allocable to Mortgage Loans financed with such Bonds. In order to determine Bonds allocable to Mortgage Loans financed with the 1985 Series B Bonds in the definition of Bond Reserve Requirement in the Bond Resolution, there shall be delivered to the Trustee at the time of delivery of the 1985 Series B Bonds an Officer's Certificate identifying such Bonds.

Section 303. Transfer from the General Fund; Application of Proceeds.

(A) Upon the delivery of the 1985 Series B Bonds, the Agency shall pay from the General Fund to the Trustee for deposit (1) to the Loan Loss Claim Fund the sum of $600,000 or such greater amount such that following such deposit the amount on deposit in the Loan Loss Claim Fund shall equal the Loan Loss Claim Fund Requirement, and (2) to the Bond Reserve Fund the sum of $300,000.

(B) The proceeds of sale of the 1985 Series B Bonds shall be deposited by the Trustee as follows:

(1) To the Interest Account in the Bond Fund the amount of interest accrued on the 1985 Series B Bonds to the date of delivery of such Bonds;

(2) To the Bond Reserve Fund $5,634,570 or such greater amount such that following such deposit, the amount on deposit in the Bond Reserve Fund shall equal the Bond Reserve Requirement;

(3) To the 1985 Series B Cost of Issuance Account $115,000;

(4) To the 1985 Series B Capitalized Interest Account $743,735; and

(5) To the 1985 Series B Home Mortgage Purchase Program Account, the balance of such proceeds remaining after the foregoing payments.

(C) The amounts to be deposited into the Loan Loss Claim Fund and the Bond Reserve Fund are hereby determined to be reasonably required as a reserve for the Bonds.

Section 304. Deposit of Revenues and Withdrawals from Revenue Fund.

(A) Pursuant to Section 503 of the Bond Resolution, the Agency hereby determines that, until December 1, 1995, all Revenues constituting payments of principal on Mortgage Loans or Defaulted Mortgage Loans financed with the proceeds of the 1985 Series B Bonds shall be deposited in the 1985 Series B Home Mortgage Purchase Program Account, and after December 1, 1995, all such Revenues shall be deposited in the Principal Account in the Bond Fund. Pursuant to Section 405(F) of the Bond Resolution, the Agency hereby determines that until December 1, 1995, there shall be filed with the Trustee at least quarterly in each year the Officer's Certificate set forth in said Section 405(F).

(B) Pursuant to Section 504(B) of the Bond Resolution, the Agency hereby determines that there shall be deposited in the Principal Account in the Bond Fund the following amounts as of the Interest Payment Dates set forth below:

	June 1	December 1
1986	$90,000	$95,000
1987	95,000	95,000
1988	95,000	95,000
1989	95,000	95,000
1990	95,000	95,000
1991	95,000	95,000
1992	95,000	95,000
1993	95,000	95,000
1994	95,000	95,000
1995	95,000	95,000

Section 305. Withdrawal From Bond Reserve Fund.

(A) Notwithstanding Section 508(B) of the Bond Resolution, as of December 1, 1990 the Trustee shall withdraw from the Bond Reserve Fund the amount of any excess therein over the Bond Reserve Requirement calculated as of such December 1, 1990 attributable to the decrease in the Bond Reserve Requirement as of such date and deposit the same in the Principal Account in the Bond Fund.

(B) Notwithstanding Section 102 of the Bond Resolution, for purposes only of calculating the Principal Account Requirement with respect to the 1985 Series B Bonds, the Principal Installment for the 1985 Series B Bonds payable on December 1, 1930 shall be deemed to be $630,000.

ARTICLE IV

SPECIAL COVENANTS

Section 401. Rebate Account. (A) Pursuant to the requirements of Section 103A(i)(4) of the Code, the Agency shall pay or credit to Mortgagors who receive Mortgage Loans financed with the proceeds of the 1985 Series B Bonds an amount equal to the net amount, determined in accordance with said Section 103A(i)(4), of certain investment earnings on non-mortgage investments, as defined in Section 103A of the Code, to the extent such investment earnings exceed the amounts that would have been earned on such investments if the investments were invested at a rate of return equal to the Yield on the 1985 Series B Bonds, plus any income attributable to the investment of such excess. The Agency further covenants to pay or credit such amounts to Mortgagors in a manner consistent with the requirements of Section 103A of the Code, whether or not the amount on deposit in the Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the Rebate Requirement.

(B) On or before July 20th of each Fiscal Year, the Agency shall furnish to the Trustee an Officer's Certificate, upon which the Trustee may conclusively rely, setting forth the Rebate Requirement for such Fiscal Year. At any time during a Fiscal Year, the Agency in its discretion may recalculate the Rebate Requirement for the balance of such Fiscal Year and certify to the Trustee the Rebate Requirement as so recalculated. Upon the payment or prepayment of any Mortgage Loan financed with the proceeds of the 1985 Series B Bonds, the Trustee shall, upon written direction of an Authorized Officer of the Agency, withdraw from the Rebate Account and pay to or upon the order of the Agency the amount, if any, to be paid or credited to the Mortgagor on such Mortgage Loan in accordance with Paragraph (A) of this Section 401.

(C) In the event that, at the time of any required payment out of the Rebate Account, the amount in the Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall deposit in the Rebate Account the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not subject to the pledge or lien of the Bond Resolution.

(D) In the event that on any Interest Payment Date the amount on deposit in the Rebate Account exceeds the Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer of the Agency, shall pay such excess amount to the Agency for deposit in the General Fund.

Section 402. Covenant to Comply with Section 103A. The Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to comply with Section 103A of the Code and assure that interest paid by the Agency on the Bonds shall, for purposes of the federal income tax, be exempt from all income taxation under any valid provision of law.

Section 403. Additional Requirements for Purchase of Mortgage Loans.

(A) Each Mortgage Loan acquired by the Agency out of amounts in the 1985 Series B Home Mortgage Purchase Program Account shall meet the following requirements at the date of purchase thereof in addition to the requirements set forth in Section 406 of the Bond Resolution:

(1) The Mortgagor shall have certified that the proceeds of the Mortgage Loan (a) will be used only to acquire a one or two family residence (which for purposes of this clause does not include property which under applicable local law is not a fixture, or land appurtenant to such residence which does not reasonably maintain the basic livability of such residence or which provides the Mortgagor, other than incidentally, with a source of income) to be owned by the Mortgagor and located in the State, and (b) will not be used to acquire or replace an existing mortgage or debt for which the Mortgagor is liable, except a construction period loan, bridge loan or similar temporary initial financing having a term of 24 months or less, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that the Mortgagor has failed to apply said proceeds in accordance with this clause (1).

(2) The Mortgagor shall have certified with respect to the residence to be acquired that on the date of execution or assumption of the Mortgage

Loan that the Mortgagor (a) intends to occupy such residence as his principal and permanent place of residence within 60 days after the date of execution or assumption of the Mortgage Loan, (b) intends thereafter to continually occupy the residence as his principal and permanent residence, and (c) does not intend to use such residence primarily in a trade or business, as an investment property or as a recreational or seasonal residence, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any of such Mortgagor certifications were not made in good faith. With respect to any Mortgage Loan the proceeds of which were used to acquire a two family residence, the Mortgagor shall have certified that such residence was first occupied as a residence at least five years before the date that the Mortgage Loan was executed, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that such Mortgagor certification is not true.

(3) Unless the residence to be acquired is located in an Area of Chronic Economic Distress, the Mortgagor shall have certified that the Mortgagor had no present ownership interest in a principal residence of the Mortgagor at any time during the three-year period ending on the date the Mortgage Loan is executed, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any Mortgagor certification required by this clause (3) is not true. Furthermore, the Mortgage Lender or the Agency shall (a) examine copies of the income tax returns as filed by the Mortgagor with the Internal Revenue Service for the three years preceding the date the Mortgage Loan is executed or other evidence sufficient to verify that during the preceding three years

the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to property constituting a principal residence, or (b) obtain an affidavit that the Mortgagor was not required to file a federal income tax return during one or all of the preceding three years in accordance with Section 6012 of the Code because the Mortgagor did not satisfy the minimum income limits contained therein, provided, however, that such requirement need only be satisfied with respect to at least 90% of the proceeds of the 1985 Series B Bonds not used to purchase Mortgage Loans made to finance residences located in Areas of Chronic Economic Distress.

(4) The Mortgagor and the seller of the residence shall have certified that the acquisition cost of the residence does not exceed 110% (or, if the residence is located in an Area of Chronic Economic Distress, 120%) of the currently effective "safe harbor" average area purchase price applicable to such residence published by the U.S. Treasury Department for the statistical area in which the residence is located, except for the Burlington Metropolitan Statistical Area, where the acquisition cost shall not exceed 110% of the average area purchase price applicable to such residence (if higher than the currently effective "safe harbor" limitation therefor) for the most recent 12-month period for which sufficient statistical information is available, as determined by the Agency (with the advice of counsel) based on data it deems more accurate or comprehensive than that used to determine the currently effective "safe harbor" limitations, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any Mortgagor certification required by this clause (4) is not true.

(5) The Agency shall not permit the assumption of any Mortgage Loan unless the assuming Mortgagor makes the certifications required by clauses (2), (3) and (4) of this Paragraph and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any of the Mortgagor certifications required by clauses (2), (3) and (4) were not made in good faith.

(B) In the event the Agency discovers that any Mortgage Loan fails to meet any of the requirements of Paragraph (A) of this Section 403, the Agency shall, within 90 days of such discovery, either (1) sell the Mortgage Loan, (2) declare the Mortgage Loan to be immediately due and payable and take all action necessary to promptly recover from the Mortgagor all amounts due on the Mortgage Loan, or (3) substitute for such Mortgage Loan another Mortgage Loan satisfying all of the requirements of Paragraph (A) of this Section 403 and all other requirements of the Bond Resolution.

(C) At least twenty per cent (20%) of the amount deposited in the 1985 Series B Home Mortgage Purchase Program Account shall be reserved, for at least one year from the date financing is first made available for Mortgage Loans with the proceeds of the 1985 Series B Bonds, to purchase Mortgage Loans the proceeds of which will be used to acquire residences in Areas of Chronic Economic Distress.

(D) At no time during any Fiscal Year shall the amount of moneys constituting non-mortgage investments, as defined in Section 103A of the Code, held in accounts established for the 1985 Series B Bonds under the Bond Resolution and which are invested at a Yield in excess of the Yield on the 1985 Series B Bonds exceed 150 percent of the Principal Installments of and interest on the 1985 Series B Bonds for such Fiscal Year. The aggregate amount invested as provided in the preceding sentence shall be promptly and appropriately reduced by the Agency as the Mortgage Loans financed with the proceeds of the 1985 Series B Bonds are repaid, provided, however, that the Agency shall not be required to sell or dispose of any non-mortgage investment if such sale or disposition would result in a loss which exceeds the amount which would be paid or credited to Mortgagors under Section 401(B) of the 1985 Series B Resolution (but for such sale or disposition) at the time of such sale or disposition. For purposes of the preceding sentence, such amount shall be considered promptly and appropriately reduced if beginning in the Fiscal Year commencing July 1, 1986, such amount is reduced within 30 days of the beginning of each Fiscal year by an amount equal to the difference between the average scheduled monthly Mortgage Loan receipts for the Fiscal Year (excluding any receipts that were scheduled with respect to Mortgage Loans that were discharged in the preceding Fiscal Year) and the average scheduled monthly Mortgage Loan receipts for the preceding Fiscal Year. In calculating the amount that is invested at a Yield higher than the Yield on the 1985 Series B Bonds, the Agency shall not take into account amounts scheduled with respect to any 1985 Series B Bond which is no longer Outstanding at the beginning of the Fiscal Year. In addition, the following amounts may be excluded from such calculation: (1) amounts in the 1985 Series B Home Mortgage Purchase Program Account until one year after the date of issuance of the 1985 Series B Bonds and (2) amounts in the Bond Fund and Redemption Fund representing Revenues constituting payments of principal and interest on Mortgage Loans or Defaulted Mortgage Loans (excluding amounts which represent earnings on non-mortgage investments) which will be used within 13 months of receipt to pay the Bonds.

(E) In accordance with Section 103A(j)(3) of the Code, the Agency shall submit the periodic report or reports containing the information required by Treasury Regulations §6a.103A-2(k)(2)(ii) with respect to the 1985 Series B Bonds and the Mortgagors receiving Mortgage Loans financed with the proceeds of the 1985 Series B Bonds. Such report shall be filed by the Agency on or before the due date with the Trustee and the Internal Revenue Service.

(F) The provisions of this Section 403 shall be complied with by the Agency in order to meet the requirements of Section 103 and Section 103A of the Code such that interest on the 1985 Series B Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the 1985 Series B Bonds in the event the Agency receives a Counsel's Opinion that compliance with such provision is no longer required to satisfy the requirements of said Sections 103 and 103A or that compliance with some other provision in lieu of a provision specified in this Section 403 will satisfy the requirements of said Section 103 and Section 103A of the Code, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Section 403. The Agency shall adopt a Supplemental Resolution reflecting the deletion or substitution of any such provision of this Section 403 in the same manner as provided for Supplemental Resolutions adopted in accordance with Section 801 of the Bond Resolution.

FINAL

VERMONT HOUSING FINANCE AGENCY
HOME MORTGAGE PURCHASE BOND, 1985 SERIES B

No. BR________ | $__________
Compound Accreted Value at Maturity
($______ Principal Amount per $1,000 Compound Accreted Value at Maturity)

Maturity Date: ____________

Approximate Yield
to Maturity: 10 3/8% Per Annum

Bond Date: ______________

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to   or registered assigns, on the Maturity Date   Dollars, upon presentation and surrender hereof, representing the Compound Accreted Value of this bond (as defined on the reverse side hereof) on the Maturity Date. The Compound Accreted Value of this bond at maturity includes the original principal amount on this bond plus interest compounded semiannually on each June 1 and December 1 at the Approximate Yield to Maturity. The Compound Accreted Value of this bond at maturity or upon earlier redemption as provided herein is payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts at the corporate trust office of The Howard Bank, N.A., in the City of Burlington, Vermont, trustee under the Resolutions hereinafter mentioned, or its successor in trust (the "Trustee"), a paying agent of the Agency, or at the principal office of its successor as such paying agent.

The terms and provisions of this bond are continued on the reverse side hereof and such continued terms and provisions shall for all purposes have the same effect as though fully set forth at this place.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been

ARTICLE V

FORM OF 1985 SERIES B BONDS

Section 501. Form of Registered Bonds and Certificate of Authentication. Subject to the provisions of the Bond Resolution, each 1985 Series B Bond and the Certificate of Authentication to appear on the 1985 Series B Bonds in accordance with Section 303 of the Bond Resolution shall be in substantially the following form, with such insertions, omissions and variations as may be required as permitted by the Bond Resolution or necessitated in order to accomodate delivery of such Bonds to the Bond Depository.

FORM OF 1985 SERIES B BONDS

[FRONT SIDE OF TERM APPRECIATION BONDS]

performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

This bond shall not be entitled to any security, right or benefit under the Resolutions or be valid or obligatory for any purpose, unless the certificate of authentication hereon has been duly executed by the Trustee.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual or facsimile signature of an authorized officer of the Agency, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of an authorized officer of the Agency and has caused this bond to be dated the Bond Date.

[SEAL] VERMONT HOUSING FINANCE AGENCY

ATTEST:

By____________________________
Authorized Officer

By____________________________
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the within-mentioned Resolutions and is one of the Home Mortgage Purchase Bonds of the Vermont Housing Finance Agency.

THE HOWARD BANK, N.A., as Trustee

By____________________________
Authorized Signature

[FRONT SIDE OF 1985 SERIES B BONDS OTHER
THAN TERM APPRECIATION BONDS]
VERMONT HOUSING FINANCE AGENCY
HOME MORTGAGE PURCHASE BOND, 1985 SERIES B

No. BR_______ $ _______

Maturity Date: _______________

Interest Rate: _______________% Per Annum

Bond Date: ____________________

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to or registered assigns, on the Maturity Date the principal sum of Dollars, upon presentation and surrender hereof, and to pay interest on such principal sum from the

Bond Date at the Interest Rate per annum, payable on June 1, 1986, and semi-annually thereafter on the first day of June and December in each year until payment of such principal sum. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal and redemption price of this bond are payable at the corporate trust office of The Howard Bank, N.A., in the City of Burlington, Vermont, trustee under the Resolutions hereinafter mentioned, or its successor in trust (the "Trustee"), a paying agent of the Agency, or at the principal office of its successor as such paying agent. Interest on this bond shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the corporate trust office of the Trustee, determined as of the close of business on the applicable record date. The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on the first day of June or December or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than 20 days before the date set for payment. The Trustee will give notice of a special record date by publication in an Authorized Newspaper (as defined herein) at least 10 days before the special record date or in such other time and manner as the Trustee may deem appropriate.

The terms and provisions of this bond are continued on the reverse side hereof and such continued terms and provisions shall for all purposes have the same effect as though fully set forth at this place.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolutions to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

This bond shall not be entitled to any security, right or benefit under the Resolutions or be valid or obligatory for any purpose, unless the certificate of authentication hereon has been duly executed by the Trustee.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual or facsimile signature of an authorized officer of the Agency, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual or facsimile signature of an authorized officer of the Agency and has caused this bond to be dated the Bond Date.

[SEAL] VERMONT HOUSING FINANCE AGENCY

ATTEST:

By______________________ Authorized Officer

By______________________ Authorized Officer

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the within-mentioned Resolutions and is one of the Home Mortgage Purchase Bonds of the Vermont Housing Finance Agency.

THE HOWARD BANK, N.A., as Trustee

By______________________________
Authorized Signature

[REVERSE SIDE OF ALL BONDS]

VERMONT HOUSING FINANCE AGENCY
HOME MORTGAGE PURCHASE BOND, 1985 SERIES B

This bond is one of a duly authorized issue of bonds of the Agency (herein called the "Bonds"), issued and to be issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to the resolution of the Agency adopted July 8, 1983, entitled "Home Mortgage Purchase Bond Resolution" (herein called the "Bond Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. As provided in the Bond Resolution, the Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Bond Resolution. Except as provided in the Act and the Bond Resolution, the aggregate face amount of Bonds which may be issued thereunder is not limited and all Bonds issued and to be issued under the Bond Resolution are and will be equally secured by the pledge and covenants contained therein.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Bond Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

This bond is one of a series of Bonds designated as "Home Mortgage Purchase Bonds, 1985 Series B" (herein called the "1985 Series B Bonds"), issued under the Bond Resolution and under and pursuant to the further resolution of the Agency adopted November 22, 1985 entitled "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series B" (which resolutions are herein collectively called the "Resolutions"), and limited to the aggregate Principal Amount (calculated at their date of delivery) of $47,226,625. Copies of the Resolutions are on file at the office of the Agency in the City of Burlington, Vermont, and at the corporate trust office of the Trustee and reference to the Resolutions and any supplements thereto and to the Act is made for a description of the pledge and covenants securing the Bonds, the manner of enforcement of the pledge and covenants, the rights and remedies of the registered owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, the conditions upon which the Resolutions may be amended with or without the consent of the holders of the Bonds, and the terms upon which Bonds may no longer be secured by the Resolutions if sufficient moneys or specified securities are deposited with the Trustee in trust for their payment. The holder of this bond shall have no right to enforce the provisions of the Resolutions or to institute action to enforce the pledge or covenants made therein or to take any action with respect to an event of default under the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolutions.

The Bonds are issuable in the form of registered bonds without coupons in the denomination of $5,000 at maturity or any multiple thereof. This bond is transferable, as provided in the Resolutions, only upon the books of the Agency at the corporate trust office of the Trustee, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered bond or bonds of the same aggregate face amount and series, designation, maturity and interest rate as the surrendered bond, as provided in the Resolutions, and upon the payment of the charges therein prescribed.

Under the Resolutions, the 1985 Series B Bonds maturing June 1, 2022 (the "Term Appreciation Bonds") bear interest payable at maturity or upon earlier redemption compounded semiannually from their date until maturity or such redemption. The amount of the Term Appreciation Bonds for certain purposes, including redemption and action by bondholders is their Compound Accreted Value. "Compound Accreted Value" means at any date of computation, an amount equal to the original principal amount of such a Bond as of its date of delivery plus an amount of interest which, based on semiannual compounding of interest from the date of delivery of such Bond, on June 1 and December 1 of each year, will produce a yield to such date of computation equal to the yield at which such Bond was originally offered to the public. The original offering price and yield of Term Appreciation Bonds shall be conclusively determined by a certificate of the underwriters of such Bonds named in the purchase contract therefor delivered to the Agency and the Trustee. The Compound Accreted Value of each Term Appreciation Bond, as of each June 1 and December 1, for each $1,000 of Compound Accreted Value at maturity is as follows:

Date	Compound Accreted Value
June 1, 1986	$ 26.22
December 1, 1986	27.58
June 1, 1987	29.01
December 1, 1987	30.51
June 1, 1988	32.09
December 1, 1988	33.76
June 1, 1989	35.51
December 1, 1989	37.35
June 1, 1990	39.29
December 1, 1990	41.33
June 1, 1991	43.47
December 1, 1991	45.73
June 1, 1992	48.10
December 1, 1992	50.59
June 1, 1993	53.22
December 1, 1993	55.98
June 1, 1994	58.88
December 1, 1994	61.94
June 1, 1995	65.15
December 1, 1995	68.53
June 1, 1996	72.09
December 1, 1996	75.83
June 1, 1997	79.76
December 1, 1997	83.90
June 1, 1998	88.25
December 1, 1998	92.83
June 1, 1999	97.64
December 1, 1999	102.71
June 1, 2000	108.04
December 1, 2000	113.64
June 1, 2001	119.53
December 1, 2001	125.74
June 1, 2002	132.26
December 1, 2002	139.12
June 1, 2003	146.34
December 1, 2003	153.93

June 1, 2004	$ 161.91
December 1, 2004	170.31
June 1, 2005	179.15
December 1, 2005	188.44
June 1, 2006	198.22
December 1, 2006	208.50
June 1, 2007	219.31
December 1, 2007	230.69
June 1, 2008	242.66
December 1, 2008	255.25
June 1, 2009	268.49
December 1, 2009	282.42
June 1, 2010	297.07
December 1, 2010	312.48
June 1, 2011	328.69
December 1, 2011	345.74
June 1, 2012	363.67
December 1, 2012	382.54
June 1, 2013	402.38
December 1, 2013	423.26
June 1, 2014	445.21
December 1, 2014	468.31
June 1, 2015	492.60
December 1, 2015	518.16
June 1, 2016	545.04
December 1, 2016	573.31
June 1, 2017	603.05
December 1, 2017	634.34
June 1, 2018	667.24
December 1, 2018	701.86
June 1, 2019	738.27
December 1, 2019	776.57
June 1, 2020	816.85
December 1, 2020	859.22
June 1, 2021	903.80
December 1, 2021	950.68
June 1, 2022	1,000.00

The 1985 Series B Bonds maturing on December 1, 2005 and June 1, 2022 are subject to mandatory redemption by the Agency in part on June 1, 2001 and June 1, 2006, respectively, and on each June 1 and December 1 thereafter to and including June 1, 2005 and December 1, 2021, respectively, by operation of Sinking Fund Installments as provided in the Resolutions, at a redemption price equal to the principal amount or Compound Accreted Value, as applicable, of each 1985 Series B Bond or portion thereof to be redeemed, plus (except with respect to the Term Appreciation Bonds) accrued interest to the redemption date. The 1985 Series B Bonds are also subject to redemption by the Agency in whole or in part at any time (and if in part in such amounts and from such maturities as is determined by the Agency in its discretion) at a redemption price equal to the principal amount or Compound Accreted Value, as applicable, of each 1985 Series B Bond or portion thereof to be redeemed, plus (except with respect to the Term Appreciation Bonds) accrued interest to the redemption date, from moneys deposited in a Special Redemption Account as provided in the Resolutions; provided that in the event 1985 Series B Bonds are to be redeemed from moneys deposited in the Special Redemption Account representing Revenues constituting payments of principal on Mortgage Loans or Defaulted Mortgage Loans in excess of the Principal Account Requirement and certain other excess Revenues available pursuant to the Resolutions, the Agency shall select the 1985 Series B Bonds to be redeemed <u>first</u> from all 1985 Series B Bonds maturing on or before December 1, 2005 and <u>second</u> from the Term Appreciation Bonds.

The 1985 Series B Bonds (other than the Term Appreciation Bonds) are subject to redemption at the option of the Agency on or after December 1, 1995 in whole at any time or in part on any interest payment date, at the following redemption prices (expressed as percentages of the principal amount of each 1985 Series B Bond or portion thereof redeemed), plus accrued interest to the redemption date:

Redemption Dates (Both Dates Inclusive)	Redemption Prices
December 1, 1995 to November 30, 1996	103%
December 1, 1996 to November 30, 1997	102
December 1, 1997 to November 30, 1998	101
December 1, 1998 and thereafter	100

If less than all of the 1985 Series B Bonds of like maturity are to be redeemed, the particular Bonds to be redeemed shall be selected as provided in the Resolutions. Notice of redemption of 1985 Series B Bonds will be given by mailing a copy of such notice not less than 20 days prior to the redemption date to the registered owners of all 1985 Series B Bonds or portions thereof to be redeemed, provided that failure to mail such notice to the registered owner of any 1985 Series B Bond or any defect in such notice shall not affect the redemption of any other 1985 Series B Bond for which the required notice has been given. If notice of redemption shall have been mailed as aforesaid, and if on the redemption date moneys for the redemption of all 1985 Series B Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment, then from and after the redemption date interest on such Bonds or portions thereof shall cease to accrue and become payable. If less than all of a registered 1985 Series B Bond shall be redeemed, upon the surrender of such Bond the Agency shall issue, without cost to the owner thereof, for the unredeemed balance of such Bond, registered Bonds of like series, designation, maturity and interest rate in any of the authorized denominations.

No recourse shall be had for the payment of the principal or Compound Accreted Value, as applicable, or redemption price of or the interest on the Bonds or for any claim based thereon or on the Resolutions against any member or officer of the Agency or any person executing the Bonds.

[End of Bond Form]

ARTICLE VI

MISCELLANEOUS

Section 601. Authorization of Officers. The Chairman, Vice Chairman, Treasurer, Executive Director, Director of Programs and Secretary are, and each of them is, hereby authorized and directed to do all acts and things and to execute and deliver the Representation Letter substantially in the form attached hereto as Exhibit A and any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this 1985 Series B Resolution, the Bond Resolution, the Purchase Contract and the Official Statement.

Section 602. Governmental Program Requirement. The Agency shall not make any arrangement, formal or informal, pursuant to which any Mortgage Lender or other person (including any related person as defined in Section 103(b)(6)(C) of the Code) from whom the Agency may purchase a Mortgage Loan under the Program, shall purchase Bonds in an amount related to the amount of such Mortgage Loan.

Section 603. Effective Date. This 1985 Series B Resolution shall take effect immediately.

[Exhibit A--Representation Letter to be attached]

RESOLUTION AUTHORIZING PURCHASE OF MORTGAGE LOANS UNDER
VERMONT HOUSING FINANCE AGENCY
1986 MORTGAGE PURCHASE PROGRAM,
APPROVAL OF CONTRACT DOCUMENTS AND
APPOINTMENT OF DEPOSITORIES

ADOPTED NOVEMBER 22, 1985

WHEREAS, pursuant to its Home Mortgage Purchase Bond Resolution adopted July 8, 1983 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of $ 47,226,625 Home Mortgage Purchase Bonds, 1985 Series B (the "Series Resolution", together with the General Resolution herein called the "Resolutions"); and,

WHEREAS, the staff of the Agency has presented for approval the forms of the Contract Documents expected to be executed with Mortgage Lenders, including those Mortgage Lenders listed in the attached Schedule, and to be used in connection with the 1986 Mortgage Purchase Program, to wit: Mortgage Loan Application and Commitment Agreement dated as of November 15, 1985 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (hereinafter referred to as the "Purchase Agreement"), and the 1985 Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide"); it is hereby

RESOLVED:

A. Subject to the terms and conditions of the Resolutions, monies in the 1985 Series B Home Mortgage Purchase Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders, including Mortgage Lenders listed in the attached Schedule, in an aggregate amount equal to the portion of the proceeds of the 1985 Series B Bonds required to be deposited into the Program Account.

B. The forms of the Contract Documents are hereby approved and the Executive Director and the Program Director, or either of them, is authorized to execute and deliver the same to Mortgage Lenders, including Mortgage Lenders listed on the attached Schedule.

C. The Contract Documents between the Agency and any particular Mortgage Lender shall obligate the Mortgage Lender to sell and the Agency to purchase such dollar amount of Eligible Mortgage Loans as the Mortgage Lender requests and the Program Director shall approve, in his discretion and with the consent of the Executive Director; PROVIDED, however, that in exercising his discretion, the Program Director shall observe the following conditions: (a) The aggregate dollar amount of Eligible Mortgage

Loans the Agency shall be obligated to purchase shall not exceed the portion of the proceeds of the 1985 Series B Bonds expected to be deposited in the Program Account and (b) available funds shall be offered first to the Mortgage Lenders listed in the attached schedule in respective amounts adjusted such that the rate that the offered amount bears to the amount to be deposited in the Program Account shall be approximately proportionate (subject to adjustments in any particular case based on past program performance) to the ratio that the respective estimated amounts listed in the "10.0% column" on the attached schedule bears to the total of such estimated amounts.

D. To the extent requested by Mortgage Lenders, or as provided under the terms of the Commitment Agreement with respect to recaptured funds the Director of Programs, with the approval of the Executive Director, is further authorized in his discretion to reallocate committed funds among Mortgage Lenders, provided that the aggregate amount of Mortgage Loans to be purchased under the 1986 Mortgage Purchase Program shall not increase. To the extent replaced by additional application fees of Mortgage Lenders requesting additional allocations, the Executive Director and the Program Director is each authorized in his discretion to make a pro rata rebate of application fees to Mortgage Lenders requesting decreased allocations or from whom committed funds have been requested.

E. The Procedural Guide is hereby approved. The Procedural Guide may be modified, amended or supplemented from time to time as the Executive Director shall deem advisable, provided that no change shall be made in any provision thereof necessary to comply with the covenants of the Agency in the Resolutions without the prior approval of the Agency.

F. Each Mortgage Lender participating in the 1986 Mortgage Purchase Program (if a bank or trust company) is hereby appointed a Depository under Section 1101 of the General Resolution. In addition, the following banks are appointed as such Depositories: Commonwealth Federal Savings Bank of Massachusetts; First City National Bank of Houston.

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
November 22, 1985

FK:pw/100
Attachment

Vermont Housing Finance Agency
1985 Series B Single Family Program
Survey Response Results
As of November 14, 1985

Lender	10.00%	10.25%	10.50%	10.75%	% ACED	ACED $ at 10.25%
Bank of Vermont	3,000,000	3,000,000	3,000,000	3,000,000	20%	600,000
Bennington Co-op	500,000	500,000	500,000	500,000	-0-	-0-
Bradford Nat'l Bank	500,000	-0-	-0-	-0-	100%	-0-
Caledonia Nat'l Bank	1,000,000	750,000	500,000	500,000	100%	750,000
Chittenden Trust Co.	4,000,000	4,000,000	3,200,000	3,000,000	25%	1,000,000
ComFed Mortgage Company	2,000,000	2,000,000	1,500,000	1,500,000	30%	600,000
Commonwealth Mortgage	2,000,000	1,000,000	1,000,000	-0-	10%	100,000
Community Nat'l Bank	500,000	500,000	500,000	500,000	100%	500,000
Factory Point	750,000	750,000	750,000	750,000	30%	225,000
First Brandon Nat'l Bank	300,000	300,000	300,000	300,000	90%	270,000
First Twin-state	1,000,000	1,000,000	1,000,000	1,000,000	5%	50,000
First Vermont Bank	1,000,000	1,000,000	1,000,000	-0-	70%	700,000
Franklin-Lamoille	2,000,000	2,000,000	2,000,000	2,000,000	50%	1,000,000
Granite Savings	1,000,000	1,000,000	1,000,000	-0-	100%	1,000,000
Green Mountain Bank			not participating			
The Howard Bank, N.A.	5,000,000	4,000,000	3,000,000	2,000,000	35%	1,400,000
The Lomas & Nettleton Co.			not participating			
Lyndonville Savings	300,000	300,000	300,000	300,000	100%	300,000
Marble Bank	2,000,000	1,900,000	1,800,000	1,500,000	60%	1,140,000
The Merchants Bank	3,000,000	2,500,000	1,500,000	1,000,000	10%	250,000
Nat'l Bank of Middlebury	1,000,000	1,000,000	800,000	750,000	-0-	-0-
N.E. IBM Employees F.C.U.	1,000,000	1,000,000	1,000,000	1,000,000	-0-	-0-
Northfield Savings Bank	4,000,000	3,000,000	2,500,000	2,000,000	100%	3,000,000
Passumpsic Savings Bank	500,000	500,000	500,000	-0-	100%	500,000
Peoples Trust Company	1,000,000	1,000,000	1,000,000	1,000,000	100%	1,000,000
Proctor Bank	2,000,000	2,000,000	2,000,000	2,000,000	90%	1,800,000
Randolph Nat'l Bank	750,000	750,000	750,000	-0-	60%	450,000
Union Bank	600,000	600,000	600,000	600,000	100%	600,000
Vermont Federal Bank	4,000,000	4,000,000	3,500,000	3,000,000	25%	1,000,000
Vermont Mortgage Group	1,000,000	1,000,000	1,000,000	1,000,000	50%	500,000
Vermont National Bank	2,000,000	2,000,000	2,000,000	1,500,000	30%	600,000
Wells River Savings			not participating			
Woodstock Nat'l Bank			not participating			
TOTALS	**47,700,000**	**43,350,000**	**38,500,000**	**30,700,000**		**19,335,000**

11/22/85

RESOLUTION AUTHORIZING CREDIT AGREEMENT AND NOTE

Adopted November 22, 1985

WHEREAS, pursuant to its Home Mortgage Purchase Bond Resolution adopted July 8, 1983 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series B (the "Series Resolution", together with the General Resolution herein called the "Resolutions");

WHEREAS, the Series Resolution provides in Section 202(B) that the Agency will deliver to the Trustee under the Resolutions an irrevocable letter of credit issued or guaranteed by a commercial bank in an amount up to $800,000 and having an initial term of at least five years;

WHEREAS, the staff of the Agency has presented for approval the form of Credit Agreement proposed to be entered into with The Industrial Bank of Japan, Limited, New York Branch;

WHEREAS, the Agency has determined that the issuance of the 1985 Series B Bonds is necessary to provide sufficient funds to be used and expended for the 1986 Mortgage Purchase Program; and

WHEREAS, the Agency hereby determines that the letter of credit will reduce the costs and expenses incurred by the Agency with respect to the Program for which the 1985 Series B Bonds are being issued, by providing an alternative to the contribution of Agency money in the event it may be necessary to deposit amounts in the Special Redemption Account pursuant to Paragraph (J) of Section 510 of the General Resolution;

NOW THEREFORE, it is hereby

RESOLVED: The forms of the Credit Agreement and Note are hereby approved and the Vice Chairman and Executive Director are, and each of them is, hereby authorized and directed to execute and deliver on behalf of the Agency the Credit Agreement substantially in the form presented at this meeting with such changes, omissions, insertions and revisions as the signing officers may approve, their execution of such Credit Agreement to be conclusive evidence of their approval of all such changes, omissions, insertions and revisions. Each of said officers are further hereby authorized and directed to execute and deliver the Note referred to in the Credit Agreement to The Industrial Bank of Japan, Limited, New York Branch.

CONFERENCE CALL

Vermont Housing Finance Agency
Friday, November 15, 1985
1:45 PM

Present: Chairman Hunt, Commissioners Shaw, Hebard, Meyer, Myette; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Gurley, Morgan Stanley & Co.; Mr. Ingalls, Palmer & Dodge; Mr. Kornfeld, Trepp & Co.

Re: VHFA 1985 Series B Home Mortgage Purchase Bonds

Mr. Gurley summarized his marketing expectations over the next six months as well as the current market conditions. Mr. Brisson outlined three different structures of the proposed financing which were: (1) 27-year put-option bonds, (2) 27-year term appreciation bonds, and (3) 37-year bonds providing 10 years of recycling. Staff after explaining their reasons recommended structure number one which incorporates put-option bonds. After discussing the relative costs and anticipated mortgage rates under each, Chairman Hunt recommended that the Agency do the 37-year bonds. Upon motion duly made by Commissioner Myette and seconded by Commissioner Shaw, the Board unanimously authorized Underwriters to proceed with the sale of Bonds utilizing the 10-year recycling concept in an amount sufficient to provide net proceeds of at least $40,000,000 and at a price which will provide a mortgage coupon rate of approximately 10.40% assuming full use of allowable arbitrage spread.

WSF:pw/198

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
ENOSBURG HOUSING BONDS

Be It Resolved by the Vermont Housing Finance Agency
and the Commissioners thereof as follows:

ARTICLE I
DEFINITIONS AND AUTHORITY

Section 101. Definitions: In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act or any instrumentality of the State of Vermont which shall hereafter succeed to its powers.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Construction Lender" means Franklin Lamoille Bank.

"Cost of Issuance Account" means the account by that name established under Section 301 of this Resolution.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Enosburg Falls Housing Development described in Exhibit 1.

"General Account" means the account by that name established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account by that name established under Section 301 of this Resolution.

"Mortgage Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 2 of the Three Party Agreement.

"Permanent Loan" means the permanent loan described in paragraph 2 of the Three Party Agreement.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (ii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Reset Date" means each of the tenth, thirteenth, sixteenth, nineteenth and twenty-second anniversaries of the Bond Date.

"Revenues" means and includes all payments, proceeds, charges, fees, rents and all other income (including without limitation income from investments in the Project Fund) derived by or for the account of the Agency from or related to the Development.

"Sinking Fund Account" means the account by that name established under Section 301 of the Resolution.

"Special Redemption Account" means the account by that name established under Section 301 of the Resolution.

"Sponsor" means the Enosburg Falls Community Care Limited Partnership, a partnership of which Enosburg Falls Housing Associates (a partnership of which Abraham Brown is a general partner) is the general partner.

"Three Party Agreement" means the Three Party Agreement executed by the Sponsor, the Construction Lender and the Agency, a copy of which is attached hereto as Exhibit 2.

Section 102. <u>Authority</u>. This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond, to adopt this Resolution and to pledge the Permanent Loan, the Revenues and the Project Fund and accounts therein pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF ENOSBURG HOUSING BOND;
FINDINGS; TERMS AND SALE OF BOND

Section 201. The Bond. (A) A Bond of the Agency designated "Enosburg Housing Bond" is hereby authorized to be issued in an aggregate principal amount not exceeding $392,000.

(B) The Agency hereby determines (terms used in this paragraph and not otherwise defined herein being used as defined in the Act) that

(1) the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program;

(2) the Mortgage Loan made by or on behalf of the Agency with the proceeds of the Bond can be issued bearing interest at a rate 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;

(3) the Agency will derive receipts, revenues or other income from the Mortgage Loan made with the proceeds of the Bond sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond is issued;

(4) the Development is primarily for occupancy by persons and families of low and moderate income;

(5) the construction costs incurred by the Sponsor under the Three Party Agreement are for housing development costs within the meaning of the Act;

(6) there exists 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 residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor of the Development will increase the supply of well-planned, well-designed housing for persons of low and moderate income and such Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds for deposit in the Cost of Issuance Account and the Loan Account, in the amounts determined by or pursuant to Article III hereof.

(D) The Bond shall be issued in the form of a single fully-registered Bond, shall be dated and bear interest from the date it is issued, and shall be numbered 1.

(E) The Bond shall mature on December 15, 2010 and shall bear interest at the rates and payable in the manner, shall be subject to redemption at the price, at the times and in the manner, and shall be subject to the other terms and conditions (including certain restrictions upon transfer) set forth in Article IV hereof.

Section 202. Sale of the Bond. (A) The Bond shall be sold to Franklin Lamoille Bank at the price of par, on the terms and conditions, and on the basis of the representations set forth herein and in the Three Party Agreement.

ARTICLE III
ESTABLISHMENT OF PROJECT FUND AND ACCOUNTS;
APPLICATION OF BOND PROCEEDS; OBLIGATION OF BOND; PLEDGE

Section 301. Project Fund and Accounts. There is hereby established the Enosburg Project Fund (the "Project Fund"), within which the following separate accounts are hereby created, or authorized to be created as provided herein, such Project Fund and all accounts therein to be held and administered by the Agency subject to the pledge herein made:

(1) Enosburg Loan Account ("Loan Account")

(2) Enosburg Cost of Issuance Account ("Cost of Issuance Account")

(3) Enosburg Sinking Fund Account ("Sinking Fund Account")

(4) Enosburg Special Redemption Account ("Special Redemption Account")

(5) Enosburg General Account ("General Account")

Section 302. Application of Bond Proceeds. (A) $5,000 of the proceeds of the sale of the Bond shall be deposited in the Cost of Issuance Account and the entire balance of such proceeds shall be deposited in the Loan Account.

(B) Moneys in the Loan Account shall be used solely as follows:

(1) an amount not exceeding the Mortgage Loan Amount shall be used to make the Permanent Loan;

(2) the difference, if any, between the Mortgage Loan Amount and the amount deposited in the Loan Account under Section 302(A) hereof shall be promptly applied to partial redemption of the Bond; and

(3) if the Permanent Loan is not made within the time contemplated by the Three Party Agreement, but in any event not later than 170 days after the Bond Date, the entire balance in the Loan Account shall be promptly applied to the redemption of the Bond in whole.

(C) Moneys in the Cost of Issuance Account shall be used to defray the Agency's Costs of Issuance. Any moneys not so used shall be transferred to the General Account not later than 120 days after the Bond Date.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Project Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting repayments of principal which are scheduled or partial prepayments of principal which are permitted under the terms of the Permanent Loan - to the Sinking Fund Account;

(2) Revenues constituting Recovery Payments - to the Special Redemption Account;

(3) Revenues constituting earnings from investments in the Project Fund - to the account in which the investments were held; provided that as of the date the last remaining Bond proceeds are used under Section 302(B) or (C) hereof and as of the date of any redemption of the Bond from the Sinking Fund Account or the Special Redemption Account, and to the extent such earnings are not then needed to pay interest included in the redemption price of the Bond or any portion thereof being redeemed from the applicable account, such earnings shall be transferred to the General Account; and

(4) all other Revenues - to the General Account.

(B) On each anniversary of the Bond Date, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) and 303(E) shall be applied to the redemption of the outstanding principal of the Bond and any amounts then in said Account under Section 303(A)(3) shall be applied so far as needed to pay the interest included in the redemption price of such outstanding principal being redeemed.

(C) At any time not later than six months after the date of any deposit into the Special Redemption Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond and any amounts then in said Account under Section 303(A)(3) shall be applied so far as needed to pay the interest included in the redemption price of such outstanding principal being redeemed.

(D) Moneys in the General Account shall be used solely as follows:

(1) on each interest payment date, to pay the interest on the Bond;

(2) on each interest payment date, after payment of the interest on the Bond then due and provided an officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1), (4) and (5) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made;

(3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount in the Cost of Issuance Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan;

(4) on the redemption date of any portion of the Bond being redeemed hereunder, to pay any interest included in the redemption price of such portion which cannot be paid from the applicable account; and

(5) on any Reset Date, if the Agency has elected to redeem the Bond in whole or in part, to pay the redemption price of the Bond or portion the Agency has determined to redeem on such Reset Date.

(E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding $100 as will facilitate payment of principal on the Bond in rounded amounts; provided that any amount so held back in the Loan Account or Cost of Issuance Account 120 days after the Bond Date shall be transferred to the Sinking Fund Account. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

Section 304. Transfers from General Fund. From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

Section 305. Investments. Moneys in the Project Fund accounts may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such accounts may be invested on a commingled basis for the account of such accounts pro rata in proportion to the moneys invested on behalf of each such account.

Section 306. Obligation of Bond; Pledge. The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of the principal and interest on the Bond, effective on the date the Permanent Loan is made and subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (i) the Permanent Loan and all rights and interests of the Agency incident thereto and the proceeds of such rights, (ii) all Revenues, and (iii) all moneys and securities in the Project Fund and all accounts therein created by or pursuant to the Resolution; and the Agency will not pledge or assign or create a security interest in the rights and property pledged by this sentence for any purpose other than payment of the Bond. The Bond shall not constitute a debt or grant or loan of credit of the State of Vermont, and the State of Vermont shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency.

ARTICLE IV
FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY
ENOSBURG HOUSING BOND

No. 1 $392,000.00

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Franklin Lamoille Bank, ____________________, ______________, Vermont or registered assigns, on the 15th day of December, 2010, the principal sum of Three Hundred Ninety-Two Thousand Dollars, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date hereof until final payment hereof at the annual rate provided below, such interest payments to be made on June 15, 1986 and semi-annually thereafter on the 15th days of December and June in each year. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this Bond shall be as follows:

1. From the date of original issue hereof (the "Bond Date") to but excluding the second anniversary of the Bond Date - 7.3%;

2. From such second anniversary to but excluding the tenth anniversary of the Bond Date - 8.75%;

3. From the tenth, thirteenth, sixteenth, nineteenth and twenty-second anniversaries of the Bond Date (each a "Reset Date") to but excluding the earlier of the next Reset Date or final maturity hereof, a rate equal to

(a) ninety-two percent (92%) of the weekly Eleven G.O. Bonds Index published in The Bond Buyer not less than four nor more than ten days prior to the Reset Date on which the applicable period begins; or

(b) if that index is not then published, ninety-two percent (92%) of any published index or (if none) any index selected or created by the Agency provided, in any case, that the Agency shall in good faith determine that such index is composed of bonds with maturities, ratings and tax exempt status comparable to that of bonds in said Eleven G.O. Bonds Index when last published; or

(c) if no such index is published or can be so selected or created, the rate borne by this bond immediately before such Reset Date.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to the resolution of the Agency adopted November 22, 1985 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Enosburg Housing Bonds" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of the Permanent Loan, Revenues and Project Fund (defined in the Resolution) made by the Resolution and subject to all provisions and conditions therein.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing this bond, the manner of enforcement of the pledge and covenants, the rights and remedies of the registered owner of this bond or any portion hereof with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in Paragraph 13 of the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency, by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered Enosburg Housing Bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on each anniversary of the Bond Date without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time without notice through application of moneys in the Special Redemption Account as required by the Resolution;

3. in whole or in part at any time without notice through application of moneys in the Loan Account as required by the Resolution; and

4. in whole or in part on any Reset Date upon notice as provided below through application of moneys in the General Account as permitted by the Resolution.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of optional redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: ______________________________ By: ______________________________
Authorized Officer Authorized Officer

Date: ______________________

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

(NOTICE: The within Bond may not be transferred until this schedule has been verified by the Agency)

ARTICLE V
MISCELLANEOUS

Section 501. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Director of Programs are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 502. Tax Covenant. The Agency agrees to do all things permitted by law and necessary and desirable to assure that interest paid by the Agency on the Bond shall continue to be exempt from federal income taxation under any valid provision of law and agrees that it will not make any use of Bond proceeds or other Agency funds or take any other action which would cause the interest on the Bond to be taxable as an arbitrage bond under Section 103 of the United States Internal Revenue Code.

Section 503. Default. If the Agency defaults in the payment of principal of or interest on the Bond when due, or in the performance of any covenant in the Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond; to enforce its rights under the Resolution and the Bond; to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of the bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owner of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 504. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then the pledge of the Permanent Loan, Revenues, Project Fund and accounts therein and other property pledged hereby and all other rights granted hereby shall be discharged and satisfied.

Section 505. Severability. If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

Section 506. Transfer. Any of the Bonds may be transferred in whole but not in part to a new owner, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in Article IV of the Resolution and payment of a transfer fee of $_______________ for each substitute Bond issued as a result of a request for transfer.

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Thomas P. Brisson and Michael M. Richardson

RE: Multi-Family Development Program

DATE: January 16, 1986

Between 1977 and 1984 the Agency financed 2,000 units of multi-family housing for lower income Vermonters. Since that time we have seen very little production. This memo focuses on our current program, on impending Federal changes effecting multi-family development, and suggests potential Agency initiatives to stimulate new development.

But first it is important to recap why the Section 8 Program was so successful.

- o Deep rental subsidies virtually eliminated the risk of vacancies while covering all expenses.
- o Rapid depreciation attracted syndicated equity permitting Developers to recover their initial investments and earn substantial fees by the time their projects came on-line.
- o Dollar-for-dollar investment tax credit on 25% of money spent for certified rehabilitation of historic register properties.

Exhibit 1 illustrates the magnitude of Section 8 subsidies in selected areas. Over time, the cost of subsidy is far greater than the original development cost of a Section 8 unit. For example, on average the cumulative cost of subsidizing an apartment in the Agency's 28 family projects for 20 years is $117,676.

With Section 8 the traditional real estate benefits of annual profit (the "cash-on-cash" return) and long-term appreciation were less important. To be sure, small developers such as those who participated in the Agency's NSA projects were motivated by these traditional benefits. But they could not have incurred the heavy debt of substantial rehabilitation without the prospect of 20 year subsidy contracts.

Today, the subsidy incentive is gone and the tax benefit of depreciation is likely to be sharply curtailed. In short, the risk/reward ratio of investing in lower income housing has changed. Now such investment must compete with other alternatives, such as condominium, commercial and office development which often carry more favorable ratios.

VHFA's Current "80/20" Program

The Agency response to the demise of Section 8 has been to offer a program of below market rate financing within the confines of State and Federal law. Program requirements and benefits are detailed on Exhibit 2. Also attached is the Memo to Developers (Exhibit 4), used over the past year, which provides further detail. No rent subsidy is provided. The program was designed to function in light of the realities of the current Vermont market for new apartments. As such, it was recognized at the outset that the program could only operate where market demand and rent levels were high. This point was particularly important considering that limits on tenant incomes and rent were required.

As the program outline shows, the principal benefits of the program are low interest rates, relatively low fees and charges, modest debt coverage and credit enhancement requirements and the Federal tax benefit of accelerated depreciation. The principal restrictions are with respect to income and rent limits and the project holding period.

In the past year more than 100 application packages were mailed to developers and others involved in multi-family development. This resulted in several pre-application interviews and 9 pre-applications. Two full applications, Campbell Road in Rutland and South Meadow in Burlington, have been received and the latter is still under review. A list of current prospects is attached as Exhibit 5. Feedback from developers indicates that targeting requirements and market rents combine to produce a high risk environment. VHFA loans at the traditional 90% of development value require more debt service than the proposed projects can carry. But increasing the equity investment risk beyond 10% is not justified by the anticipated cash-on-cash return.

Even with a renewed marketing effort, then, it is necessary, to modify the current program to improve on results achieved thus far. Not only must further incentives be provided to attract developers in the current environment, but incentives to neutralize proposed Federal tax changes (Exhibit 3) must also be considered. Below is a range of options available to the Agency.

Option	Benefit	Cost
Require Modest Construction Standards	Reduces Development Cost	Impairs Marketability
Offer Construction Financing	Reduces Development Cost	Increases Agency Risk
Reduce Agency Fees and Charges or Permit Them to be Financed	Reduces Development Cost	Increases Agency Expenses
Provide Equity Financing	Reduces Debt Service	VHFA General Fund Commitment
Permit Initial Negative Amortization	Reduces Initial Debt Service	Increased Risk. Requires Increasing Rents to Fully Repay and Requires VHFA General Fund Commitment
Subsidize Mortgage Interest Rates	Reduces Debt Service	Requires Substantial VHFA General Fund Commitment (no repayment)

Option	Benefit	Cost
Subsidize Rents	Makes Rents More Affordable	Requires Substantial VHFA General Fund Commitment (no repayment)
Establish No Interest/ Low Interest Loan Fund for Revenue Deficits, Working Capital Requirements and Possibly Partial Downpayment Requirements	Attracts Developers with Marginal Capital Resources, Lowers Equity Commitment of Strong Developers	Requires Establishment of Project Loan Fund from VHFA General Fund

Recommendations

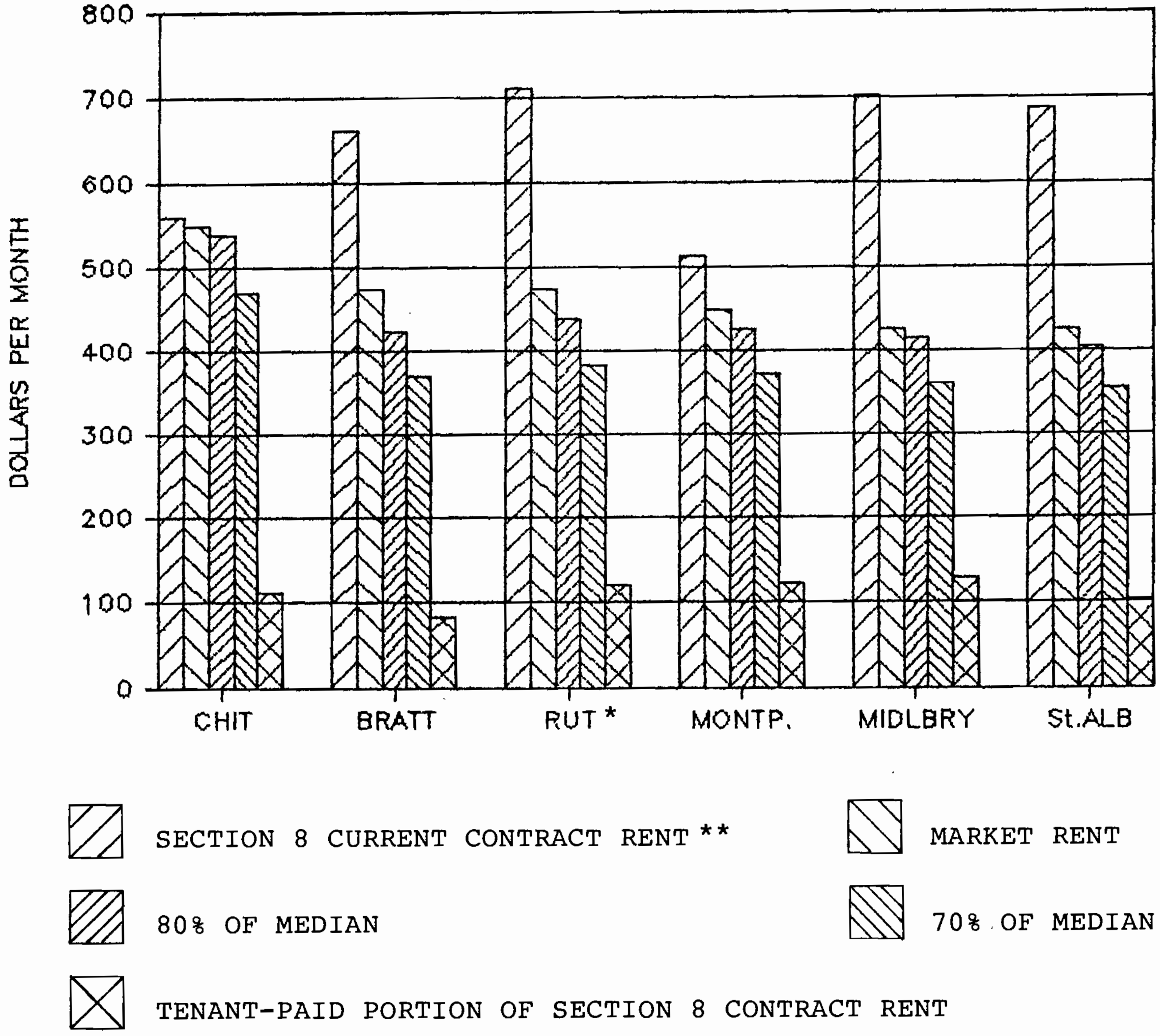
There is no formal staff recommendation at this time only a preference for the last option. It is apparent to us that some additional financial commitment by the Agency is needed to produce privately sponsored, affordable housing. It is hoped that the Board will review the listed alternatives and add others.

TB/MR:pw107

KHIB

THE RENT GAP

A COMPARISON OF AVERAGE RENTS



* REPRESENTS ONE 12 UNIT AGENCY FINANCED FAMILY PROJECT IN RUTLAND
** BASED ON VHFA FINANCED SECTION 8 FAMILY PROJECTS

EXHIBIT 1.a

AN ILLUSTRATION OF THE GAP BETWEEN CURRENT MARKET RENTS AND VARIOUS LEVELS OF "AFFORDABILITY" (WHERE AFFORDABILITY IS DEFINED AS 30% OF HOUSEHOLD INCOME)

	AVE.SECT 8 CONTRACT RENT	MARKET RENT	80% OF MEDIAN AFFORD. RENT	70% OF MEDIAN AFFORD. RENT	AVE.TENANT PORTION OF SECT.8 RENT
CHIT	$560	$550	$538	$471	$109
BRATT	$662	$475	$423	$370	$83
RUT	$711	$475	$438	$383	$119
MONTP.	$513	$450	$425	$372	$122
MIDLBR	$703	$425	$414	$362	$128
St.ALB	$688	$425	$405	$354	$101

1. GAP BETWEEN MARKET RENT RENT AND AVE.SECT.8 TENANT-PAID RENT

	MONTHLY	ANNUAL	20 YEARS
CHIT	$429	$5,142	$102,840
BRATT	$340	$4,074	$81,480
RUT	$319	$3,822	$76,440
MONTP.	$303	$3,636	$72,720
MIDLBRY	$286	$3,429	$68,580
St.ALB	$304	$3,648	$72,960

2. GAP BETWEEN MARKET RENT AND 80% OF MEDIAN INCOME "AFFORDABLE RENT

	MONTHLY	ANNUAL	20 YEARS
CHIT	$13	$150	$3,000
BRATT	$53	$630	$12,600
RUT	$38	$450	$9,000
MONTP.	$25	$300	$6,000
MIDLBRY	$11	$135	$2,700
St.ALB	$20	$240	$4,800

3. GAP BETWEEN MARKET RENT AND 70% OF MEDIAN INCOME "AFFORDABLE RENT

	MONTHLY	ANNUAL	20 YEARS
CHIT	$79	$949	$18,978
BRATT	$105	$1,259	$25,170
RUT	$92	$1,107	$22,146
MONTP.	$78	$940	$18,792
MIDLBRY	$63	$753	$15,060
St.ALB	$71	$848	$16,950

4. GAP BETWEEN CURRENT SECTION 8 CONTRACT RENT AND TENANT PORTION

	MONTHLY	ANNUAL	20 YEARS
CHIT	$451	$5,412	$108,240
BRATT	$579	$6,948	$138,960
RUT	$592	$7,104	$142,080
MONTP.	$391	$4,692	$93,840
MIDLBRY	$575	$6,900	$138,000
St.ALB	$587	$7,044	$140,880

EXHIBIT 2

ANALYSIS OF CURRENT VHFA 80/20 PROGRAM

Source of Restriction	Program Restrictions	Program Benefits
* Federal Statute	20% of units must be occupied by persons with incomes below 80% of Area Median income adjusted by household size (the larger the household, the higher the income limit).	Low interest, long-term financing (currently about 9.5%, 30 years).
* Federal Statute	Project must remain occupied per the above for the longer of 10 years or 1/2 the term of the longest bond. (Phasing construction lengthens rental period.) In addition, project must remain rental for longer of qualified project period or the remaining term of the longest bond.	15-year accelerated depreciation permits approximately 10% of project tax basis to be deducted from investors gross income in 1st year. (Amount declines over the 15-year period.) Regular real estate is 18 year, no acceleration.
Federal Statute	Units must be similarly constructed.	Relatively low fees and charges amounting to approximately 2 percent of loan. (Most HFAs charge 3 percent. Banks charge up to 4 percent on construction loans.)
Federal Statute	If project is rehab, at least 15% of total Development Cost must be rehab. (No refinancing of existing projects.)	Modest debt coverage requirement. (Agency would prefer to see $1.10 of Net Operating Income for every $1.00 of Debt Service -- will consider less than 1.10 with appropriate credit enhancements.)
Federal Statute	At least 90% of bond proceeds must be for development of rental apartments (mixed-use projects must get other financing for commercial portion of project exceeding 10% of TDC).	Modest credit enhancements (Agency requires Operating Deficit and Debt Service reserves fundable via Letters of Credit. Agency does not require mortgage insurance.)
* Federal Statute	Tenants must be income certified before leasing an apartment. If eligible at initial lease they are deemed eligible for duration of residence.	
Agency Regulation	75% of units must be occupied by persons and families of low and moderate income.	

[illegible]A Policy	Tenants must be income certified at initial occupancy to ensure that 75% of them meet the Area Median Income Limit.
VHFA Policy	Persons and families of low and moderate income means below Area Median Income.
VHFA Policy	20% of the units must rent for 80% of the market rent for a comparable apartment.
VHFA Policy	Periodic occupancy and financial reports, annual audited financial statement.

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* Denotes a guideline which would change with pending Federal legislation (HR 3838).

EXHIBIT 3

PROPOSED FEDERAL TAX LAW CHANGES
(HR.3838)

Current	Proposed
20% of units reserved for occupancy by households below 80% of Area Median Income adjusted by household size.	Issuer must choose one of 2 options: 1. 25% of units below 80% of Area Median Income. 2. 20% of units below 70% of Area Median Income. Adjustment by household size retained under either option.
Project must comply with lower-income occupancy restrictions for the longer of 10 years or 1/2 the life of the bond with the longest term sold to finance the project.	Must comply for the longer of 15 years or the full term of the longest bond.
Tenants in 20% of units must be income certified once (at initial occupancy).	Developer must certify annually directly to Treasury that occupancy limits continue to be met.
Project may be depreciated over 15-year period, may use 200% declining balance method.	In general, projects must be depreciated over 30-year period, may use 200% method. Owner also has option of restricting occupancy of 40% of the units to persons below 60% of median, in which case depreciation period is 20 years.
Non-recourse partners may take depreciation benefits in excess of their investments.	Rule continued for new projects but not for resyndications of existing projects, would impact owners of VHFA Section 8 projects.

EXHIBIT 4

MEMO TO DEVELOPERS

Since 1977 the Vermont Housing Finance Agency has lent $63,500,000 in permanent, fixed rate mortgage loans. Eighty-eight projects totaling 1,935 units were financed with these below-market-rate loans. Project rents were subsidized through the Federal "Section 8" program making this type of rental housing affordable to very low income Vermonters. These subsidies are no longer available but the Agency's ability to make low cost loans has not been impaired.

The Agency is exploring several programs to continue providing housing affordable to moderate and lower income residents in communities where the Agency feels adequate rental stock remains in short supply. This memo outlines one such program. Of course, this approach must assume the **present** Federal Tax structure especially as it relates to the issuance of tax-exempt Industrial Development Bonds. Proposed changes in the law, if enacted, would effect the Agency's ability to issue such bonds.

In essence, under this program the Agency would sell a tax-exempt bond (on a private placement basis) to the developer's construction lender and, under the provisions of a Three-Party Agreement, would promise to lend the proceeds from the sale to the developer as a permanent first mortgage loan. The loan would normally be a relatively short-term balloon instrument (ten to twelve years) but amortizing on a twenty-five year basis. The construction lender (or another bank) would have to provide a market-rate takeout commitment callable when the balloon payment fell due (and the Agency's tax-exempt obligation fell due).

PLEASE NOTE: Bank may not hold an equity position in the development.

An outline of the general terms and conditions follows.

I. Physical Requirements

A. Must meet applicable building codes and Agency's energy conservation standards. An attractive design which ensures continuing market competitiveness is essential.

B. Must be a "Residential Rental Project" within the meaning of the Internal Revenue Code, i.e:

1. A building(s) or structure(s) together with any functionally related and subordinate facilities.

2. On contiguous land.

3. Containing one or more similarly constructed units.

C. May be new construction or rehabilitation of an existing structure.

II. Rental Period

The minimum period during which the project must be operated as a rental project is approximately 11 years. (The period begins when 10% of the units are rented and ends on the later of: (a) ten years after 50% of the units are occupied or, (b) at the end of the term of the Agency's bond issued to finance the project.)

III. Tenant Qualifications

A. 25% of the units may be unrestricted as to the income of the occupants.

B. At least 75% of the units must be occupied by persons and families whose gross annual incomes do not exceed the Median Income of the county within which the project is built. (In Rutland County, for example, the Median Income is $24,100. Median Income figures for all areas are enclosed.)

C. Finally, Federal Law requires that 20% of the units must be occupied or held available (vacant) for occupancy by "lower income" persons or families. Tenants who qualify under this category may be counted against the 75% requirement indicated above. (This figure is 80% of Median Income but will vary according to household size. As an example, a three person household in Rutland could not have an income exceeding $17,350.)

D. Income certification of each tenant prior to occupancy must be required. However, once in occupancy, a tenant's income may rise above the limit at which he/she was originally certified without effecting the prescribed ratios.

IV. Rent and Lease Requirements

A. Rent on the units reserved for occupancy by "lower income" persons (i.e., 20% of all units) may not exceed 80% of the rent charged for a comparable unit in the same market area as determined by the Agency. (Where comparables are unavailable the Agency may use the project's unrestricted units as such.)

B. Rents must be certified to the Agency on an annual basis.

C. Leases must be in a written form acceptable to the Agency and must expressly subordinate to the Agency's mortgage.

V. Loan Terms

A. The maximum mortgage loan will be the lesser of (1) the security value of the development, or (2) "housing development" costs within the meaning of the Agency's statute.

B. The interest rate will be determined by the Agency based on the cost to it of the tax-exempt obligation it issues to the participating lender to finance the development. (Under current conditions this could be as much as 200 to 300 basis points below market.)

C. The term will be a minimum of ten years, amortizing on the basis of 25 years.

D. To the extent that the debt coverage ratio is less than 1 to 1.15 the Agency may require additional security beyond the first mortgage. In no event will the Agency grant a loan where the initial operating budget is less than breakeven.

E. Security

1. Promissory Note (may be non-recourse for limited partnership purposes).

2. First mortgage lien (a second mortgage securing the loan of additional Federal or State funds to the project may be permitted on a case-by-case basis).

3. The Collateral Assignment of leases, rent, and personal property related to the property will be required.

4. Certain reserves, in negotiable amounts on a case-by-case basis will be required, such as working capital reserves and a reserve for replacements.

5. There must be a lender commitment to refinance when the Agency's balloon payment falls due.

F. Fees and Charges (see Section VII).

VI. Regulatory Agreement

A. Rent Limitations (per the above).

B. Tenant Income Limitations (per the above).

C. Agency physical and financial oversight rights and inspection procedures.

D. Must be incorporated into a partnership agreement in order to establish the owner as a "housing sponsor" within the meaning of the Agency's statute.

E. Will include restrictions on disposition or resyndication of property and amendment of partnership agreement.

VII. Fees and Charges

A. Initial Application Fee of $200.00 to be remitted with the Initial Application.

B. Full Application Fee of $400.00 plus $25.00 per unit up to a maximum of $1,000 (less the Initial Application Fee) to be remitted with Full Application.

C. Plan Review and Inspection Fee. $1,000.00 plus $100.00 per unit up to a maximum of $3,500.00. This fee may be included in the permanent loan but must be remitted along with the full application.

D. Earnest Money Deposit of 1% of the permanent loan upon acceptance of the Agency's commitment offer.

E. Commitment Fee of 1.5% of the permanent loan amount (less the Earnest Money Deposit) due at the earlier of construction loan closing or execution of the Three Party Agreement. The fee is non-refundable and may not be included in the permanent loan.

F. The Agency will pass through the cost of appraisal(s) and additional marketing data as needed by the Agency.

G. Agency legal fees in connection with the project financing.

This memo is intended to provide a broad outline of a proposed Agency Multi-Family Rental Housing Program; elements thereof are subject to change.

EXHIBIT 5

VHFA "80/20" Program
Current Prospect List

Developer	No. of Units	Location	Project Stage
Coburn/Feeley	*160	Burlington	Full application received but some changes to costs, design expected. HODAG Grant repayment details to be resolved.
Len Duffy Associates	25	Hinesburg	Property acquired, project in design.
Dave Dubrul	15	Montpelier	Option under negotiation.
UVM/St. Mike's	100+	Colchester	Conceptual -- rehab and new construction at Fort Ethan Allen.
NCIC (Northern Community Investment Corporation)	32	St. Johnsbury	Option on building to be converted to a Community Care Facility -- pending award of Federal Grant.

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* Pending resolution of litigation by neighbors.

VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Rockingham Canal House Associates

DATE: January 16, 1986

We last discussed this issue at the October 31 Board meeting. To bring everyone up-to-date and refresh our memories as to what has transpired, the following summary highlights where we're at:

September 18: Foreclosure Complaint filed with court.

October 9: Defendant Answers with these defenses.

1. Defaults...were direct and consequential result of the irregular, inconsistent, unpredictable, imprecise, and vague regulations and requirements imposed upon defendant by The Fire Prevention Division of the Department of Labor and Industries, all of which cause defendant undue delay and expense.

2. Forbearance Agreement was entered into under duress without existing options.

3. Defendant pleads waiver and estoppel and requests that court permit defendant to cure.

4. Request for judicial sale if decree of foreclosure granted.

October 16: Defendant files interrogatories to plaintiff.

October 29: We file our motion for summary judgment.

January 6, 1986: We filed our answers to the extensive interrogatories.

January 27, 1986: The motion for summary judgment scheduled.

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(802) 864-5743

The only other information we have at this time, of which we don't know how reliable it is but is based on a phone conversation Frank Kochman had with Bob Stewart, Mark Hochman's Boston attorney, is that Rockingham is not interested in making any offer or compromise to cure the defaults, despite the fact that we believe he was successful in resyndicating his Massachusetts projects, which may have put some money in his pocket. We also feel that they may use bankruptcy to further delay things and somehow down the line try to pull off a complete redemption.

Board Action Needed

None

WSF:pw/221

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA
VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Randall

DATE: January 16, 1986

Present Situation

Last summer we issued two default letters:

1. June 7: Relative to audit information and other matters (taking cash out of project to pay construction cost overruns).

2. August 15: Failure to change management agents as requested.

The major objective was to effect a management change since current manager cannot handle the paperwork, **at all**, and by getting an independent manager have more control over letting cash out of the project.

Despite several letters and phone calls and even Randall telling me on the phone that "the management agreement is in the mail" nothing has been done to solve the management change or provide acceptable answers to some of the audit questions.

Options

Our options appear to be:

1. Take over project physically.
2. Take over all rent (and HAP) collection and bill paying.
3. Sue on regulatory agreement.
4. Wait and hope.

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Recommendation

It appears that Randall has no intention of doing anything. We are already controlling the HAP money (i.e., we pay our mortgage direct, deposit balance in escrow account and pay bills from invoices submitted). This in and of itself has had no effect in getting Randall to change managers. Also, taking over the project physically in Frank's opinion is one of fairly high exposure and a drastic attempt without a court order.

Therefore my recommendation is to sue on the regulatory agreement to get a court order for the following:

1. Removal of existing management agent and appointment of a qualified management agent selected by the Agency.

2. Answers to the remaining audit questions.

3. Authorization to withhold all funds from project until new management agent is appointed (i.e., controlling tenant portion, too).

WSF:pw/222

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Bylaw Amendment -- Indemnification of Commissioners and Officers

DATE: January 16, 1986

Attach is a memo to me from Frank with the proposed amendment to our bylaws providing for indemnification of Commissioners and Officers. I think the memo is self-explanatory and recommend passage of the resolution.

In addition, Roger has been in contact with our insurance carrier, Hackett, Valine and MacDonald, regarding quotes on Directors and Officers liability insurance. HV&M has approached the Chubb group and expects a quote around February 1, 1986.

WSF:pw/223
Attachment

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(802) 864-5743

MEMO

TO: W. SCOTT FRAZIER
FROM: FRANK KOCHMAN
DATE: NOVEMBER 29, 1985
RE: PROPOSED AMENDMENT OF VHFA BYLAWS TO PROVIDE FOR INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

Pursuant to the direction of the commissioners, attached please find a form of proposed resolution amending the bylaws of the Agency to provide for the indemnification recommended in my exposure memorandum of October 21.

This bylaw, if adopted, would bind the Agency to provide indemnity to the maximum extent permitted by existing law.

It should be noted that the bylaw goes so far as to require indemnity of any commissioner or officer who serves at the request of the agency as a director or officer of a corporation in which the Agency owns shares of capital stock or of which it is a creditor. This could become relevant in the event that the "housing development corporation" under current discusssion becomes a reality, and the commissioners may want to consider specially whether they wish to extend the indemnity that far. The amendment has been drafted in separate sections to simplify severance, if desired.

I am sending a copy of this memo and the proposed resolution to John Ingalls for comment, both because I know from him directly that he is interested and also because any change in the organizational documents of the Agency is a natural and proper concern of bond counsel.

Draft of November 29, 1985

RESOLUTION AUTHORIZING AMENDMENT TO THE BYLAWS OF VERMONT HOUSING FINANCE AGENCY TO PROVIDE FOR INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

WHEREAS, the Agency has determined that, in order to induce responsible persons to serve and to continue to serve as commissioners and officers of the Agency, it is necessary and convenient to protect commissioners and officers to the maximum extent permitted by law, it is hereby,

RESOLVED, pursuant to 10 V.S.A. Section 621 and 11 V.S.A. Section 1852(15), the Bylaws of the Agency are amended to add the following:

ARTICLE V - INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

Section 5.1. In addition to any other indemnity authorized or required by law, the Agency shall indemnify any commissioner or officer or former commissioner or officer of the Agency against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such commissioner or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to the Agency.

Section 5.2 The Agency shall indemnify any person who may have served at its request as a director or officer of a corporation in which the Agency owns shares of capital stock or of which it is a creditor against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to such corporation.

VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Advanced Preparation for Retreat

DATE: January 16, 1986

One last reminder that the retreat is scheduled for Friday, February 14, 1986. It will be held at Champlain College, Lola Aiken Hall in the Morgan Room on the corner of Maple and Summit Streets, here in Burlington.

Starting time will be approximately 8:30 AM sharp. Further details on lunch and dinner will be made later.

To make our one day most productive, staff will be putting together a special notebook mailing to be mailed to each Commissioner prior to the retreat. Contents would include the following and anything else the Board feels appropriate.

a. Bylaws;
b. Statute;
c. 5-year projection of available financial resources by program;
d. Agenda (by Mackey from the interviews);
e. Fair Market Rents;
f. Area Median Incomes;
g. HUD stratified income limits;
h. "Situation Analysis"; and
i. Allan Mackey brief outline of strategic planning process.

WSF:pw/224

MEMORANDUM

TO: VHFA COMMISSIONERS

FROM: FRANK KOCHMAN

DATE: JANUARY 15, 1986

RE: AUTHORITY OF THE AGENCY TO PARTICIPATE IN A "HOUSING DEVELOPMENT CORPORATION" OR OTHERWISE TO DIRECTLY CONTROL THE CREATION OF RENTAL HOUSING

At the request of the Executive Director, below please find an excerpt from a longer memo I wrote in November concerning various statutory options of the Agency.

QUESTIONS PRESENTED.

* Does the Agency have the authority to invest in and/or become a member of a "housing development corporation" created for the purpose of developing residential housing for persons of low and moderate income within the meaning of the Vermont Housing Finance Agency Act?

* Does the Agency have the authority to act directly as a developer of residential housing for persons of low and moderate income?

Brief Answers.

Probably yes, provided the Agency can make detailed findings that, in essence, the housing to be produced by the developmen corporation will be primarily for persons and families whose income is too low to allow them to be served by private enterprise, notwithstanding the financing otherwise available under the Act. Even in such a case, it would be preferable to use the findings as support for express legislative authorization.

General Considerations and Caveats

1. Limitations. The questions presented are addressed only as matters of Vermont constitutional and statutory law. Other factors not addressed here and which may bear on the legal and/or practical ability of the Agency to pursue one course or another include a)existing regulations of the Agency, b) bond resolutions of the Agency, and c) federal law. Where statutory authority exists, regulations can always be changed or created as necessary. Interpretation of bond resolutions and federal tax law bearing on major undertakings contemplated by the Agency and involving the expenditure of monies from existing bond funds or the issuance of new bonds has been, and should be, the province of bond counsel.

2. All opinions are expressed in terms of probability, that is, an affirmative opinion means that in my view it is more probable than not that if the Agency acted consistently with the opinion, a court would uphold the action on challenge. It should be borne in mind that, at least in connection with the issuance of bonds, the standard used by bond counsel in satisfying itself as to the existence of affirmative authority in the Agency is considerably higher than "probability". If my recollection is correct, the test employed for bond opinion purposes is whether any reasonable argument can be made in contradiction of the asserted authority.

3. All of the questions presented are questions of statutory

interpretation or construction, considered in the light of the Vermont constitution...

As to questions ...above, there is an implied Vermont constitutional question of delegation of legislative authority: a broad delegation of authority may be unconstitutional unless the Act itself provides "basic standards against arbitrary and capricious administration", Vermont Home Mortgage Credit Agency v. Montpelier National Bank, 128 Vt. 272,279 (1970). The authority granted cannot be "unconfined and vagrant", but must be "canalized within banks that keep it from overflowing". Village of Waterbury v. Melendy, 109 Vt. 441, 453 (1938).

Discussion.

The statutory powers of the Agency, broadly speaking, can be considered to lie in two categories: those powers that are expressly and affirmatively set out in the Act, and those general powers of a business corporation which are incorporated by reference into the Act as follows:

"The agency shall have all of the powers necessary and convenient to carry out and effectuate the purposes and provisions of this chapter, including without limitation those general powers provided a business corporation by section 1852 of Title 11..." 10 V.S.A. Section 621.

The stated legislative purposes of the Act are "to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs...".

Some of the provisions of the Act relevant to the questions under consideration are:

A. The power to "conduct research and promote development in housing, building technology, and related fields". 10 V.S.A. Section 621(6).

B. The power to "make and publish rules and regulations respecting its housing programs and such other rules and regulations as are necessary to effectuate its corporate purposes." 10 V.S.A. Section 621(12).

...

To reach the incorporated powers of the Agency, the power sought to be invoked must be "necessary and convenient to carry out and effectuate the purposes and provisions...". This test is discussed in a little more detail below, but assuming it is met the Agency then has the power:

"To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign corporations, associations, partnerships, or individuals...". 11 V.S.A. Section 1852(7).

The difficulty with the phrase "necessary" as the threshhold to the incorporated powers is that, depending on context, "It may mean something which in the accomplishment of a given object cannot be dispensed with, or it may mean something reasonably useful and proper, and of greater or lesser benefit or convenience, and its force and meaning must be determined with relation to the particular object sought." <u>Black's Law Dictionary.</u> For constitutional and other reasons discussed below, it is recommended that, in the context of a housing development corporation ... it should be interpreted toward the strict necessity end of the spectrum... Whether [participating in a housing development corporation] is "necessary" to the purpose of "encouraging an adequate supply of safe and decent housing at reasonable costs" is a difficult question of a) fact , b) the meaning of "necessary", and c) legislative intent.

One way of looking at the meaning of "necessary" is that so long as the contemplated action has some rational relationship to one of the statutory purposes, the test is met. But if you take that tack, then I am afraid that the statutory purpose is so broadly stated, and the resulting discretion so lacking in legislative guidance and boundaries that you are risking an unlawful delegation. See Village of Waterbury, above.

For this reason, I think the Agency should take a narrow view of "necessity" such that an entirely new undertaking not expressly authorized by the text of the Act (but within the scope of general corporate powers) would be considered "necessary" only if the express provisions of the Act for reaching an important statutory purpose are being blocked altogether or being made extremely difficult by empirical realities, and the new undertaking is narrowly calculated to overcome that blockage.

to "promote development in housing..." 10 V.S.A. Section 621(6). At least in the case of lower-income housing development, the main vehicle for accomplishing this result is the carefully articulated statutory program of providing loans to housing sponsors as set out in Section 621(18), 624 and 625. Since the death of Section 8, the Agency has not been able to mount a truly viable development program for lower income persons and families through private developers. The empirical reasons for this are fairly obvious, namely, the marginal advantage accorded by tax exempt financing is not sufficient, in the absence of subsidy, to overcome the burdens attached by law to the program, at least from the standpoint of even a "limited-profit" developer. Further, the Agency experience with pure non-profits is that they suffer from a shortage of skills as well as a lack of staying power. It may well be, and I believe the Agency could reasonably find, that, under existing circumstances, there will be no "housing sponsors" for purposes of Section 624 unless the Agency creates one.

Under the empirical circumstances [if so found by the Agency]... a "housing development corporation", appropriately limited in its functions, probably satisfies the "necessity" condition for reaching the Agency's power to take an interest in domestic corporations, as set forth in 11 V.S.A. Section 1852(7), quoted above.

Even so, I think the Agency would be more comfortable if the same arguments were advanced in support of express legislative authorization, and I suspect that such a course would also make it easier to issue bonds for the purpose of financing undertakings of the corporation.

<u>Direct housing development by the Agency</u>: On the same empirical arguments as apply to a "housing development corporation", and assuming restrictive regulations governing itself and narrowly interpreting its statutory authority, I

think the Agency probably could directly develop lower income housing under its authority to "promote development in housing". Again, express statutory authority would be preferable.

Moody's Investors Service

99 Church Street, New York, N.Y. 10007
212-553-0300

December 12, 1985

Mr. W. Scott Frazier
Executive Director
Vermont Housing Finance Agency
P. O. Box 408
Burlington, Vermont 05402

Dear Mr. Frazier:

We wish to inform you that our Rating Committee has assigned the rating A 1 to the $47,226,625 Vermont Housing Finance Agency, Home Mortgage Purchase Bonds, which sold through negotiation November 22, 1985.

In order that we may maintain the currency of this rating over the period of the loan, we will require current financial and other updating information. We will appreciate your continued cooperation in the future.

We will appreciate receiving a copy of the final Official Statement when available.

Enclosed please find a copy of our credit report on the above referenced bond sale.

Should you have any questions regarding the above, please do not hesitate to contact Mr. Don DeVeuve at (212) 553-0300.

Sincerely yours,

Freda Stern Ackerman

Freda Stern Ackerman
Executive Vice President

DDV:gn

Vermont Housing Finance Agency

December 10, 1985

New Issue — **Housing**

sale: $47,226,625 — Home Mortgage Purchase Bonds, 1985 Series B

date: Sold November 22

Moody's rating: A1
Home Mortgage Purchase Bonds

opinion:

The portfolio of adequately insured, level payment mortgage loans originated statewide together with the provision for a letter of credit to supplement the cash flow provides above average bondholder security.

key facts:

Nature of Obligation: General obligation of the agency.

Reserve Funds: Bond Reserve Fund required at maximum annual debt service; Loan Loss Claim Fund required at 1 1/2% of loans outstanding.

Additional Bonds: May be issued if standard tests are met.

Parity Bonds: Four series aggregating $142,350,000 outstanding.

Loan Type: Single family, 25-year level payment.

Loan Insurance: Private mortgage insurance or Vermont Home Mortgage Guarantee Board (VHMGB) guarantee down to 75% of property value.

Portfolio Performance: Satisfactory. Delinquencies and foreclosures below state and national levels.

Program Administrator: Agency.

Financial Operations: Sound. Positive trend in fund balances.

Cash Flow Projections: Sufficient revenues generated over life of bonds. Non-asset bonds covered by $800,000 five-year letter of credit from Industrial Bank of Japan and agency contribution to program.

update:

Since our last report, dated April 30, 1985, an additional 916 mortgages have been originated under this program, leaving approximately $10 million of Series 85 A and $2.3 million of Series 84 A to originate. Program fund balance continues to grow, primarily from General Fund transfers at the time of bond sales.

analysis:

The current offering is the fifth series of bonds issued under the general resolution and continues the agency's program of providing funds for the purchase of mortgage loans of low and moderate income families. Approximately $40.0 million in lendable proceeds will be provided by this issue. The outstanding portfolio of level payment mortgage loans, which provides basic security for the bonds is of above average quality. The loans are distributed statewide and levels of insurance are adequate in providing protection against foreclosure loss. Currently 86% of the outstanding loans are guaranteed down to 75% of property value by the Vermont Home Mortgage Guarantee Board (the board), 3% are insured by private mortgage insurers and 11% are uninsured with loan-to-value ratios of 75% or less. The agency expects 85% of the loans originated from proceeds of the current offering to be covered by the board's guarantee.

Vermont Housing Finance Agency

The board has the authority to guarantee mortgage loans within the state and pledge the full faith and credit of the state to the payment of its obligations. (State is rated **Aa**.) At June 30, 1985 the board had a guarantee liability of $37.4 million on 7,597 mortgage loans with outstanding balances of $230.9 million. The board's reserve account totaled $2.7 million, or 7.2% of its outstanding guarantee.

To date, the portfolio has performed satisfactorily; however, a large portion of the loans comprising the portfolio remains unseasoned. At October 31, 1985 delinquency and foreclosure statistics were below state and national levels but have increased since our last report. Foreclosure losses for the agency's total portfolio of single family loans have been minimal relative to portfolio size.

In addition to the Bond Reserve Fund, the general resolution requires a Loan Loss Claim Fund to be maintained at 1 1/2% of outstanding loans and be funded with monies other than bond proceeds. The agency will contribute approximately $900,000 from general fund monies and has covenanted to restore any deficiency. The fund will be used to cover foreclosure losses not covered by primary insurance to the extent needed to pay debt service.

The agency will deliver to the trustee a five-year letter of credit from Industrial Bank of Japan in an amount of approximately $800,000 to cover non-asset bonds in the event of non-origination or rapid prepayment experience. The letter of credit will be repayable from the agency's general fund.

Financial operations are sound with general and combined fund balances exhibiting positive trends thereby enhancing the general obligation pledge of the agency. Agency periodically transfers excess monies from its programs to the general fund. The growth in the program fund balance is largely attributable to the agency's contributions to the program concurrent with prior bond sales.

Vermont Housing Finance Agency

details of bond sale:

Legal Name of Issuer: Vermont Housing Finance Agency.

Date of Bonds: November 1, 1985; capital appreciation bonds, date of delivery.

Denomination: $5,000.

Interest Rate: 5.3 to approximately 10.375%.

Interest Payable: Semiannually beginning June 1, 1986.

Call Features: Special redemption at par or accreted value from unexpended bond proceeds, prepayment and excess monies. Optional redemption beginning December 1, 1995 at 103%, declining to par on December 1, 1998 and thereafter. Term bonds subject to mandatory sinking fund requirements.

Registrar/Paying Agent: The Howard Bank, N.A., Burlington.

Delivery: On or about December 12, 1985.

Bond Counsel: Palmer & Dodge, Boston.

Auditor: P.F. Jurgs & Company, Burlington (FY 1984).

Managing Underwriter: Morgan Stanley & Co. and E.F. Hutton and Co., New York.

Semiannual Maturities 6/1 and 12/1 ($ 000)

Year	Amount 6/1	Amount 12/1
1986	$ 230	$ 255
1987	270	525
1988	540	560
1989	575	590
1990	615	2,330
1991	635	655
1992	685	705
1993	730	760
1994	790	825
1995	850	890
1996	925	960
1997	1,005	1,045
1998	1,090	1,135
1999	1,185	1,235
2000	1,290	1,350
2005 (term)	-	17,335
2022 (term) [1]	4,657	-

[1] Capital appreciation bonds.

details of last comparable sale:

Date of Sale: May 2, 1985.

Amount: $41,878,509.

Purchaser: Morgan Stanley & Co. and E.F. Hutton & Co.

Interest Cost: 5.25-9.875%

Moody's Index: [1] 9.40%

[1] For **A** rated issues, as of May 3, 1985.

rating history: June 1983: **A1**

analyst: D. DeVeuve

Vermont Housing Finance Agency

debt factors:

Current offering is fifth series under the general resolution. Total principal amount of bonds and notes outstanding under all resolutions may not exceed $500,000,000.

Debt Statement as of 6/30/85 ($ 000)

	Rating	Amount Issued	Amount Outstanding	Final Maturity
Motgage Loan Bonds 1	Aa	$21,965	$10,355	1989
Single Family Insured Mortgage Bonds 1	A1	26,765	16,940	2003
Single Family Mortgage Purchase Bonds 2	Aa	172,330	133,280	2009
Multi-Family Mortgage Bonds 2	A1	41,125	38,595	2021
Multi-Family Housing Bonds 3	Con. (A1)	31,300	31,080	2015
Home Mortgage Purchase Bonds 2	A1	147,511	4 148,064	2011
Subtotal		$440,996	$378,314	
Home Mortgage Purchase Bonds 1985 Series B (current offering)	A1	47,227	47,227	2022
Total		$488,223	$425,541	

1 Two parity issues.
2 Four parity issues.
3 Three parity issues.
4 Includes accreted values of capital appreciation bonds.

For additional information, please refer to Moody's 1985 Municipal and Government Manual, page 4315.

security provisions:

Legal Documents: General resolution, series resolution and sales and servicing agreements.

Nature of Obligation: General obligation of the agency.

Trustee: The Howard Bank, N.A., Burlington.

Additional Bonds: May be issued if standard tests are met.

Funds Flow: Open, standard flow. Excess monies may flow out of the indenture to the General Fund.

Reserve Funds: Bond Reserve Fund required at maximum annual debt service, but is expected to be over-funded by $1,700,000 until December 1, 1990 at which time the excess will be used to pay maturing bonds. Loan Loss Claim Fund required at 1 1/2% of outstanding loans to be funded by agency contribution. Agency has covenanted to restore any deficiency in fund with General Fund monies.

Authorized Investments: U.S. Government and agency obligations; public housing bonds secured by annual contributions contracts; insured or collateralized bank CDs; collateralized repurchase agreements; investment agreements with bank rated A or higher.

Prepayment Assumptions: None.

Vermont Housing Finance Agency

loan factors:

Loans Outstanding: As of June 30, 1985, 1,929 mortgage loans aggregating $81.0 million were outstanding under the general resolution. Total single family loans under all programs aggregated 5,503 loans representing $190.1 million outstanding.

Type: Single family, 25-year level payment.

Servicing: By originating lenders.

Primary Insurance: Private mortgage insurance or Vermont Home Mortgage Guarantee Board (VHMGB) guarantee down to 75% of property value. Loans purchased under prior series are insured in similar manner General resolution also permits FHA insured and VA guaranteed loans. Approximately 86% of the outstanding loans are guaranteed by VHMGB; 11% are uninsured with loan-to-value ratios less than 75%, and 3% have FHA or PMI insurance. Similar insurance coverage anticipated for current offering.

Income Limits: $31,500-$36,500.

Other: The VHMGB has the authority to guarantee the repayment of certain loans secured by home mortgages within the state and to pledge the full faith and credit of the state. At June 30, 1985 the board's guarantee liability was $37.4 million on 7,597 loans with outstanding balance aggregating $230.9 million. The balance in the special reserve account which is used to pay claims and administration expenses, was $2.7 million. The board's guarantee liability is limited to $55 million.

Loans Past Due (as a percent of loans outstanding)

	Total	30 Days	60 Days	90 Days	In Foreclosure
Home Mortgage Purchase Program [1]	3.43	2.0	0.60	0.77	0.04
Combined Single-Family Program [1]	5.68	3.66	1.07	0.84	0.11
State [2]	5.60	3.98	0.99	0.63	0.72
U.S. [2]	5.43	3.76	0.85	0.82	0.76

[1] As of October 31, 1985.
[1] As of June 30, 1985.

administrative factors:

Issuer is a small, established agency with successful track record. The agency exercises direct programmatic oversight and control.

Year Created: 1974.

Management: Seven member commission (three ex officio), appointed by governor with advice and consent of state senate. Nineteen staff members.

Programs: Single family, multi-family, loans-to-lenders.

Vermont Housing Finance Agency

financial factors:

Overall financial operations appear sound with combined fund balances exhibiting sizable year-to-year increases. Audited financial statements for the year ended June 30, 1985 indicate a continuance of this trend. Program fund balance for the same period increased $2.1 million, including, $0.45 million transfer of General Fund monies concurrent with the program's last bond sale. For the current offering the agency will contribute approximately $900,000. Excess monies from all funds are periodically transferred to the General Fund.

Key Financial Data ($ 000)

	6/30/84	6/30/85
General Fund balance	$ 2,223	$2,323
Program Fund balance	$1,126	$3,252
Combined Fund balance	$19,996	$24,698
General Fund balance as % of total bonds outstanding	0.74	0.61
Program Fund balance as % of program bonds outstanding	1.95	2.22
Combined Fund balance as % of total bonds outstanding	7.80	6.49

cash flow factors: [1]

Sufficient revenues to be generated over the life of the bonds. Acquisition Fund monies will be invested under an investment agreement with First Boston Corp.; Bond Reserve Fund monies will be invested in government securities. Agency will contribute approximately $900,000 to programs; $600,000 will be used to fund Loan Loss Claim Fund. Five-year letter of credit from Industrial Bank of Japan aggregating approximately $800,000 will cover non-asset bonds. The letter of credit will be repaid from agency's General Fund.

Projected Parity: By June 1990.

Projected Surplus: $3.4 million.

Projected Surplus as % of Bonds: 7.0%.

Projected Maximum Annual Debt Service: $6.7 million in 1997.

[1] Current series only.

100731D0

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

MEMORANDUM

TO: VHFA Commissioners

FROM: Roger A. Schoenbeck, Controller RAS

RE: Budget Performance Report

DATE: January 16, 1986

Attached please find the new budget performance report generated by our computer system. A few words of explanation are required to enhance your understanding of this report. The first two columns state actual results for the current period, which is shown at the top of the form and the year-to-date starts from July 1 through the end of the current period. The last two columns relate to the budgeted amounts for the same periods. This is all based on the annual budget which has been broken down into quarterly periods as requested by the Board. To compare actual results against budgeted amounts you should be comparing the first and third columns and the second and fourth columns. Generally speaking, we are on track for the year. The three summarized areas are: total income which actual income exceeds budgeted by $26,549.01, fund balance transfers which are less than budgeted by $330,743.14 (see following discussion), and expenses which are $12,667.76 less than budgeted. A major exception to the budget is that the new 10% mortgage program required a contribution from the Agency of $900,000, whereas in the original budget a contribution of $525,000 was anticipated. At this time I would like to request the Board for authorization to amend the budget by the $375,000 for the additional contribution to the 1985B Program. I would like to make any further adjustments at the April Board meeting at the completion of the third quarter operations, since most areas are pretty much on target. If you have any questions regarding the attached budget performance report or any other financial activities of the Agency, please contact me at your convenience.

RS:pw/55
Attachment

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
PERIOD: 10/01/85 TO 12/31/85

			BUDGETED	
	CURRENT-PERIOD AMOUNT	YEAR-TO-DATE AMOUNT	CURRENT-PERIOD AMOUNT	YEAR-TO-DATE AMOUNT
INCOME				
VHMGB INCOME	$ 17,199.66	$ 34,365.70	$ 17,500.00	$ 34,500.00
SINGLE FAMILY FEE INCOME	175,869.05	257,067.00	150,000.00	225,000.00
MULTI-FAMILY FEE INCOME	6,878.00	11,315.49	7,500.00	11,000.00
INTEREST INCOME	52,589.80	108,627.16	58,000.00	114,000.00
MISCELLANEOUS INCOME	1,039.81	2,173.66	1,250.00	2,500.00
TOTAL INCOME	$ 253,576.32	$ 413,549.01	$ 234,250.00	$ 387,000.00
FUND BALANCE TRANSFERS				
LOANS TO LENDERS	$ 275,070.71	$ 275,070.71	$ 260,000.00	$ 260,000.00
SHAWMUT MORTGAGE PURCHASE	100,000.00	100,000.00	50,000.00	50,000.00
HOWARD MORTGAGE PURCHASE	.00	500,000.00	.00	500,000.00
HOWARD MULTI-FAMILY	.00	200,000.00	.00	200,000.00
CONNECTICUT MULTI-FAMILY	.00	50,000.00	.00	60,000.00
HOWARD HOME MTG PURCHASE	(806,813.85)	(806,813.85)	(421,000.00)	(421,000.00)
TOTAL TRANSFERS	$ (431,743.14)	$ 318,256.86	$ (111,000.00)	$ 649,000.00
TOTAL INCOME & TRANSFERS	$ (178,166.82)	$ 731,805.87	$ 123,250.00	$ 1,036,000.00
EXPENSES				
ADVERTISING	$ 681.33	$ 5,193.65	$ 2,750.00	$ 5,500.00
ANNUAL REPORT	.00	.00	1,500.00	1,500.00
AUDIT	.00	18,000.00	.00	18,000.00
COMMISSIONERS EXPENSES	1,292.90	1,981.22	750.00	1,500.00
CONSULTING EXPENSE	1,319.95	1,369.95	4,000.00	6,500.00
DUES & SUBSCRIPTIONS	2,433.31	4,934.79	2,375.00	4,750.00
INSURANCE	9,548.38	18,780.46	11,200.00	21,600.00
INTEREST EXPENSE	2,359.93	4,838.09	2,300.00	4,700.00
LEGAL EXPENSE	7,002.72	17,194.67	8,000.00	18,000.00
MISCELLANEOUS EXPENSE	3,440.75	3,815.56	1,300.00	1,700.00
OFFICE SUPPLIES	1,861.49	6,220.86	2,500.00	7,000.00
PENSION PLAN	9,436.73	21,038.98	12,000.00	24,000.00
POSTAGE	2,059.77	4,256.65	1,600.00	3,200.00
RENT EXPENSE	14,722.35	27,011.70	14,725.00	27,050.00
REPAIRS & MAINTENANCE	4,507.75	9,200.54	5,000.00	10,000.00
SALARIES & WAGES	122,090.57	250,953.05	124,000.00	252,000.00
STAFF TRAVEL & TRAINING	7,867.25	13,708.94	8,000.00	14,000.00
PAYROLL TAX EXPENSE	6,732.23	16,229.69	8,000.00	16,750.00
TELEPHONE	4,074.49	9,050.73	3,500.00	7,000.00
TRUSTEE FEES	41,760.88	69,702.71	30,000.00	72,000.00
DEPRECIATION EXPENSE	10,800.00	21,600.00	10,500.00	21,000.00
TOTAL EXPENSES	$ 253,992.78	$ 525,082.24	$ 254,000.00	$ 537,750.00
INCREASE TO FUND BALANCE	$ (432,159.60)	$ 206,723.63	$ (130,750.00)	$ 498,250.00

VR-1412

VHFA
ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director
VERMONT HOUSING FINANCE AGENCY

March 27, 1986

828-3322

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, Vermont 05602

Dear Jean:

The Vermont Housing Finance Agency will be holding its monthly Board meeting on Monday, April 7, 1986, at 1:30 PM, at the State Treasurer's Office, 133 State Street, Montpelier, Vermont.

If you have any questions, please call me.

Sincerely,

Pat

Patricia Willis
Office Manager

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BURLINGTON FREE PRESS
April 7, 1986

State Government Meetings

Week of April 7

MONDAY

Governor's Task Force on Hunger, 9 a.m., Skylight Conference Room, Human Services Agency, 103 S. Main St., Waterbury.

Nursing Board, 9 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Pesticide Advisory Council, 9:15 a.m., conference room, Agriculture Department, 116 State St., Montpelier.

Vermont Housing Finance Agency, 1:30 p.m., state treasurer's office, 133 State St., Montpelier.

District Environmental Commission, Resort Accommodations and Weathervane Land Enterprises, Robert Newson, Joseph Cerreto and Signitas Zubkus, construction of 74-unit motor lodge in Sherburne, 9:30 a.m., Town Office, Sherburne.

TUESDAY

Board of Professional Engineers, 8 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Public Service Board, agreements for sale of electricity between Vermont Power Exchange Inc. and Vermont Marble Co., 10 a.m., board conference room, 120 State St., Montpelier.

Electricians' Licensing Board, 1:30 p.m., conference room, Labor and Industry Department, 5 Court St., Montepelier.

District Environmental Commission, Scott Drager and Vermont Aeronautics Board, construction of aircraft hangar at Rutland State Airport in Clarendon, 9:30 a.m.; Jorgensen's Honda, addition to automobile sales and service building in Clarendon, 1:30 p.m.; aldermen's chambers, City Hall, Rutland.

District Environmental Commission, Inn at Jamaica Inc., conversion of farmhouse into inn and restaurant in Jamaica, 1:15 p.m., Town Hall, Jamaica.

WEDNESDAY

Board of Medical Practice, Foreign Medical Graduate Committee, 1 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Physician's Assistants Committee, 1 p.m., room 202, Redstone Office Building, 26 Terrace St., Montpelier.

Board of Medical Practice, South Committee, 1 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Medical Board, 2 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

District Environmental Commission, Juster Development Co. and Clement J. Abatiell Sr., addition to Rutland Mall, 9 a.m., aldermen's chambers, City Hall, Rutland.

District Environmental Commission, Gallery Place Associates, construction of retail building in Woodstock, 10 a.m., Woodstock Library.

District Environmental Commission, Dennis Demers, changes in wood-chip loading operation in Swanton, 3 p.m., town clerk's office, Swanton.

THURSDAY

Tri-State Megabucks, 9 a.m., Channel 21, 21 Media Park, Concord, N.H.

Apple Marketing Board, 9 a.m., Green Mountain Room, Summit Lodge, Killington.

Vermont Dairy Industry/State Dairy Councils, 9 a.m., Suzanna's Restaurant, Lague Inn, Berlin.

Governor's Commission on the Status of Women, 9:30 a.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

Funeral Service Board, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Transportation Board, 10 a.m., Coolidge Inn, White River Junction.

District Environmental Commission, Mayfield Co., creation of four-season recreation complex in Bakersfield; site visit 9 a.m., hearing 10:30 a.m., town clerk's office, Bakersfield.

District Environmental Commission, North Branch Fire District 31, expansion of disposal facilities in West Dover, 1:15 p.m., Town Office Building, Dover.

District Environmental Commission, Hillside East Corp., construction of roadway and utilities for 19-lot commercial subdivision in Williston; site visit 3:30 p.m., hearing 4:30 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

FRIDAY

Public Service Board, Vermont Electric Generation and Transmission Cooperative Inc. petition for consent to issue long-term secured indebtedness of up to $24.22 million, 9 a.m., board conference room, 120 State St., Montpelier.

Appeals Panel, hearings, 9:30 a.m. and 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

OFFICE OF THE COMMISSIONER

TELEPHONE:
802-828-3301

STATE OF VERMONT
DEPARTMENT OF BANKING AND INSURANCE
MONTPELIER, 05602

April 21, 1986

Mr. Allen Hunt
Vermont Housing Finance Agency
P.O. Box #408
Burlington, Vermont 05402-0408

Dear Allen:

This letter is to confirm that William Rockford acted as my substitute at the meeting on April 7, 1986. As such, he was fully authorized to act on my behalf and to vote in my place.

Should you have any questions on this, please don't hesitate to contact me.

With kindest regards,

TP Menson

Thomas P. Menson
Commissioner

ls

EMORY A. HEBARD
STATE TREASURER

STATE OF VERMONT
OFFICE OF THE STATE TREASURER
MONTPELIER 05602

April 14, 1986

Vermont Housing Finance Agency
P.O. Box 409
Burlington, Vermont 05402

Gentlemen:

Your agency has called me by phone to ask that I send you a letter to state that Edwin Gallison, my Deputy, was officially representing me at last Monday's meeting.

Enclosed is a copy of a document approved by the Governor in which I state that Ed Gallison will take my place from time to time at various state board and agency meetings. I trust that this will be satisfactory and that I will not need to send a letter each time that Ed takes my place.

Sincerely,

Em.

Emory A. Hebard
State Treasurer

EAH/lm

Enclosure

STATE OF VERMONT

AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS

MONTPELIER, VERMONT 05602

OFFICE OF THE SECRETARY (802) 828-3211

JAMES A. GUEST, SECRETARY

DEPARTMENTS OF:
Economic Development 828-3221
Housing & Community Affairs 828-3217

DIVISIONS OF:
Administration 828-3231
Historic Preservation 828-3226
Vermont Travel Division 828-3236
Vermont Life Magazine 828-3241

A P P O I N T M E N T

I, James A. Guest, Secretary of the Agency of Development and Community Affairs, Pursuant to 10 V.S.A. Section 611(b), hereby appoint Walter M. Morris, Jr., Esq., Executive Assistant to the Secretary, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the agency meeting to be held on April 7, 1986. In this capacity, I specifically authorize Walter M. Morris, Jr. to act in my stead on all matters which may properly come before the Agency for disposition at said meeting.

DATED at Montpelier, Vermont this 7 day of April, 1986.

JAMES A. GUEST
Secretary

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

BOARD MEETING AGENDA

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Monday, April 7, 1986 -- 1:30 PM

1. Approval of January 23, 1986 Board Minutes

2. Executive Session to Discuss Personnel Matters

3. <u>Single Family Program</u>

    a. 1985 Series B Report (enclosure)

    b. Discussion and Possible Change to Underwriting Guidelines in 1985 Series B Program (verbal)

    c. Preliminary Discussion and Potential Techniques to Lower Interest Rate on 1985 Series B Program (verbal)

4. <u>Multi-Family</u>

    a. Discussion and Possible Action on Changes to Multi-Family Program (enclosure)

    b. Authorization to Issue Commitment Letter on South Meadow Housing Development (enclosure)

    c. Authorization to Issue Commitment Letter on Canterbury Inn (enclosure)

    d. General Discussion of Multi-Family Management Issues (verbal)

5. Update on Oil Overcharge Task Force

6. Discussion of Affordable Housing Demonstration Award Program

7. Other Old or New Business to Come Before Board

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

BOARD MINUTES

Vermont Housing Finance Agency
One Burlington Square, Burlington, Vermont
January 23, 1986

Present: Chairman Hunt, Vice-Chairman Shaw, Commissioners Gardner, Myette, Guest; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, Mr. Richardson, VHFA Staff; Mr. Kochman, F.L. Kochman, Inc.

Chairman Hunt called the meeting to order at 1:35 PM.

The minutes of the November 22, 1985 Board meeting were considered and upon motion duly made and seconded, they were unanimously adopted.

A general discussion on the Agency's rental housing program was initiated. Mr. Brisson and Mr. Richardson reviewed some of the material that was included in the mailing. They noted that the current program needed modification to provide additional incentives to attract developers as well as neutralize proposed federal tax changes. Many options were discussed along with the associated benefit and cost including the possibility of creating a nonprofit subsidiary of the Agency to create the rental housing. No formal action was taken.

Next, upon motion duly made and seconded, the Board unanimously voted to go into Executive Session to discuss legal matters on several rental housing projects.

After emerging from Executive Session, upon motion duly made and seconded, the Board unanimously authorized the Executive Director to proceed in an appropriate manner to correct the problems related to the rental project owned by John M. Randall Associates, and to that end to exercise, in his discretion, any of the options of the Agency under the applicable Regulatory Agreement.

Mr. Brisson was then asked to give a program status report for the recently implemented 1985 Series B Mortgage Purchase Program. He noted that the pace of commitments was slow but that this represented the status of the real estate market in general. A map showing all the lending outlets throughout the state was also presented. It was noted that all geographic areas of the state were covered and that Windham County picked up several outlets with Vermont National back in the program.

Mr. Brisson disseminated the attached Resolution Appointing Depositories. The purpose of the resolution is to appoint an acceptable depository as defined in the applicable Bond Resolution for the mortgage companies participating in the 1985 Series B Single Family Mortgage Purchase Program. Upon motion duly made and seconded the Resolution was unanimously adopted.

A general discussion on energy loan programs then ensued. Mr. Brisson and Mr. Frazier had met with Green Mountain Power and Central Vermont Public Service to learn more about the energy programs they are currently offering. Many areas were touched upon including the commitment level by the utilities, the quality of energy audits filled out by customers, and payback criteria. Mr. Brisson noted that he had requested further information from each utility and when that information is received will report back to the Board.

Next, the recent Indiana HFA taxable bond issue was briefly discussed. It was noted that the bond proceeds did not provide for mortgage money and that only the arbitrage earnings generated would be used to help fund other housing programs offered by the Indiana HFA. The discussion was left that staff would look into this type of financing further and determine the financial feasibility of such financings.

Mr. Frazier then referred to the Resolution Authorizing Amendment to the Bylaws to provide for Indemnification of Commissioners and Officers included in the Board mailing. Mr. Schoenbeck was still waiting to hear from the Agency's insurance carrier regarding quotes on such insurance. After considering the matter, upon motion duly made, and seconded, the attached Resolution was unanimously adopted.

Next, Mr. Frazier informed the Board of the status of the statewide housing needs study. A committee represented by the Agency of Development and Community Affairs, the Vermont State Housing Authority, and the Vermont Housing Finance Agency has selected Applied Economic Research to conduct the study which should be completed by early summer. Mr. Frazier noted that he had committed Agency funds to pay for half of the study, $15,000, but had neglected to get Board approval. Upon motion duly made, and seconded, the expenditure of $15,000 of general fund monies for the purpose of paying a portion of a statewide housing needs study was unanimously approved.

Mr. Schoenbeck was then asked to review the new computerized budget performance report for the six months ended December 31, 1985. After reviewing the new format, Mr. Schoenbeck noted that, generally speaking, the Agency was on track for the year. He asked Board authorization to amend the budget by $375,000 resulting from the additional contribution to the 1985 Series B

Single Family Mortgage Purchase Program. Further adjustments would be requested after the completion of third quarter operations. Upon motion duly made, and seconded, the line item entitled "Howard Home Mortgage Purchase" under income was amended by $375,000. The motion was unanimously approved.

The strategic planning retreat was discussed next. Mr. Frazier informed the Board that the Morgan Room in the Lola Aiken Hall at Champlain College had been selected as the location and that everyone had confirmed the February 14 date. He also noted that the agenda would be discussed with Mr. Mackey, Mr. Hunt, and Mr. Frazier next Thursday. After discussing various ideas, it was decided that a special Board mailing including various background information wasn't needed and that the retreat would be held on a philosophical discussion level centering around developing a mission statement, key objectives, and defining the organizational structure needed to achieve these results.

Lastly, Mr. Frazier updated the Board on the cooperative housing corporations legislation. He noted that there was general support for the legislation from the Vermont Bankers Association and that Clarke Gravel, a Uniform Commercial Code Commissioner, had approved the proposed change to the Uniform Commercial Code. The legislation would now be presented to the Senate Finance Committee for their consideration.

The Board meeting was adjourned at 3:45 PM.

Respectfully submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary

WSF:pw/234

VERMONT HOUSING FINANCE AGENCY
RESOLUTION
APPOINTING DEPOSITORIES UNDER VERMONT HOUSING FINANCE AGENCY
HOME MORTGAGE PURCHASE BOND RESOLUTION OF JULY 8, 1983

RESOLVED, that subject to the terms hereof, and pursuant to Section 1101 of the Agency's Home Mortgage Purchase Bond Resolution of July 8, 1983 (the "General Resolution"), each of the banks named below is hereby appointed a Depository of funds collected on behalf of the Agency on account of mortgage loans purchased with proceeds of the Agency's Home Mortgage Purchase Bonds, 1985 Series B, and any other Series of Bonds issued or to be issued pursuant to the General Resolution.

For each such Series of Bonds, each Depository shall establish a valid trust account held for the benefit of the Agency, each of which accounts shall be insured by the Federal Deposit Insurance Corporation.

As to any Depository appointed herein, the appointment shall not be in effect until the Depository indicates its acceptance of the appointment in writing.

NAMES OF DEPOSITORIES APPOINTED HEREIN:

FIRST VERMONT BANK AND TRUST COMPANY
COMFED SAVINGS BANK (of Lowell, Massachusetts)
SHAWMUT BANK OF BOSTON

CERTIFICATE

I, W. Scott Frazier, Secretary of Vermont Housing Finance Agency, hereby certify that the foregoing is a true copy of a Resolution duly adopted by Vermont Housing Finance Agency at a public meeting of its Board of Commissioners held on January 23, 1986, and that said Resolution has not been amended or revoked and remains in full force and effect.

Date: 1/24/86

W. Scott Frazier
W. Scott Frazier, Secretary
Vermont Housing Finance Agency

Draft of November 29, 1985

RESOLUTION AUTHORIZING AMENDMENT TO THE BYLAWS OF VERMONT HOUSING FINANCE AGENCY TO PROVIDE FOR INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

WHEREAS, the Agency has determined that, in order to induce responsible persons to serve and to continue to serve as commissioners and officers of the Agency, it is necessary and convenient to protect commissioners and officers to the maximum extent permitted by law, it is hereby,

RESOLVED, pursuant to 10 V.S.A. Section 621 and 11 V.S.A. Section 1852(15), the Bylaws of the Agency are amended to add the following:

ARTICLE V - INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

Section 5.1. In addition to any other indemnity authorized or required by law, the Agency shall indemnify any commissioner or officer or former commissioner or officer of the Agency against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such commissioner or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to the Agency.

Section 5.2 The Agency shall indemnify any person who may have served at its request as a director or officer of a corporation in which the Agency owns shares of capital stock or of which it is a creditor against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to such corporation.

Adopted by the Board of Commissioners on January 23, 1986.

Vermont Housing Finance Agency

1985 Series B Mortgage Purchase Program

Status Report

REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
04/02/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
======	==========	===========	==========	========	=======	=========	=========
Bank of Vermont	3,000,000	0	3,000,000	454,950	15.1%	226,475	228,475
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	141,100	28.2%	43,700	97,400
Bradford National Bank	400,000	0	400,000	0	.0%	0	0
Caledonia National Bank of Danville, The	250,000	0	250,000	204,395	81.7%	47,025	157,370
Chittenden Trust Company	4,000,000	0	4,000,000	1,151,369	28.7%	329,898	821,471
Comfed Mortgage Co., Inc.	1,300,000	0	1,300,000	59,950	4.6%	59,950	0
Commonwealth Mortgage Company, Inc	1,000,000	0	1,000,000	267,650	26.7%	155,350	112,300
Community National Bank	500,000	0	500,000	208,120	41.6%	39,900	168,220
Factory Point National Bank, The	750,000	0	750,000	196,185	26.1%	0	196,185
First Brandon National Bank	300,000	0	300,000	61,750	20.5%	0	61,750
First Twin-state Bank	1,000,000	0	1,000,000	536,198	53.6%	111,373	424,825
Franklin-Lamoille Bank	1,700,000	0	1,700,000	192,550	11.3%	0	192,550
Granite Savings Bank and Trust Company	800,000	0	800,000	133,300	16.6%	36,900	96,400
Howard Bank, National Assn, The	5,000,000	0	5,000,000	1,834,512	36.6%	943,262	891,250
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	0	.0%	0	0
Marble Bank	1,800,000	0	1,800,000	350,825	19.4%	0	350,825
Merchants Bank, The	3,000,000	0	3,000,000	577,770	19.2%	116,086	461,684
National Bank of Middlebury, The	1,000,000	0	1,000,000	48,000	4.8%	0	48,000
New England IBM Employees Fed Crdt Union	800,000	0	800,000	276,373	34.5%	60,000	216,373
Northfield Savings Bank	2,000,000	0	2,000,000	339,025	16.9%	0	339,025
Passumpsic Savings Bank	500,000	0	500,000	144,875	28.9%	0	144,875
Peoples Trust Company of St Albans	800,000	0	800,000	0	.0%	0	0
Proctor Bank	1,500,000	0	1,500,000	25,600	1.7%	0	25,600
Randolph National Bank	750,000	0	750,000	37,500	5.0%	0	37,500
Union Bank	600,000	0	600,000	35,000	5.8%	0	35,000
Vermont Federal Bank, FSB	4,000,000	0	4,000,000	2,040,323	51.0%	841,975	1,198,348
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	420,570	42.0%	0	420,570
Vermont National Bank	1,500,000	0	1,500,000	451,250	30.0%	0	451,250
	40,000,000	0	40,000,000	10,189,139	25.4%	3,011,893	7,177,246
	==========	==========	==========	==========	=====	==========	==========

VERMONT HOUSING FINANCE AGENCY

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 04/02/86

Total Number of Loans:	207
Total Loan Amount:	$10,190,707
Average Loan Amount:	$49,230

EXISTING:	$8,628,724	86.9%	180 Loans
NEW CONSTRUCTION:	$1,561,983	13.0%	27 Loans
NEW DETACHED HOUSING:	$1,434,933	91.8%	25 Loans
NEW CONDOMINIUM:	$127,050	8.1%	2 Loans

Total Insured or Guaranteed Loans:	198
Loans Guaranteed by VHMGB:	191

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$49,898	$58,333	$54,136
Avg. Loan Amount	$45,725	$52,701	$49,230
Avg. Borrower Income	$26,373	$27,957	$27,169
Avg. Housing Debt-Income Ratio	23.7%	25.7%	24.7%
Avg. Total Debt	$683.22	$769.51	$726.58
Avg. Total Debt-Income Ratio	31.1%	33.2%	32.1%
Total No. of Loans	103	104	207
First Time Homebuyers	82.5%	100.0%	91.3%
% Loans with 2 or more Wage Earners	60.1%	60.5%	60.3%
% of Total Loan Amount	46.2%	53.8%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	6	$285,625	2.8%	29,406	5.8%
Bennington	9	$438,005	4.3%	33,345	6.6%
Caledonia	6	$294,600	2.9%	25,808	5.1%
Chittenden	72	$4,013,993	39.3%	115,534	22.6%
Essex	0	$0	0.0%	6,313	1.0%
Franklin	19	$988,271	9.7%	34,788	6.8%
Grand Isle	1	$37,000	0.4%	4,613	0.9%
Lamoille	2	$75,000	0.7%	16,747	3.3%
Orange	6	$323,275	3.2%	22,739	5.0%
Orleans	10	$322,745	3.2%	23,440	4.6%
Rutland	26	$1,181,075	11.6%	58,347	11.4%
Washington	31	$1,404,973	13.8%	52,393	10.2%
Windham	3	$119,770	1.2%	36,933	7.7%
Windsor	16	$706,375	6.9%	51,030	10.0%
TOTAL	207	$10,190,707	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

MEMORANDUM

TO: VHFA Commissioners

FROM: Michael M. Richardson

RE: Multi-Family Program

DATE: March 27, 1986

Our "80/20" multi-family development program has not been sufficiently attractive to induce private investment in affordable rental housing. Further, since the beginning of this year we would not have been able to secure an unqualified Bond Counsel opinion on a project (had we been able to seek such an opinion) because of pending federal legislation. Ironically, tax-exempt interest rates are falling and may continue to stay down for some months. This memorandum seeks Board approval of a revised multi-family program which would enable the Agency to capitalize on favorable economic conditions pending resolution this summer of the tax bill problem. The program would:

1. Offer increased incentives for developers;
2. Ensure affordability of restricted units; and
3. Require income, occupancy and other restrictions equal to the most stringent restrictions currently proposed in Congress.

A. Developer Incentives

I. For Non-Recourse Loans to Private Sponsors

A. Agency fees may be mortgageable.
B. Loans may be Graduated Payment Mortgage loans with initial interest rate to be equal to 7% or Bond Coupon rate whichever is lower. (No GPMs would be as low as 7% if the Coupon rate exceeded 8.5%.)
C. Debt coverage ratio of 1 to 1.0.
D. Minimum equity contribution of 12% of Total Development Cost.

II. For Recourse Loans to Private Sponsors

A. Agency fees may be mortgageable.
B. GPM loans per above.
C. DCR per above.
D. Minimum equity contribution 10% of Total Development Cost.

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III. For Loans to Nonprofit Sponsors

A. All options per II above except no minimum equity requirement.
B. Up to $5,000 per restricted unit in subordinate loans to cover start-up costs. Loans repayable: Interest only (at note rate) and principal due upon resale, prepayment permitted at anytime.

COST TO AGENCY

GPM loans would require the use of Agency reserves to fund initial negative amortization. The unpaid principal and interest in the early years is added to the outstanding loan balance. This, in turn, drives the loan-to-value ratio upwards until the GPM payments reach a level sufficient to amortize the balance over the remaining term of the loan. Table 1 illustrates how this works. Note that the loan-to-value goes up from 90% to a peak of 92% at the end of year 4. At that time there is a cumulative deficit of $416,406 on $10,000,000 in loans. Amortization is positive from then on and the deficit is fully recaptured (in constant dollars) by year 12. In the table, I have assumed a 5% annual increase in debt service payments for the GPM loans. Provided that operating costs do not inflate by more than 5% average annual rental increases should not have to exceed 5%.

B. Affordability

Our current 80/20 program requires the rents on set-aside units to be 80% of the "market" rent on a comparable unit. If market rents are high, 80% may not be affordable to income qualified tenants. Conversely, if market rents are low, the 80% rule may unduly restrict project income. The proposed alternative is to peg set-aside rents at 25% of income where utilities are not included and 30% of income where rent includes utilities per the following formula:

Unit Size	Rent Formula
One Bedroom	25% of 2-person family (at 80% of Median Income)
Two Bedroom	25% of 3-person family (at 80% of Median Income)
Three Bedroom	25% of 4-person family (at 80% of Median Income)

This would yield the following maximum rents on restricted units:

County	1 Bedroom	2 Bedroom	3 Bedroom
Burlington MSA	399	449	498
Chittenden	379	426	473
Windsor	339	381	423
Rutland	324	365	405
Bennington	320	360	400
Washington	315	354	393
Windham	313	353	392
Addison	307	345	383
Franklin	300	338	375
Lamoille	300	338	375
Caledonia	289	326	362
Grand Isle	277	312	347
Orleans	272	306	340
Essex	272	306	340
Orange	269	303	337

C. Federal Compliance

The current program, following Section 103(b)(4)(a) of the federal tax code, requires that 20% of the units must be set-aside for persons with incomes at 80% of area median income. (Proposed Treasury regulations would also require an adjustment for household size.) HR 3838, the tax proposal most restrictive in this regard, requires the Agency to elect either (1) 25% of the units set-aside for 80% of Median, or (2) 20% of the units set-aside for 70% of Median. We would require prospective developers to request one of these alternatives and to assume incomes adjusted by household size.

The period during which the project must be kept with occupancy restrictions is lengthened by HR 3838 from approximately 12 years to the longer of 15 years or the date on which none of the bonds sold to finance the project are outstanding. HR 3838 also requires annual recertification of tenant income and annual certification from the project owner to the Treasury that the project continues to meet income restrictions. These proposed changes would be incorporated in our program so that if a tax bill is passed this year our projects would comply. If no bill is passed and the effective date is advanced, our projects would also meet current law effective during the interim period. With sufficient developer response to our Request for Proposals we would then have an adequate pipeline to issue bonds as market conditions warranted.

Finally, there would be no specified design standards.

Other than the prevailing BOCA code but emphasis would continue to be placed on designing projects with sufficient aesthetics and amenities to retain market appeal.

To market the program we would:

1. Rewrite "Developer's Memo" to shorten its length. A one-page cover letter listing salient points would accompany the memo.

2. Advertise a "Request for Proposals" from interested parties in the Burlington Free Press, Rutland Herald and Times-Argus.

3. Mail package to our current list of 100 plus developers. Also mail to selected nonprofits.

4. Mail program summary to commercial loan officers who might ultimately be construction lenders.

5. Follow-up visits to developers and lenders.

Application processing would permit the developer to submit initial numbers and concept without paying a fee. An initial site visit and meeting at the developer's office would follow. Only if the project appeared to be feasible at that point would the developer submit the full package and a $500 application fee refundable only if pending federal legislation made the developer's project infeasible. The fee would be waived for nonprofits but evidence of equity contribution and sufficient working capital would be required.

A bond issue to finance not more than $10,000,000 or 66% of full applications deemed viable would be then be structured.

<u>Timing</u>

May 1	Begin Marketing
June 15 (or as loans received)	Begin Site Visits
September 1	Identify Size of Bond Issue and Begin Commitment Stage
December 1	Sell Bonds (pending legislation)

MR:pw118

TABLE I: GRADUATED PAYMENT MORTGAGE SCHEDULE

ASSUMPTIONS:

No.of Units	245	Restricted	61 units(25%)					
T.D.C/Unit	45,000	Market	184 units					
T.D.C.	11,025,000	45,000 (Per Unit)						
Principal	9,922,500	40,500 (Per Unit)						
L.T.V.	90.00%							
Fixed Rate	9.50%							
Initial Rate	7.50%		***************************					
Years	30		Cumulative Deficit	(416,406)		Initial*********		
Mo. Paymnt	83,434		Per Unit Deficit	(1,700)		69,380	8.39%	
Init.DS/Unit	283		Max LTV	92.23%		Annual	83.91	
Plus Op Cost	172.50		Recapture of Deficit: 12 years			*******		
Init.Ave.Rent	456		***************************			*******	235,200	545
Init Restricted Rent	350.00							
Init Market Rent	490.72							

YEAR	MONTHLY GPM LOAN PAYMENT	MONTHLY FXD LOAN PAYMENT	INTEREST ACCRUED MONTHLY	MONTHLY GPM DIFF.	ANNUAL DIF(pv'ed)	PRINCIPAL BALANCE YEAR END	CURRENT LTV	AGENCY CASH FLOW	
0						9,922,500	90.00%		
1	69,380	84,924	78,553	9,174	115,005	10,037,505	91.04%	(168,650)	(168,650)
2	72,849	86,214	79,464	6,615	82,930	10,120,434	91.80%	(127,023)	(127,023)
3	76,491	87,260	80,120	3,629	45,497	10,165,931	92.21%	(83,314)	(83,314)
4	80,316	88,014	80,480	165	2,066	10,167,997	92.23%	(37,419)	(37,419)
5	84,331	88,417	80,497	(3,835)	(48,073)	10,119,924	91.79%	10,770	0
6	88,417	88,417	80,116	(8,301)	(104,070)	10,015,853	90.85%	59,804	0
7	88,417	88,417	79,292	(9,125)	(114,399)	9,901,454	89.81%	59,804	0
8	88,417	88,417	78,387	(10,031)	(125,753)	9,775,701	88.67%	59,804	0
9	88,417	88,417	77,391	(11,026)	(138,234)	9,637,467	87.41%	59,804	0
10	88,417	88,417	76,297	(12,121)	(151,953)	9,485,514	86.04%	59,804	0
11	88,417	88,417	75,094	(13,324)	(167,034)	9,318,480	84.52%	59,804	0
12	88,417	88,417	73,771	(14,646)	(183,612)	9,134,868	82.86%	59,804	0
13	88,417	88,417	72,318	(16,100)	(201,835)	8,933,034	81.03%	59,804	0
14	88,417	88,417	70,720	(17,698)	(221,866)	8,711,167	79.01%	59,804	0
15	88,417	88,417	68,963	(19,454)	(243,886)	8,467,281	76.80%	59,804	0
16	88,417	88,417	67,033	(21,385)	(268,091)	8,199,190	74.37%	59,804	0
17	88,417	88,417	64,910	(23,507)	(294,699)	7,904,491	71.70%	59,804	0
18	88,417	88,417	62,577	(25,840)	(323,947)	7,580,544	68.76%	59,804	0
19	88,417	88,417	60,013	(28,405)	(356,098)	7,224,446	65.53%	59,804	0
20	88,417	88,417	57,194	(31,224)	(391,440)	6,833,007	61.98%	59,804	0
21	88,417	88,417	54,095	(34,323)	(430,289)	6,402,718	58.07%	59,804	0
22	88,417	88,417	50,688	(37,729)	(472,994)	5,929,723	53.78%	59,804	0
23	88,417	88,417	46,944	(41,474)	(519,938)	5,409,786	49.07%	59,804	0
24	88,417	88,417	42,827	(45,590)	(571,540)	4,838,245	43.88%	59,804	0
25	88,417	88,417	38,303	(50,115)	(628,264)	4,209,981	38.19%	59,804	0
26	88,417	88,417	33,329	(55,088)	(690,618)	3,519,363	31.92%	59,804	0
27	88,417	88,417	27,862	(60,556)	(759,160)	2,760,203	25.04%	59,804	0
28	88,417	88,417	21,852	(66,566)	(834,505)	1,925,698	17.47%	59,804	0
29	88,417	88,417	15,245	(73,172)	(917,328)	1,008,370	9.15%	59,804	0
30	88,417	ERR	7,983	(80,435)	**********	0	0.00%	59,804	0
									(416,406)

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Michael M. Richardson Michael Richardson

RE: South Meadow Project

DATE: April 2, 1986

INTRODUCTION

After a year and a half of planning and Public Hearings the South Meadow project has reached a stage which requires Board review and consideration for financing. Originally proposed as a 200 unit co-operative, the project was scaled back last summer to 160 units of rental housing. It received local approval but a neighborhood group brought suit against the City in Superior Court claiming among other things that the approval was not consistent with the City's 5 year plan. While both the city and the developer were confident of prevailing in the suit, delay could have jeopardized the Housing Development Grant (HODAG) from HUD which is an integral part of the project. (In order to preserve the Grant, the developer must break ground before November 29 of this year.) To avoid that, a negotiated settlement was reached with the group which required scaling the project back to 148 units. No further objections from the neighborhood group are anticipated. A revised Act 250 application is to be submitted and approval is expected about two weeks later.

PROJECT DESCRIPTION

Thirty-eight (38) buidings on 16 acres immediately west of Shelburne Road Shopping Plaza (Sears, etc.) are to be built on land to be acquired from the Baird Center. The Baird Center, a non-profit boarding and day school for children with psychological disabilities, will retain the acreage immediately adjacent to their facility and will continue to operate their facility. The Southern Connector, a new access road to the city off of I-89, is planned to pass approximately 200 feet south of the South Meadow property. Project amenities include a 1.75 acre park to be deeded to the City, a community building with coin-operated laundry, and a tennis court. Sixty-four (64) units will have attached garages or carports with clapboard siding. The remaining units will have parking adjacent to them. In all, 307 parking spaces will be provided. Every apartment will be equipped with dishwashers and garbage disposal units.

OCCUPANCY RESTRICTIONS

Per HODAG restrictions 40 units (27%) will be held available for families below 80% of Median Income for the Burlington area. All the restricted units will be three bedroom units. Rents must be affordable (30% of income) for people at **50%** of Median Income. Since utilities are not included, the developer must deduct a utility allowance before setting the contract rent. Currently the Contract rent is projected to be $283.00 per month. Both the percentage and rent level of the restricted units exceed our "80/20" program requirements and would exceed the requirements of current pending Federal legislation regarding Tax-Exempt Bonds. The HODAG restrictions will apply to the project for twenty years. Agency regulations pursuant to State statute additionally require that at least 111 units (75%) be occupied by persons with household incomes below Median Income for the Burlington area. Median Income is $29,900. A breakdown of units by type and by rent is attached.

DEVELOPMENT GROUP

Developer/Owner: Coburn & Feeley Development Co., Inc. has developed the project thus far. The principals are Richard T. Feeley, Robert F. Cooper and Thomas R. Coburn. They will form a single purpose, Limited Partnership with the Principals remaining as general partners. The Partnership will extend an option to purchase the property to the Co-operative described below. The option will offer a purchase price at a slight discount from appraised value but cannot be exercised for 20 years. While the developers are experienced in commercial real estate development and management, this is their first residential development.

Marketing/Management: The project will be leased to a Co-operative comprised of tenants. The Co-operative, in turn, will hire Coburn Feeley Management Co. Inc. to manage the property for an initial 3 year period. Details on the extent of the Co-operative's authority to set rents and operating budgets are not available at this time but at a minimum the Agency will require (and has made clear to all parties) that any leasing arrangement must be made subordinate to our Regulatory Agreement, and the Co-operative's legal structure must pass muster with our Bond Counsel (with respect to the tax-exempt status of our bonds).

Architect: Kessel-Duff Construction. Consulting architects are Kielman, Batten (for building design) and Site Concern (for site design).

General Contractor: Kessel-Duff Construction.

Attorney: Downs, Rachlin & Martin.

Development Costs

Site	1,014,442	
Construction	6,922,023	($38.07 per square foot)
Fees	332,100	
Financing	697,570	
Total Development Cost	8,966,135	($60,582 per unit)

Equity	892,700	10%	
VHFA first Mortgage Loan	4,519,000	51%	(9.5%/30 year)
HODAG subordinated Loan	3,515,000	39%	(1% (deferred)/20 yr)

Comments: Construction financing is anticipated from the Merchant's Bank in participation with the Agency. The Merchant's will act as lead and provide not less than $3,515,000. (The Merchant's may participate out some of this loan.)

Annualized Operating Budget

Effective Gross Rents		892,911
Expenses		336,940
Debt Service		529,050
Cash Surplus		26,921
Debt Coverage Ratio	1 to 1.05	

Comments: The developer has insisted that the project must show an 8% cash return on partner's equity by year 4 in order to be attractive in today's equity market. This may be true to the extent that tax law changes in recent years have greatly reduced the after-tax benefits of Low Income Housing. Nevertheless, the Agency has told the developer that any reduction in Debt Service due to favorable market conditions at the time of Bond sale must be passed through to the tenants in the form of reduced rents at least to the extent of keeping the cash-on-cash return at no more than 8% by year 4. The vacancy factor is assumed to be 5%.

Market Analysis

The current vacancy rate in Burlington is approximately 1%. Larger, family oriented apartments are particularly difficult to find. This is due in part to approximately 6,000 college students not currently housed on campuses. It is also due to the strong employment picture in Chittenden County. The current market rent for a new two bedroom flat is $500 to $525; for a two bedroom townhouse about $600 to $650. There are fewer comparable three bedroom flats and townhouse apartments. Of the 70 three bedroom units (58 flat and 12 townhouse) 40 will be set-aside for lower income occupancy at $284 per month and will lease-up without delay. The remaining 30 will be entering a relatively untested market. However projected rents of $600 and $675, respectively may actually be lower than market when the units become available in 1987 or early 1988. A breakdown of unit types and rents is attached. The site is next to 24 hour shopping, has bus service and is within walking distance of a public primary school, a parochial high school (Rice High School) and within walking distance of Oakledge Park. The Southern Connector will adversely effect the site but the effect will be somewhat mitigated by its design (roadbed substantially lower than site) and improved traffic flows.

Financing Terms and Conditions

Construction Loan: Participation of Merchant's and VHFA anticipated. Merchant's rate unknown but will be over prime plus more than one point. VHFA rate and point(s) to be negotiated. The City will lend the proceeds of the HODAG, if early disbursement permits, at 6%, no points, accruing and payable upon Substantial Completion. (The City loan would accrue due to a Grant technicality.)

Mortgage Loans: The Agency's First Mortgage Loan will be at the Bond Coupon rate plus customary, permitted override. The term will be 30 years. A coupon rate of 8.25% has been projected for underwriting purposes but could be lower than that in today's market. The terms of the City's loan are 20 years at 1%, deferred and compounded annually (value at term: 4,288,968). The City will also receive 15% of net cash flow after the developer's preferred return of 8% on equity and 15% of the General Partner's share of net sales or re-financing proceeds. The City intends to roll the HODAG loan over in year 20 so as to make purchase of the project by the Co-operative affordable.

Bond: Bond Counsel opinion as to the nature of the Agency's security is pending, thus our discussions with underwriters have been general to date. If a bond is to be sold, given the uncertainty of Federal Legislation, the Bond would have to include a "gross-up" provision enabling the holder to receive a taxable coupon rate in the event that the project could not qualify as lower income housing within the meaning of the new law. The taxable rate would have to approximate the then current Prime rate plus 50 to 100 basis points. The project appears to exceed all proposed new Federal restrictions but so long as pending legislation carries a provision permitting the new law to be effective retroactive to January 1, 1986 **there is no absolute assurance as to tax-exemption.**

Required Reserves

A Revenue Deficit Letter of Credit equal to the difference between income from units leased at permanent closing and income needed to sustain breakeven operation of the project will be required at closing. This requirement will lapse when three months of sustaining occupancy has been achieved.

A Working Capital Letter Escrow equal to 40% of annual Debt Service ($182,000) to be reduced by 1/4 for each year that the project achieves breakeven or better operation.

A Reserve for Replacement Escrow to be based upon an analysis of building, sitework and equipment life cycles to be funded annually from operating revenues. The annual amount is currently estimated to be $42,000.

Outstanding Items

1. The formal structure and authority of the Co-operative to be formed is not known yet.
2. Final Construction cost and an independent Cost Estimate are pending.
3. The Secretary of HUD must sign the Grant Agreement between HUD and the City.
4. Bond Counsel opinion is pending.
5. Bond Underwriter and underwriting details are pending.
6. Construction Loan details with the Merchant's must be worked out.
7. Allocation of the State Volume Cap (per HR 3838) from the Governor is pending.
8. Act 250, State and Local building permits are pending.

Time Frame

In order to preserve the HODAG construction must begin before November 29, 1986. The developer is gearing up for an early summer start. He has projected a 20 month schedule but is negotiating with the Contractor for a 14 month period.

Financing Recommendation

Because the HODAG will be rescinded after November 29 and because the Federal Tax Law picture could change rapidly, it is recommended that the Board authorize the Acting Executive Director to sign and deliver the Agency's Letter of Commitment pending satisfactory resolution of the outstanding items.

MR120

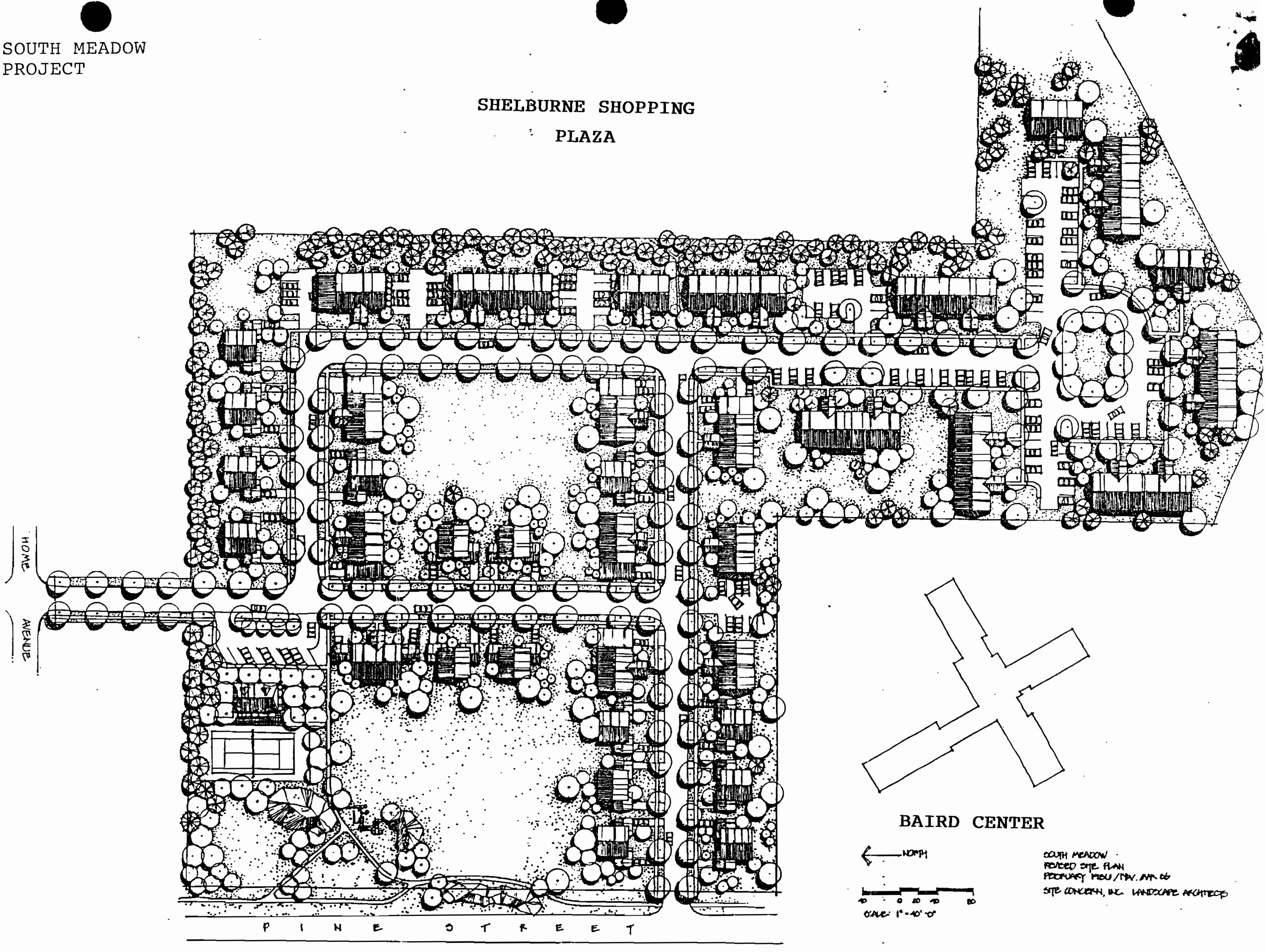
SOUTH MEADOW...GROSS SQUARE FOOTAGES
GSF DOES NOT INCLUDE CARPORTS, GARAGES OR EXTERIOR STAIRWELLS
HC DENOTES HANDICAP ACCESIBLE UNITS

UNIT TYPE	GSF	NUMBER	TOT.GSF	
2BR TOWN	1,139	20	22,770	WITH GARAGES
3BR TOWN	1,438	12	17,250	WITH GARAGES
2BR FLAT	1,000	54	54,000	32 WITH CARPORTS
3BR FLAT	1,180	47	55,460	
2BR FLAT HC	1,000	4	4,000	
3BR FLAT HC	1,234	11	13,577	
TOTALS	6,990	148	167,057	

SOUTH MEADOW UNIT BREAKDOWN

UNIT TYPE	NO. OF UNITS	RENT	INCOME REQUIRED IF THE FOLLOWING %s SPENT ON HOUSING HOUSING 30%	25%
2BR MRKT FLT	58	525	21,000	25,200
2BR MRKT DUPLEX	20	625	25,000	30,000
3BR MRKT FLT	23	600	24,000	28,800
3BR HODAG FLT	35	284	11,340	13,608
3BR MRRKT DUPLEX	10	675	27,000	32,400
3BR HODAG DUPLX	2	284	11,340	13,608
TOTAL UNITS	148			
TOTAL RESTRICTED BY HODAG	37			
TOTAL RESTRICTED BY "80/20"	30			
TOTAL RESTRICTED BY HR3838	37			
TOTAL RESTRICTED TO MEDIAN INCOME	111			
MEDIAN INCOME	$29,900			

SOUTH MEADOW
PROJECT



VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Michael M. Richardson Michael M. Richardson

RE: Canterbury Inn

DATE: April 2, 1986

At your monthly meeting last June we presented to you a proposal from a subsidiary of Northern Community Investment Corporation called Northern Community Care Corporation (NCCC) to build and operate a Level III Community Care Facility in St. Johnsbury. At the meeting it was **"resolved that the Executive Director be authorized to issue to Christine Owre, in her capacity as representative of the developer, the Agency's commitment to finance the development subject to the customary requirements and conditions of the Agency's Multi-Family housing program, and further subject to the following specific conditions:**

1. **Total Development Cost not to materially exceed $825,000 not including working capital requirements.**
2. **The Agency's loan shall not exceed $450,000 (and must be secured by a first mortgage lien).**
3. **Evidence satisfactory to the Agency that the RDAG and UDAG grants described in the Executive Summary have been obtained.**
4. **Developer's equity contribution to the development of at least $85,000 exclusive of any grant funds."**

Since that time the following has occurred:

1. Both grants have been awarded.
2. NCIC has received a third grant from the Office of Community Services of $150,000 to be used per the chart below.
3. NCCC has arranged for the property to be managed by a corporation to be formed by NCCC and Mr. Gary Marcotte, Self Care Inc., of Barton, VT.
4. The project has been expanded to 37 rooms and suites providing space for 42 residents.

DEVELOPMENT COSTS

Source	Use DEVELOPMENT	PERSONALTY	WORKING CAP.	TOTAL	% of TDC
NCCC	$ 85,000	$27,000		$ 112,000	11%
VHFA	443,000			443,000	42%
UDAG	131,500			131,500	13%
RDAG	32,000	$60,000	$120,000	212,000	20%
OCS	60,000		90,000	150,000	14%
TOTAL	$ 752,000	$87,000	$210,000	$1,049,000	

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Source	Use DEVELOPMENT	PERSONALTY	WORKING CAP.	TOTAL	% of TDC
Site	$ 85,400	8% of TDC			
Construction	580,600	55% " "			
Furn.& Equip.	87,000	8% " "			
Fees	86,000	8% " "			
	$ 839,000				
Working Cap.	$ 210,000	20% " "			
TDC	$1,049,000				

Comment: Final construction figure is pending. The per square foot construction cost per the above figure would be $48.38, significantly lower than Enosburg ($67.73).

OCCUPANCY RESTRICTIONS

In all, 28% of the spaces available would be reserved for lower income persons. Six places would be reserved for those receiving SSI benefits and would rent for 90% of the monthly benefit. Six additional spaces would rent for 125% of the monthly SSI benefit.

ANNUALIZED OPERATING BUDGET

Effective Gross Rents	$317,484	(5% Vacancy)
Expenses	$253,475	
Operating Ratio 80%		
Net Operating Income	$64,009	
VHFA Debt Service	$48,498	(9.5%/30 yr)
Debt Coverage Ratio 1 to 1.37		

MARKET ANALYSIS

Lease-up of Level III's can be slow but the available working capital provides adequate coverage of significant, initial vacancy rates. The developer assumes the following rates:

Year	1987	1988	1999	1990	1991
Vacancy	55%	10%	10%	7.5%	5%
Deficit	($86,986)	-0-	-0-	-0-	-0-

The maximum vacancy rates sustainable by $210,000 of Working Capital are:

55%	35%	25%	20%	15%
($86,986)	($57,555)	($38,709)	($22,705)	($3,187)

FINANCING TERMS AND CONDITIONS

Construction Loans: The Howard Bank will make a construction loan up to $443,500 at base rate plus 1 3/4 and one point. Additional loans funded from UDAG ($131,500) and RDAG ($32,000) plus developer's equity of $145,000* make up the balance of the construction financing.
*includes $60,000 in OCS grant funds

Mortgage Loans: The Agency has assumed for underwriting analysis a 9.5%, 25 year fluctuating rate loan. A second mortgage loan from the Town of St. Johnsbury of $212,000 in RDAG funds and a third for $135,000 in UDAG funds (per the above Sources/Uses) will also be secured by the property. Repayment of these junior loans will be from residual cash flow after NCCC's preferred 12% return on equity of $145,000. The loans will accrue to the extent that residual cash flow is unable to meet required debt service. The rates are RDAG: 3%/25 yrs, UDAG: 6%/25 yrs.

Comment: VHFA debt is senior to all other debts. If it is fluctuating, some limit in the 9.5% range, at least for the first 7-10 years, is necessary to protect residents against rapidly escalating rents.

Bond: The Howard Bank has agreed to buy the Agency's "Small Issue Exemption" IDB (the same bond vehicle used in Enosburg) based upon the higher of 80% of the New York Prime, reset intervals to be negotiated; or, 95% of the 11 Bond Index, fixed for three years and then adjusted in three year intervals. The term in either case would be 25 years. The Howard requires a taxable bond rate in the event that the tax exemption is extinguished by future legislation. The specifics of this provision have not been negotiated.

Comment: Any buyer of the bond will require the same taxable provision. The Agency, in funding this project, may face the very difficult decision of either raising its note rate on the Mortgage to a level which seriously impacts rents or calling the bond and perhaps having to fund the loan out of reserves. One alternative is to issue a taxable, fixed rate bond now, provided the resulting mortgage rate can be sustained by feasible rents.

REQUIRED RESERVES

A Working Capital Cash Escrow of $210,000.

A Reserve for Replacement Escrow based upon analysis of building and equipment life cycles.

OUTSTANDING ISSUES

1. The legal relationship between NCCC and the Management corporation must be formalized.
2. Final construction budget and independent cost estimate.
3. Up-dated Health Department Certificate of Need (this is assumed to be a formality based upon conversations with the Department).

4. Structure of Bond Issue.
5. Public Hearing and Governor's allocation of Volume cap (if Bond is to be tax-exempt).

FINANCING RECOMMENDATION

Recommend that the Board authorize the Acting Executive Director to sign and deliver the Agency's Commitment Letter pending satisfactory resolution of the outstanding items.

MR121

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Allan S. Hunt ASH

RE: Exxon Oil Overcharge Task Force

DATE: April 2, 1986

Karen Meyer and I were appointed by Governor Kunin to serve on the Exxon Oil Overcharge Task Force. This Task Force was requested to make recommendations on how best to use approximately $5 million the state has received as its share of the Exxon court ordered fine.

The enclosed are excerpts from the report sent to the Governor recommending programs involving the Agency.

Karen and I will give an updated report at the meeting.

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III. RECOMMENDATIONS ON THE DISTRIBUTION OF THE EXXON FUNDS

The Exxon funds offer the state an unprecedented opportunity to implement significant energy efficiency measures that will bring long-lasting economic and social benefits to Vermont. The Oil Overcharge Task Force developed its recommendations based on the following guidelines:

1. projects should have long-term impact in Vermont;
2. projects should produce measurable results;
3. projects should maximize other funding sources;
4. projects should benefit all Vermonters, but particularly low and moderate income people;
5. projects should promote a healthy economy, by creating more jobs and by keeping energy dollars in Vermont.
6. projects should be implemented primarily at the local level through community-based organizations.

These guidelines, along with the restraints imposed by the Warner Amendment, form the basis of the Task Force's initial recommendations. While the uncertainties surrounding the requirements on the use of oil overcharge funds preclude the Task Force from making final recommendations at this time, it can present a list of programs and options that are being actively considered and which indicate a recommended direction for use of the money. This compilation is intended as a preview of the final recommendation, and is subject to change. Next to each of the following project titles, there is a figure that represents the percentage of oil overcharge funds which would be used for the project.

2. Mortgage Lending ~~($500,000)~~ 10 20

Program: State Energy Conservation Program

Responsible State Agency: Department of Public Service or new administrative entity.

A good opportunity to improve the energy efficiency of a home is when it is mortgaged. Yet, because most Vermont banks and the Housing Finance Agency are reluctant to include energy costs in determining a home owner's ability to repay, buyers are unable to borrow the needed funds for the necessary improvements. This policy leaves the homeowner with higher energy bills and the lender with a higher risk of default.

A portion of the Exxon money could be used to fund a pilot program to demonstrate the importance and viability of prioritizing energy efficiency improvements in home mortgages.

The program would have two parts:

A. Private Lenders -- A two-year pilot project could be implemented which would include development of energy standards and "energy appraisal" procedures, a training program for appraisers, and actively working with lenders to quatitatively incorporate energy costs into standard lending practices. As an incentive, a 1-2% buydown could be offered to home buyers willing to retrofit their new homes through a participating bank. Evaluation should be conducted to quantify the actual benefits achieved in such a program. These benefits should include an improved housing stock with lower heating bills and increased comfort, and more affordable housing with higher value. If the project is successful, it will have leveraged a new statewide mortgage policy that will result in long-term energy savings.

B. Vermont Housing Finance Agency -- Money could be used to buy down VHFA-originated mortgages where energy retrofit was made part of the new mortgage. The Agency would agree to use liberalized underwriting standards in recognition of the anticipated heating cost reduction, thus enabling lower income families to realize their dream of owning a home of their own. This program could utilize some low-interest mortgage financing available to the Agency to create the proper incentives for maximum participation in the program. If anticipated benefits are achieved, the Agency should incorporate these practices into its general lending program.

The ultimate objective of both programs would be to educate the banking community about the significant advantages of encouraging and permiting energy efficiency measures' inclusion in the mortgage loan made when a home is purchased. Given that 10,000 homes are purchased in Vermont each year, this program, if successful, could have a major, impact on residential energy use.

3. Multi-family Housing 16%

Program: State Energy Conservation Program

Responsible State Agency: Department of Public Service or new administrative entity.

Most Vermonters who rent are in a dilemma. If they pay for their heat, they are stuck with high energy bills with no incentive to make major energy efficiency improvements, since they don't own the building. On the other hand, the building owners tend not to make the improvements because they do not directly receive the benefit of lower energy bills. This "renter's dilemma" is compounded by the fact that most renters earn low to moderate incomes.

The Task Force believes that the oil overcharge funds should be used to establish a low-interest revolving loan fund, designed to effect energy efficiency imporvements in multifamily housing, including public housing and Section 8 Exisitng units.

There are approximately 1,700 units of public housing and 1,700 units of Section 8 existing certificates in Vermont. Much of this housing is more than 20 years old, heated electrically and woefully underinsulated. Approximately 50% of the tenants pay their own energy costs; the balance have heat included in their rents.

It is important that energy costs in publicly assisted housing be reduced to the greatest extent possible, so that potential impending reductions in public housing operating subsidies can be absorbed more easily through energy cost savings.

Since the public housing program and the Section 8 program are quite different, this proposal has two components.

A. Public Housing Units

Reduced rate loans could be made to public housing authorities for five years to be used to implement energy retrofit as prescribed by a comprehensive energy audit. The loans would be repaid out of achieved energy savings. For example, with approximately $400,000 in oil overcharge funds, it is estimated that $3 million could be raised by VHFA for 5% loans. Assuming that the retrofit costs average $2,500 a unit, approximately 1,200 units (about 75% of the total) could be done under this program.

Under HUD regulations, the federal agency will receive 50% of the energy savings if this program is implemented, unless the responsible public housing authority is granted a waiver -- in which case, the authority would be able to retain ~~all~~ the benefits. The Task Force recommends that this program move forward on the condition that HUD grants a waiver to all of the participating housing authorities.

B. Section 8 Rental Housing

Following the same model, low-interest loans could be made available to Section 8 landlords to implement energy-saving measures prioritized by an energy audit. Repayment would be accomplished by utilizing the savings from lower heating bills. The benefits to the landlord would include higher property values,

PROPERTY OWNER

flexible and affordable financing and ultimately, better cash flow. Tenants would gain greater comfort and be somewhat buffered from reductions in benefits proposed by Gramm-Rudman.

The Burlington Free Press
Monday, June 2, 1986

State Government Meetings

Week of June 2

TODAY

District Environmental Commission, Norman Smith Inc. and Killington Ltd., work over 2,500 feet in Parkers Gore west in Mendon, 1:30 p.m., Rutland Town Office, Center Rutland.

District Environmental Commission, Bolton Valley Corp., construction of snow-making pond and lines in Bolton, 2 p.m., Town Hall, Bolton.

TUESDAY

Snowmobile Advisory Council, 9 a.m., first-floor conference room, Agency of Environmental Conservation, 79 River St., Montpelier.

Appeals Panel, 9:30 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Liquor Control Board, 9:30 a.m., board office, Green Mountain Drive, Montpelier.

Vermont Health Department, public hearing on the 1987 Supplemental Food Program for Women, Infants and Children, 1 p.m., department conference room, 1193 North Ave., Burlington.

District Environmental Commission, Magic Mountain Corp., expansion of snow-making facilities in Londonderry, 1:15 p.m., Town Office Building, Londonderry.

District Environmental Commission, Mount Mansfield Co., construction of chairlift and other work in Stowe, 3 p.m.; George Gajdos, conversion of residence into bed-and-breakfast lodge in Waterbury, 7:30 p.m.; Memorial Room, City Hall, Montpelier.

WEDNESDAY

Motor Vehicle Arbitration Board, hearings, 8:45 a.m. to 1:30 p.m., fourth-floor conference room, 133 State St., Montpelier.

Environmental Board, Quechee Lakes Corp., Ridge Condominiums, 9:30 a.m., and Adrian Lesage and Pine Tree Commons Homeowners Association, 4:30 p.m., Red Pines Inn, U.S. 4, Quechee.

Vermont Housing Finance Agency Board, 2 p.m., 1 Burlington Square, Burlington.

Board of Mental Health, 6 p.m., conference room, Mental Health Department, State Office Complex, Waterbury.

Fish and Wildlife Board, 7 p.m., Pavilion Auditorium, 109 State St., Montpelier.

District Environmental Commission, reconvened hearing, Rowe Quarry, 9 a.m., Town Office, Pittsford.

District Environmental Commission, Institute for Social Ecology and William and Mary Lloyd, development of environmental education and research center in Rochester, 10 a.m., barn, Great Hawk Colony, Rochester.

District Environmental Commission, Roy Marble, Charles Barnett and Foster-Taber Corp., creation of 56-lot residential subdivision in Morrisville, 6:30 p.m., Charlmont Restaurant, Morristown.

THURSDAY

Vermont Labor Relations Board, Association of Chittenden County Employees and Chittenden County Superior Court, 9:30 a.m., board hearing room, 13 Baldwin St., Montpelier.

Environmental Board, Orzel gravel operation, 9:30 a.m., library, Vermont Police Academy, Pittsford.

District Environmental Commission, Rodney Guetti and Alan Morrison, addition of 50 mobile home units in Bennington, 9:30 a.m., VFW, Manchester.

FRIDAY

Vermont Developmental Disabilities Council, 10 a.m., Holiday Inn, Rutland.

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

May 29, 1986

The Burlington Free Press
191 College Street
P.O. Box 10
Burlington, Vermont 05402-0010

Dear Sir/Madam:

The Vermont Housing Finance Agency will be holding its monthly Board meeting on Wednesday, June 4, 1986, at 2:00 PM, at the Vermont Housing Finance Agency, Burlington, Vermont.

Please include this in the Burlington Free Press section "State Government Meetings".

Thank you.

Sincerely,

Kate Forcier

Kate Forcier
Secretary

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VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

BOARD MEETING AGENDA

Vermont Housing Finance Agency
Burlington, Vermont

Wednesday, June 4, 1986 -- 2:00 PM

1. Approval of April 7, 1986 Board Minutes

2. Executive Session to Discuss Personnel Matters

3. Single Family Program

   a. 1985 Series B Report (enclosure)

   b. Review of initiatives to stimulate 1985 Series B Program (Pat Crady)

4. Multi-Family

   a. Update and Possible Action on South Meadow Project (enclosure/Mike Richardson)

   b. Update on Interest in Graduated Payment Mortgage Program (enclosure/Mike Richardson)

   c. Update on Multi-Family Management Issues (verbal)

5. General Fund Budget

   a. Approval of Final Revised 1986 Budget (Roger Schoenbeck)

   b. Approval of Preliminary Fiscal Year 1987 Budget (Roger Schoenbeck)

6. Discussion of Current Tax Reform Proposals (Allan Hunt)

7. Other Old or New Business to Come Before Board

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VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

BOARD MINUTES

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Monday, April 7, 1986

Present: Chairman Hunt, Commissioners Gardner, Myette (speaker phone), Walter Morris (designee of Guest), Edwin Gallison (designee of Hebard), William Rockford (designee of Menson); Mr. Schoenbeck, Mr. Richardson, Ms. Crady, VHFA Staff; Ms. Eldridge, Department of Community Affairs; Mr. Gurley, Mr. Holzschuh, Morgan Stanley & Co.; Mr. Ethan Byon, E.F. Hutton.

Chairman Hunt called the meeting to order at 1:35 PM.

The minutes of the January 23, 1986 meeting were considered and upon motion duly made and seconded, were unanimously adopted.

Next, upon motion duly made and seconded, the Board unanimously agreed to go into Executive Session.

After emerging from Executive Session, a motion was made, seconded and unanimously approved to appoint Allan S. Hunt as Interim Executive Director. Following that action, a motion was made, seconded and unanimously approved to have Commissioner Gardner assume the Chair for the remainder of the meeting.

A motion was made, seconded and approved to return to Executive Session for the purposes of discussing personnel matters and legal matters pertaining to two multi-family projects.

Upon emerging from Executive Session, Ms. Crady provided the Board information on the progress of the 1985 B Mortgage Loan Program, describing loan origination as slow but steady. She next presented a two-page outline of recommended changes in the program to allow for better targeting of the funds. A motion was made, seconded and unanimously approved to accept the recommendations contained in the memo (attached) and, in addition, examine the suggestion of Commissioner Gardner to have someone "on the road" selling the program to the banks and realtors.

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The Board next heard from Mr. Gurley of Morgan Stanley on possible techniques to lower the interest rate on the 1985 Series B program. While no specific action was taken, staff was authorized to explore with underwriters any techniques that might be suitable to reduce the ultimate loan rate from the 10% level.

Next, Mr. Richardson presented the Board with a number of policy options to make the multi-family program more attractive to the development community. Changes, outlined in a memo dated March 27, 1986, included lowering the debt service coverage ratio, mortgaging certain fees, lowering equity requirements, and more favorable financing for nonprofits. An extensive discussion ensued on the proposed graduated payment mortgage format, the amount of Agency funds necessary to make the program work and the advantages/disadvantages of creating a nonprofit housing development corporation with Agency funds.

A motion was made, seconded and unanimously approved authorizing the proposed changes in the March 27 memo, establishing a demonstration financing program using $150,000 of Agency funds to do a GPM program for as many units as can be financed with available funds. Additionally, staff was requested to research the possible advantages of creating and funding a nonprofit to promote affordable rental housing.

Next, Mr. Richardson presented an overview of the South Meadow project and indicated that he felt the project was nearing the point for a Letter of Commitment. After discussion, a motion was made, seconded and unanimously approved to authorize the Interim Executive Director to issue a commitment letter providing for financing of the project pending Resolution of the outstanding issues contained in a memo to the Board dated April 2, 1986.

Mr. Richardson advised the Board that the Canterbury Inn project, a Level III Community Care Facility, would need a financing commitment letter. A motion was made, seconded and approved to authorize the Interim Executive Director to issue such a letter pending resolution of the outstanding issues outlined in an April 2, 1986 memo to the Board. Noting the degree of risk of such a project, the Board requested staff to work with the developer to maintain as much space flexibility as possible should adaptation to apartments ever be necessary.

Interim Director Hunt advised the Board he was working with multi-family management staff on a number of significant issues, including rent comparability, use of residual receipts and the escalating cost of casualty insurance.

Mr. Hunt advised the Board of his participation in the Governor's Oil Overcharge Task Force and indicated two of that group's recommendations to the Governor might involve the Agency.

Finally, Mr. Morris and Ms. Eldridge discussed the Partnership in Housing Award, a program to provide a partnership of private enterprises, nonprofit and state involvement in promoting affordable housing. They requested financial assistance (up to $50,000) and staff support. A motion was made, seconded and unanimously approved to provide up to $50,000 on a matching basis with DCA and private contribution and to provide some staffing support.

There being no further business to come before the Board, this meeting was adjourned at 4:30 PM.

Respectfully yours,

Allan S. Hunt

Allan S. Hunt
Interim Executive Director
and Secretary

ASH:pw/15

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY APPOINTING INTERIM EXECUTIVE DIRECTOR

WHEREAS, the Executive Director has resigned his position; and,

WHEREAS, the Deputy Director has resigned his position; and,

WHEREAS, it is necessary and desirable that the day to day operations of the Agency be directed immediately by a person with authority sufficient to the purpose; and,

WHEREAS, by informal telephone conference held on March 12th, 1986, the commissioners of the Agency requested that Allan S. Hunt fill the role and exercise, on an interim basis, the powers of Executive Director; it is hereby

RESOLVED, that Allan S. Hunt is appointed to the post of Executive Director on an interim and temporary basis pending a search for, and appointment of, a permanent executive director; and the said Allan S. Hunt shall also occupy, ex officio, the office of Secretary of the Agency for the same period; and it is

FURTHER RESOLVED, that all acts of Allan S. Hunt performed prior hereto under color of the office of executive director are hereby RATIFIED AND CONFIRMED as the authorized acts of the Agency, specifically including, without limitation, the signing of checks, deeds and related documents, and any and all other matters within the scope of the Agency's day to day business. All persons affected thereby may rely on said acts as the acts of the Agency.

RESOLUTION

Pursuant to Chapter seven, Section 2 of the Agency's regulations relating to Loans to Multi-Family Housing Sponsors, the Acting Executive Director is authorized to issue a Letter of Intent to Finance to Christine Owre as the authorized representative of the Northern Community Care Corporation. The commitment shall be subject to the customary requirements and conditions of the Agency's multi-family housing program and further subject to the following specific conditions.

1. Total development cost must not materially exceed $839,000.

2. The Agency loan shall not exceed $450,000.

3. Northern Community Care Corporation's minimum equity contribution shall not be less than $85,000 exclusive of any Federal or State funds allocated to the project.

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Allan S. Hunt ASH

RE: Agency Update

DATE: May 23, 1986

It seems almost impossible that I have been here for two months -- time passes quickly when you are having fun! Here are some thoughts to date:

1. This Agency has an excellent group of employees -- knowledgeable, interested and dedicated. The one problem that exists is that many were not asked for input on decisions and were not delegated responsibility to any extent. I have tried to change this by giving them as much latitude as possible to make many decisions and encourage input into many others. It seems to be working.

2. The communication, both within the Agency and from the Agency to the outside, needs substantial improvement. I discovered that very few people were aware of things happening in the Agency beyond their particular program. Very few, if any, saw the Board agenda/package and had much contact with the Board.

I have implemented regular Agency staff meetings to share ideas, information and answer questions. Staff now regularly receives Board packages and will be in attendance at Board meetings as is appropriate.

In terms of outside communication, I have encouraged staff to "get out" to talk about our programs with banks, realtors, and builders. We installed a toll free number (1-800-222-VHFA) to facilitate information calls. Believe it or not, staff also went to the Home Show in Essex Junction this weekend to "educate" prospective homeowners!

We are also formulating an advertising campaign with much staff input to re-educate the consuming public on all the advantages of our program (more liberal underwriting, low down payment, lower closing costs, etc.). Staff is very involved in this effort.

So much for the status quo. Now for some thoughts for the future.

It is clear to me that any major financing benefits we had in the past over conventional financing have been removed or are at least not as obvious. This in no way means we don't have an important role to fill in housing finance. In fact, it's more important than ever since affordable housing will not and cannot be created by the private sector. There are many unmet needs in virtually every area of housing -- affordable rental, low and single family, mobile homes, home improvement loans, mortgage-backed securities, reverse mortgages, special needs housing.

Action Needed

1. The hiring of a Director of Single Family Programs, who would oversee the existing programs, as well as identify and implement new areas of opportunities, such as mortgage backed securities, reverse mortgages, energy and home improvement lending and financing of mobile homes.

2. The hiring of a Director of Research/Development to explore opportunities and programs that can best serve Vermonters. The Agency's current staff is production oriented and doesn't possess the time to do in-depth research necessary to undertake new initiatives.

3. The hiring of a Public Relations/Communications person to help us better reach the various population groups we need to serve. It is clear the Agency and its programs are not well understood by the public and we can no longer rely on the traditional network to get the word out.

4. Lastly, I believe a major component of a revitalized Agency is the creation of a nonprofit housing development corporation. In my view, this is absolutely critical if the affordable housing battle is to be waged in Vermont. A well capitalized nonprofit working with communities and the private sector could be the catalyst for the development of affordable housing. A major project over the next few months will be to "flush out" the rationale and substance for such an organization.

AH:pw24

Owner Occupied Residential Mortgage Rates
Survey of Lenders
May 28, 1986

	Fixed Rate 30 Year	Fixed Rate 15 Year	ARM One Year
VT Federal	10.50 + 2	10.375 + 2	8.50 + 2 1/2
Bank of VT	10.50 + 1.5	10.375 + 1.5	8.50 + 2
Chittenden	10.50 + 2	10.375 + 2	8.50 + 2 1/2
Howard Bank	10.50 + 2	10.375 + 2	8.50 + 3
VT Mtg. Group	10.50 + 2	10.50 + 1	8.25 + 3
Commonwealth	10.25 + 2	10.00 + 2	8.875 + 2 1/2
VT National	10.50 + 2	10.375 + 2	8.50 + 2 1/2

REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
05/28/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
Bank of Vermont	3,000,000	0	3,000,000	579,419	19.3%	454,903	124,516
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	246,475	49.2%	141,100	105,375
Bradford National Bank	400,000	0	400,000	41,000	10.2%	0	41,000
Caledonia National Bank of Danville, The	250,000	0	250,000	387,997	155.1%	47,025	340,972
Chittenden Trust Company	4,000,000	0	4,000,000	1,615,456	40.3%	571,785	1,043,671
Comfed Mortgage Co., Inc.	1,300,000	0	1,300,000	59,950	4.6%	59,950	0
Commonwealth Mortgage Company, Inc	1,000,000	0	1,000,000	267,650	26.7%	210,450	57,200
Community National Bank	500,000	0	500,000	403,317	80.6%	191,924	211,393
Factory Point National Bank, The	750,000	0	750,000	196,185	26.1%	0	196,185
First Brandon National Bank	300,000	0	300,000	148,075	49.3%	0	148,075
First Twin-state Bank	1,000,000	0	1,000,000	591,198	59.1%	231,823	359,375
Franklin-Lamoille Bank	1,700,000	0	1,700,000	307,719	18.1%	244,719	63,000
Granite Savings Bank and Trust Company	800,000	0	800,000	175,300	21.9%	115,300	60,000
Howard Bank, National Assn, The	5,000,000	0	5,000,000	2,502,027	50.0%	1,631,877	870,150
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	127,100	50.8%	0	127,100
Marble Bank	1,800,000	0	1,800,000	509,200	28.2%	0	509,200
Merchants Bank, The	3,000,000	0	3,000,000	979,535	32.6%	116,086	863,449
National Bank of Middlebury, The	1,000,000	0	1,000,000	309,604	30.9%	48,000	261,604
New England IBM Employees Fed Crdt Union	800,000	0	800,000	344,248	43.0%	226,873	117,375
Northfield Savings Bank	2,000,000	0	2,000,000	660,700	33.0%	0	660,700
Passumpsic Savings Bank	500,000	0	500,000	322,175	64.4%	0	322,175
Peoples Trust Company of St Albans	800,000	0	800,000	61,750	7.7%	0	61,750
Proctor Bank	1,500,000	0	1,500,000	76,888	5.1%	25,588	51,300
Randolph National Bank	750,000	0	750,000	217,550	29.0%	0	217,550
Union Bank	600,000	0	600,000	35,000	5.8%	0	35,000
Vermont Federal Bank, FSB	4,000,000	0	4,000,000	2,858,279	71.4%	1,793,801	1,064,478
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	682,403	68.2%	290,653	391,750
Vermont National Bank	1,500,000	0	1,500,000	668,200	44.5%	0	668,200
	40,000,000	0	40,000,000	15,374,400	38.4%	6,401,857	8,972,543

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 05/28/86

Total Number of Loans:	316
Total Loan Amount:	$15,379,792
Average Loan Amount:	$48,670

EXISTING:	$12,824,371	85.7%	271 Loans
NEW CONSTRUCTION:	$2,555,421	14.2%	45 Loans
NEW DETACHED HOUSING:	$2,239,796	87.6%	40 Loans
NEW CONDOMINIUM:	$315,625	12.3%	5 Loans

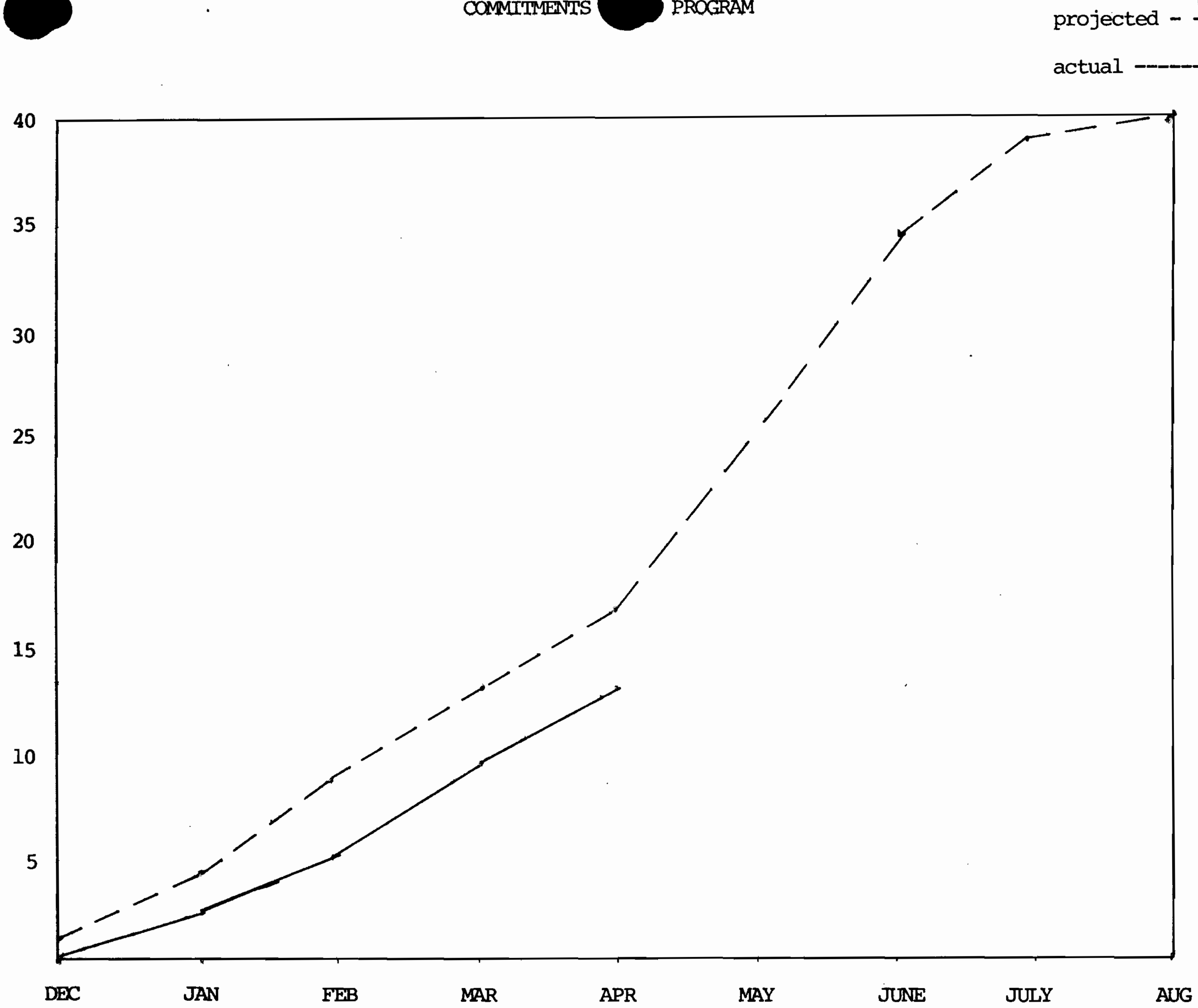
Total Insured or Guaranteed Loans:	302
Loans Guaranteed by VHMGB:	287

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$49,366	$57,772	$53,356
Avg. Loan Amount	$45,115	$52,604	$48,670
Avg. Borrower Income	$26,013	$27,637	$26,784
Avg. Housing Debt-Income Ratio	23.7%	25.9%	24.7%
Avg. Total Debt	$679.49	$763.77	$719.50
Avg. Total Debt-Income Ratio	31.7%	33.5%	32.5%
Total No. of Loans	166	150	316
First Time Homebuyers	81.3%	100.0%	90.1%
% Loans with 2 or more Wage Earners	61.4%	62.6%	62.0%
% of Total Loan Amount	48.7%	51.3%	100.0%

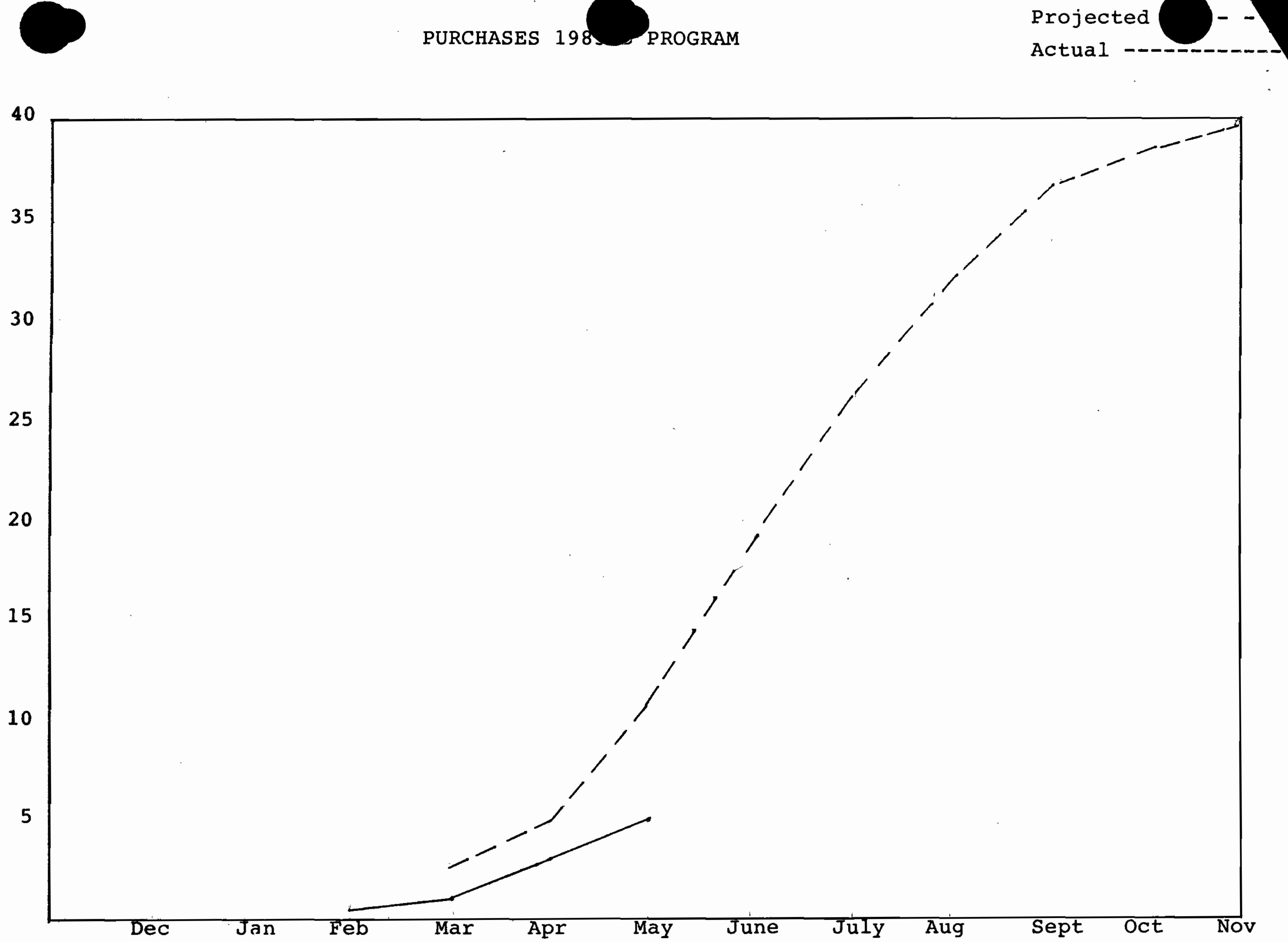
	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	16	$755,404	4.9%	29,406	5.8%
Bennington	16	$740,482	4.8%	33,345	6.6%
Caledonia	15	$669,000	4.3%	25,808	5.1%
Chittenden	97	$5,472,224	35.7%	115,534	22.6%
Essex	1	$30,400	0.2%	6,313	1.0%
Franklin	26	$1,359,926	8.8%	34,788	6.8%
Grand Isle	1	$37,000	0.2%	4,613	0.9%
Lamoille	5	$213,250	1.4%	16,747	3.3%
Orange	12	$578,525	3.8%	22,739	4.5%
Orleans	18	$602,613	3.9%	23,440	4.6%
Rutland	39	$1,736,600	11.3%	58,347	11.4%
Washington	45	$2,063,148	13.4%	52,393	10.2%
Windham	5	$235,670	1.5%	36,933	7.2%
Windsor	20	$885,550	5.8%	51,030	10.0%
TOTAL	316	$15,379,792	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

COMMITMENTS PROGRAM



PURCHASES 198[illegible] PROGRAM



VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Michael M. Richardson M. Richardson

RE: South Meadow Project

DATE: May 27, 1986

The South Meadow Bond financing will be coming to market in unique times. Tax reform and the recent surprise recall of a large Multi-Family issue by a New York agency have tarnished multi-family issues. Our sector of the bond market has been steady at about 8.50% while treasuries of comparable maturities are now trading below that. On the equity side, the picture is also much changed by tax reform. The result is that we seek your approval for two changes to the Agency's financing plan for the project.

MORAL OBLIGATION OF THE AGENCY

As you know, the Agency may issue bonds which are Moral Obligations of the state meaning that if the reserve funds backing the bonds are depleted, the Agency may seek assistance from the legislature. (The legislature is under no legal obligation to render such assistance.) We are limited to no more than $81,715,000 outstanding at any time. Currently $55,535,000 is outstanding. We are advised by both the Bank of Boston and Morgan Stanley that the South Meadow bonds must be rated if they are to be retailed in today's market. By making them Moral Obligation Bonds we would be in a position to secure a single A rating from Standard & Poor's. Since we anticipate an issue of no more than $5,500,000 there is sufficient room under the above ceiling.

GRADUATED PAYMENT MORTGAGE

The Senate tax proposal has altered the investors' assumptions about South Meadows. The developer makes the case that with the probable curtailment of the tax benefits, a higher cash-on-cash return (10%) is required by potential investors. Such a return is possible if the mortgage loan rate is 8.50%, which is about what the bond coupon would be in today's market.

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But without at least a 125 basis point overide, the Agency would not be able to amortize non-asset bonds and cost of issuance. However, by making a Graduated Payment Loan with an initial rate of 8.50% it is possible to make the project work. Assuming a mortgage rate 125 basis points above the inital rate, and an annual increase of 5% in the mortgage payment, the loan will become self-amortizing in 3 years. The cumulative deficit would be $86,500. This deficit would be fully recovered in year.

Given the above items, we request that the Board ammend the previous resolution authorizing a financing commitment to South Meadow: first, to include utilizing the Agency's Moral Obligation authority with respect to the bonds sold to finance the project and, secondly, to authorize the Acting Executive Director to make a Graduated Payment Loan.

MR/kf133

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Michael M. Richardson M Richardson

RE: Graduated Payment Loan Program

DATE: May 28, 1986

Approximately 100 loan application kits have been mailed since May 1st. The deadline for responding to the request for proposals is June 15th. Only one application has been received to date but follow-up calls to about 30% of the mailing list indicate that there will be about 10 proposals worth approximately $12,000,000 coming in. If built, these projects would provide about 400 new units. As always, some projects will eventually drop out and there may well be more proposals made. The indications are that there is demand for rental housing in the Brattleboro, White River Junction, Montpelier and Burlington areas.

Some people who had projects in mind will not be submitting applications at this time. Tax reform, program restrictions, and suitable sites are the most common problems mentioned. With respect to program restrictions, the length of the Qualified Project Period is seen as the toughest problem. (Depending on which tax reform version is adopted, this period, during which the project must be held as rental and with income limitations, is either approximately 16 years or as long as any bond sold to finance the project is still outstanding.)

The GPM program is very rate sensitive. When approved by the Board, bond rates were in the very low 7's. Today we are looking at rates approaching 8.50. The following table illustrates the relationship between the bond coupon rate and the total amount of loans that could be made. I have assumed $150,000 of Agency reserves funding initial deficits.

BOND COUPON	INITIAL MORT. RATE	TOTAL LOANS
8.50%	7.50%	$3,000,000
7.75%	7.50%	$6,000,000
7.50%	7.50%	$8,000,000
7.25%	7.50%	$12,000,000

It is clear that if current rates prevail, we will have to scale the program back or devote more reserves to it. Given that the Senate Tax bill was voted out of committee after we announced the program and that a conference committee version has yet to be negotiated, scaling back the program would be understood by potential borrowers, particularly if they were alerted to that possibility before they committed significant resources.

VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Roger A. Schoenbeck RAS

RE: Expected Actual Results Fiscal Year Ending June 30, 1986

DATE: May 29, 1986

Attached you will find a schedule titled Proposed Budget. For discussion purposes of this memo, you should direct your attention to the first two columns of the schedule. These two columns show the approved budget as is now in effect and my best estimates of what the end of the year numbers should end up to be. In general, we are very much on target, with expected revenues exceeding the budget by $14,660 and expenses coming in at $33,650 less than expected creating an additional surplus of about $48,000. However, due to the unexpected changes in Agency personnel and other factors enumerated below, some line items of the budget need adjusting.

Salaries and wages, payroll taxes, pension expense and insurance are all less than expected due to the leaving and non-replacement of Scott, Tom and Ronne. Consulting fees have increased due to Allan's appointment as Interim Executive Director and also due to the fact that the Agency agreed to participate in the Housing Survey by the State and the retreat expense for Allen Mackey. The annual report exceeded the budget due to the fact that we increased the number of copies for distribution by 50%. Commissioner expenses exceeded the estimate based on Allan's involvement before his formal appointment. Dues and subscriptions exceeded our estimate by $700 because of the need to keep current with the rapidly changing rules and laws in our industry. New England Telephone has passed increases onto the Agency in the amount of 17% since last June. That, along with our recently instituted 800 number, accounts for the telephone increase. Miscellaneous expenses exceeds the budget amount due to the cost of the Agency Christmas Party/Open House and going-away functions for Ronne and Scott.

Based on the above information, I would like Board approval to make transfers from the underexpended categories to cover the shortages in the areas discussed. All other budget expense line items are within tolerable limits.

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PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E 6/30/87

	Approved Budget 6/30/86	Estimated Actual 6/30/86	Proposed Budget F/Y/E 6/30/87	Amount Increase (Decrease) F/Y 6/87 Budget Over 6/86 Actual
INCOME				
VHMGB	70,500	70,100	94,500	24,400
Single Family Fee Income	310,000	343,700	250,000	(93,700)
Multi-Family Fee Income	28,500	12,665	329,250	316,585
Interest Income	213,000	225,750	216,000	(9,750)
Miscellaneous	5,000	4,175	5,000	825
TOTAL INCOME	627,000	656,390	894,750	238,360
FUND TRANSFERS				
Loans to Lenders	260,000	275,070	150,000	(125,070)
Shawmut Mortgage Purchase	100,000	100,000	100,000	-0-
Howard Mortgage Purchase	700,000	700,000	760,000	60,000
Howard Home Mortgage Purchase	(692,000)	(706,800)	200,000	906,800
Howard Multi-Family	400,000	400,000	250,000	(150,000)
Connecticut Nat'l Multi-Family	120,000	105,000	180,000	75,000
TOTAL TRANSFERS	888,000	873,270	1,640,000	766,730
TOTAL INCOME & TRANSFERS	1,515,000	1,529,660	2,534,750	1,005,090
EXPENSES				
Advertising	7,000	7,150	7,500	350
Audit	18,000	18,000	19,000	1,000
Annual Report	8,500	10,550	10,000	(550)
Commissioners Expenses	3,000	3,350	5,000	1,650
Consulting Fees	16,000	33,550	40,000	6,450
Dues and Subscriptions	9,500	10,200	11,700	1,500
Insurance	44,000	37,800	61,800	24,000
Interest Expense	9,000	9,150	5,000	(4,150)
Legal	39,000	36,250	44,000	7,750
Miscellaneous	2,500	5,250	2,500	(2,750)
Office Expenses	12,000	9,950	12,500	2,550
Pension Plan	43,500	32,200	44,000	11,800
Postage	6,500	6,550	7,200	650
Rent	56,500	56,500	61,400	4,900
Repairs and Maintenance	20,000	19,500	25,000	5,500
Salaries and Wages	510,000	469,000	600,270	131,270
Staff Travel and Training	27,500	27,000	30,000	3,000
Taxes - Payroll	34,500	31,900	42,750	10,850
Telephone	15,000	19,500	27,000	7,500
Trustee and Credit Fees	149,000	154,000	175,000	21,000
Depreciation	45,000	45,000	53,000	8,000
TOTAL EXPENSES	1,076,000	1,042,350	1,284,620	242,270
INCREASE (DECREASE) TO FUND BALANCE	439,000	487,310	1,250,130	762,820

V H F A VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Roger A. Schoenbeck RAS

RE: Proposed Budget for Fiscal Year Ending June 30, 1987

DATE: May 29, 1986

After warming up with the adjustments to the current year budget, we should now be prepared to discuss the upcoming year. The proposed budget schedule attached should again be used with the primary focus directed to the third column. I will limit my remarks to the items with the most substantive change or those that we have the most control. Questions on any other areas are encouraged.

VHMGB INCOME

As you may be aware, the Guarantee Board is significantly expanding its operations. In the past, we have paid direct for many of their expenses, which are incorporated in our budget and then billed them for their costs which we then show as income. They are currently in the process of independently taking on more of those functions directly. The budget assumes current charging practices and the increase is attributed to additional personnel.

SINGLE FAMILY FEES

Due to the expected absense of a mainline new program for the upcoming year, fees should only be realized on the balance of the 1985B Program and some iteration of the HOP Program amounting to a projected $40 million in new mortgages. In addition, the Energy (Oil Task Force) Program should contribute $50,000 in fees.

MULTI-FAMILY FEES

This area is one where considerable time and effort is expected to generate a substantial increase in income. The main components of this item is a $67,500 fee from the South Meadows financing and an anticipated $15 million of new loans which equates to $225,000 in fee income.

FUND TRANSFERS (IN GENERAL)

These amounts are excesses over direct bond costs of the programs which current cash flows indicate can be transferred to cover administrative costs.

CONSULTING FEES

The new Multi-Family program should add considerable expense to this area because of plan review and inspection costs necessary to finance new projects. An energy consultant and possible retreat are also anticipated. We have not budgeted for a potential cost relating to a contribution to the DCA as discussed at the last board meeting.

INSURANCE

The increase in this category relates to the expected increase in staff size, which is 32% greater than last year. An increase in general insurance of about 25% or $1200 is also expected.

LEGAL

Included in this category is a 5% rate increase for local counsel and estimated time expended at current usage. The reason this category is increasing is due to the fact that no pass through charges to new issues is contemplated.

PENSION PLAN

This increase is due to the increased staff size and also that forfeitures of terminating employees contributions will not be as great as the prior year.

SALARIES & WAGES

This increase is mainly due to the increased staff size from last years projection of 19 people to a current staff of 25. New positions projected include a Research Director, Public Information Officer and an Accountant. The increase for existing staff averages 6%.

PAYROLL TAXES

A direct function of staff size.

TRUSTEE & CREDIT FEES

The new 1985B Program adds about $12,000 to this category. The other major component of increase is redemption notice costs for calling bonds.

DEPRECIATION

Since this is a non-cash item, we have in the past used it as a capital budget figure. Because of recent years purchases this now seems to be greater than the need. This year we are estimating a capital budget of $30,000.

As always, if you have any questions regarding the contents of this memo or any other aspects of the financial operation of the Agency, please contact me at your convenience.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E 6/30/87

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Senate Panel Bill Offers Most Taxpayers Smaller Cuts Than House, Reagan Plans

Top Bracket Would Drop To 27%; Popular Breaks Would Be Eliminated

By ALAN MURRAY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The tax bill approved by the Senate Finance Committee in the early hours of yesterday morning will provide a tax cut to most individuals, but not as large as the one in the House-passed tax bill or President Reagan's tax proposal.

While the Finance Committee's bill makes the boldest cut of the three plans in the top individual tax rate—reducing it to 27% from its present level of 50%—most individuals won't see anything like that kind of a reduction in their total tax bill. The plan includes a number of tough provisions that would offset the benefits of the rate cut and leave some taxpayers facing hefty increases in their total tax bill. And the rate differences would be much less dramatic for those who aren't currently in the top tax bracket.

Among the biggest beneficiaries would be the very poor. The Finance Committee contends that six million working poor people would be removed from the tax rolls. For families earning less than $10,000, the tax burden would drop by 62.2%.

Also enjoying very large benefits would be wealthier people who don't hide their income in tax shelters, don't have large amounts of long-term capital gains income, and don't take large deductions for medical expenses or non-mortgage interest. Those taxpayers would enjoy the largest cuts in their tax rates and wouldn't stand to lose many tax preferences.

Wealthier taxpayers who invest heavily in tax shelters or have large capital gains, on the other hand, could find their tax bills rising steeply, despite the rate cut.

For middle-income taxpayers earning $20,000 to $50,000 a year the congressional Joint Taxation Committee estimates tax cuts would average 5% to 8%. But those averages belie the fact that some families would enjoy even larger cuts, while others would face tax increases.

Sure winners under the plan would be big families who don't invest in tax shelters, don't have individual retirement accounts and don't deduct large amounts of non-mortgage interest or have many miscellaneous itemized deductions. They would enjoy the full benefits of the plan's near doubling of the personal exemption.

Possible losers would be small families with two IRAs, large consumer interest deductions or extraordinary medical expenses.

Families earning between $75,000 and $185,320 would find that the 27% top tax rate isn't quite all it's cracked up to be. A family of four in that income range actually would pay about 32 cents in taxes from each additional dollar earned, rather than 27 cents. That's because the plan phases out the benefit of the 15% rate for families earning between $75,000 and $145,320, and it phases out the personal exemption for families earning between $145,320 and $185,320.

To pay for individual rate cuts, the plan would boost corporate taxes by about $100 billion over the next five years. That's a sizable increase, but still less than the corporate tax increase of about $118 billion proposed by President Reagan or of about $139 billion in the House-passed plan.

INDIVIDUAL TAXES

Tax Rates

The plan would radically alter the tax-rate structure, creating only two rates—15% and 27%—from the current 14 rates (15 for single taxpayers) that range from 11% to 50%. The House-passed bill includes four rates, topping off at 38%, while the president's proposal called for three rates, topping at 35%.

The zero-bracket amount in current law would be changed to a standard deduction, and would be $5,000 for joint filers, $3,000 for single filers and $4,400 for heads of household in 1987. That compares with zero-bracket amounts of $3,670 for joint returns and $2,480 for both singles and heads of household under current law for 1986. The proposed standard deductions are slightly larger than those in the House-passed plan and larger than those in the president's proposal. Unlike current law, which builds the zero-bracket amount into the tax table, the Senate panel's plan would require a taxpayer to subtract the standard deduction from taxable income before calculating taxes.

The 15% rate would apply to taxable income up to $29,300 for joint taxpayers, $17,600 for singles, and $23,500 for heads of household. The rest would be taxed at 27%.

To prevent the sharply reduced top tax rate from providing a windfall to the wealthy, however, the plan phases out the 15% rate so that by the time their income reaches $145,320, all of it is subject to the 27% rate. The phase-out begins at $75,000. Tax experts note that "phasing-out" the 15% rate is a subtle way of increasing the "marginal" tax rate—the rate on each additional dollar earned. Thus taxpayers earning between $75,000 and $145,320 will in effect pay a marginal tax rate of about 32%.

The phase-out of the 15% rate would begin at $45,000 for single taxpayers and $55,000 for for heads of households.

Although most deductions would be eliminated at the beginning of next year, tax rate cuts wouldn't occur until the middle of next year. As a result, the plan would be considerably less generous to individuals in 1987 than in subsequent years.

Like the House bill and the president's proposal, the plan would eliminate income averaging.

Personal Exemption

The plan falls just a hair short of President Reagan's demand that the personal exemption be increased right away to $2,000 from the current level of $1,080. The panel decided to raise the exemption to $1,900 in 1987 and to $2,000 in 1988.

In another measure to prevent the wealthy from enjoying too large a tax windfall, the personal exemption would be phased out for joint filers earning more than $145,320, so that taxpayers earning $185,320 or more wouldn't be entitled to any personal exemptions. Tax experts say this change would have the effect of extending the 32% marginal rate to $185,320 for a family of four. The phase-out would begin at $87,240 for single taxpayers and $111,400 for heads of households.

The House tax plan proposed allowing an exemption of $2,000 per person for taxpayers who don't itemize deductions, but only $1,500 for those who do itemize.

The plan passed by the Senate panel would also disallow the personal exemption for people who are eligible to be claimed as a dependent by another taxpayer.

IRAs

The Senate committee's plan would end the deductibility of deposits into popular individual retirement accounts for more than half of the people who currently use them. Taxpayers would be allowed to make tax-free deposits into IRAs only if their employer didn't provide any sort of retirement program. For other taxpayers, only the earnings of the IRA would be tax-deferred; the deposits would have to come out of after-tax income.

This step, certain to be controversial, is one of the principal ways the Finance Committee would raise enough revenue to pay for its sharp rate reduction. The move would bring in nearly $30 billion over five years.

Current law allows workers to deposit up to $2,000 a year in an IRA, and allows nonworking spouses to deposit $250. The president had hoped to expand the allowance for nonworking spouses to $2,000, but the House decided to retain the existing allowances.

Capital Gains

The Senate panel's plan would repeal the provision of current law that allows taxpayers to exclude from taxes 60% of the gain they receive on the sale of an asset held six months or longer. That means the top tax rate on such capital gains would rise to 27% from 20% under current law. The House plan includes a 22% rate on long-term capital gains; the president had asked for 17.5%.

The committee's decision to repeal the capital gains exclusion is already under heavy attack from a broad array of business and investor groups, who argue that a lower capital-gains rate is needed to encourage investors to put their money in risky undertakings. President Reagan has also been an enthusiastic proponent of reducing the capital-gains rate. But raising the capital-gains rate is a critical component of the Senate panel's plan. Most capital gains go to the wealthy, and raising the capital-gains tax plays an important role in offsetting the windfall that wealthy taxpayers would otherwise receive from lowering the top tax rate to 27%.

Deductions

The committee's plan would retain the most popular itemized deductions allowed under current law: the mortgage interest deduction for first and second homes, the deduction for state and local income and property taxes, and the deduction for charitable contributions.

The plan, however, would eliminate the deduction of state and local sales taxes and miscellaneous itemized deductions such as union dues. In addition, medical expenses would be deductible only if they exceeded 10% of a person's adjusted gross income—up from 5% under current law. And charitable deductions wouldn't be allowed for people who don't itemize, as they are under current law. The deduction for adoption expenses would be retained.

The president had proposed eliminating all deductions for state and local taxes, but the House balked and retained those deductions, including the deduction for sales taxes. Neither the president nor the House had proposed reducing the medical expense-deduction.

The deductions for consumer interest and other nonbusiness interest payments would be severely limited under the committee's plan. Taxpayers would be allowed to deduct only an amount equal to their income from passive investments, such as stocks, bonds and limited partnerships. Taxpayers without any investment income wouldn't be allowed to deduct any interest other than that paid on a first and second home. Under current law, all interest payments are deductible up to a limit of $10,000 plus the amount of investment income.

The interest provision is far tougher than the one passed by the House, which would allow $20,000 in deductions plus an amount equal to investment income. The president's plan would allow $5,000 plus an amount equal to investment income, but interest payments for a second home would be covered by that limit.

To ease the immediate impact of the new interest limitation, the Finance Committee would disallow only one-third of those interest payments in 1987, two-thirds in 1988 and all of them starting in 1989.

The deduction for employee business expenses, now available to all taxpayers, would be limited to those who itemize deductions. And such expenses would be deductible only to the extent they exceeded 1% of adjusted gross income.

Tax Shelters

The panel's plan would deal a heavy blow to tax shelters of all sorts. It would prohibit taxpayers from using "losses" sustained by limited partnerships and other businesses "in which the taxpayer does not materially participate" to offset income from other sources. Such losses could be used only to offset income from similar activities. The tax-shelter plan would be phased in over five years.

The plan would allow up to $25,000 in losses from rental real estate to be used to offset other income. That $25,000 allowance, however, would be phased out for taxpayers with more than $100,000 in income, so that taxpayers with $150,000 or more wouldn't be allowed to use any rental losses to offset other income.

Both the president's plan and the House plan include measures designed to attack tax shelters, but neither is nearly as tough on the shelter industry as the Senate Finance plan. The proposal is one of the key revenue-raising components of the plan, and is expected to bring in $50 billion over five years.

In a last-minute agreement, the committee decided that all investors with a so-called working interest in oil-drilling operations wouldn't be subject to the tax-shelter restrictions and would be allowed to offset their losses against other income. Sen. Bill Bradley (D., N.J.) argued strenuously that many such investors really aren't any different from other passive tax-shelter investors, but these assertions were ignored by the panel, which includes heavy representation from oil-producing states. The administration also favored excluding working interests from the tax-shelter restriction.

Pensions

The measure would reduce tax-free contributions to so-called 401(k) plans to $7,000 a year. Under current law, such contributions can go as high as $30,000, or 25% of an employee's compensation, whichever was less. The House bill would limit the contributions to $7,000. The president's proposal would repeal 401(k) plans.

The Finance Committee's plan also includes a variety of other changes in the laws governing pension and employee benefit plans.

Travel and Entertainment

The Senate panel accepted a House-passed proposal to limit deductions for business expenses for meals and entertainment to 80% of the total. However, the Senate measure would retain the current deduction for stadium skyboxes, which the House voted to eliminate.

The president's plan took a tougher line against such expenses, proposing that meal deductions be limited to $25 plus half the amount exceeding $25, and that most entertainment expense deductions be denied.

Minimum Tax

To prevent taxpayers from escaping income tax altogether, the panel tightened the 20% minimum tax on people who use various tax preferences to sharply reduce their tax burden. But the panel shied away from a proposal by Chairman Packwood to include earnings from tax-exempt bonds among the income that must be counted when calculating the minimum tax.

The president's plan also includes a tightening of the 20% minimum tax, while the House-passed plan proposed boosting the rate to 25%.

The committee's bill would attempt to raise money by sharply boosting Internal Revenue Service funding for new agents and increased audits. The IRS says it can raise more than $7 in new revenue for every dollar it spends on compliance. Under the plan, IRS funds would be boosted by about $700 million in each of the next five years.

BUSINESS TAXES

Corporate Rates

The top corporate tax rate would drop substantially, to 33% from 46%. Corporate income up to $75,000 would be subject to lower rates of 15% and 25%, but those graduated rates would be phased out so that companies earning more than $350,000 would pay a flat tax of 33%.

Although special capital-gains tax rates for individuals would be eliminated, the 28% capital-gains tax rate for corporations would be retained. Ironically, the House plan took an exactly opposite course, eliminating the capital-gains rate for corporations but keeping it for individuals. The corporate capital-gains rate is particularly important to the timber industry, which is concentrated in Chairman Packwood's home state of Oregon.

Investment Tax Credit

The committee plan would repeal the 6% to 10% tax credit enjoyed by companies and individuals that invest in equipment. Eliminating the credit would raise more than $150 billion over five years. Repeal of the credit has been a key component of every major tax-overhaul plan, including the president's and the House bill, and repeal will almost certainly be part of any tax plan enacted this year. Both the House and Senate bills would repeal the credit effective Jan. 1, 1986.

The Senate panel also decided to reduce the value of investment tax credits carried over from previous years by 30%. That was a remarkable turnabout from an earlier proposal by Sen. Packwood to give a mandatory 70% refund to companies with investment tax credits carried over from previous years. The original plan would have been a boon to ailing steel companies, farmers and others who have little hope of earning income that would enable them to use their built-up credits.

The panel also decided at the last minute to make the repeal of the investment tax credit go into effect for any property placed in service after Jan. 1, 1986.

Depreciation

The Finance Committee chose to be far kinder to big business than either the president or the House. It approved a depreciation plan that would treat investors in machinery and equipment even more generously than current law. That's in part because those investors stand to lose the most from the repeal of the investment tax credit.

Investors in real estate, who don't enjoy the benefits of the investment tax credit, would be permitted far less generous depreciation allowances.

Like current law, the Senate panel's plan would divide assets into five categories, depending in part upon how long they are expected to last. Most machinery and equipment would fall into three-year and five-year depreciation categories, as under current law. Some assets would be put in a special 10-year class, and utility property would be in a 15-year class. Businesses would be able to use the so-called 200% declining balances method of depreciating machinery and equipment. This method provides greater tax breaks in the early years of the investment.

Real estate write-offs, however, would be stretched out over 30 years, and wouldn't be accelerated in the early years. Under current law, real estate investments can be written off in 19 years, with larger write-offs in the early years.

The plan passed by the House has 10 classes of assets, is as tough on real estate write-offs as the Senate panel's plan, and is much tougher on most other investments. The plan proposed by the president has six asset classes.

Industry-Specific Provisions

The Senate panel refused to kill an array of industry-specific tax provisions slated for elimination in the president's plan and in the House bill. Among the provisions that would be retained are the immediate write-off for "intangible" oil and gas drilling costs, depletion allowances for hard minerals, immediate write-offs for timber-growing expenses, and the special deduction for banks' bad debt reserves. All of these tax breaks would have been cut back by both the president's proposal and the House-passed plan.

Accounting Provisions

The Senate proposal contains a number of accounting provisions that would increase taxes on corporations. New accounting rules requiring companies to stretch out inventory costs and certain other costs related to long-term contracts would raise $39 billion over the next five years. The use of the installment-sales method for deferring taxes would also be curtailed.

The plan would also reduce the deduction for dividends received by corporations to 80% from 85%. And it would tighten the limitation on business tax credits, allowing companies to use them to reduce only 75% of their liability above $25,000. Current law allows reduction of 85% of a taxpayer's liability above $25,000.

Corporate Minimum Tax

Although the Senate panel was more generous to corporations than the House or President Reagan, its plan includes a tough minimum tax that would catch many companies that benefit from various tax preferences. Set at a 20% rate, the minimum tax is projected to raise between $20 billion and $30 billion over the next five years.

R&D Tax Credit

The Senate panel's plan would continue the tax credit for research and development, as would the House bill and the president's plan. The credit is popular among high-technology companies that invest heavily in research and development. But the organization representing such concerns—the American Electronics Association—said it couldn't support the Senate proposal because it eliminates the lower tax rate on individual capital gains. High-tech companies say they need the lower capital-gains rate to attract investment.

Rewriting the Tax System: How the Plans Compare

	CURRENT LAW	REAGAN PLAN	HOUSE PLAN	SENATE FINANCE
Individual tax rates	14 rates: 11% to 50%	3 rates: 15, 25, 35%	4 rates: 15, 25, 35, 38%	2 rates: 15, 27%
Personal exemption	$1,080	$2,000	$1,500 for itemizers; $2,000 for nonitemizers	$2,000*; phased out for incomes above $145,320
Mortgage interest	Fully deductible	Principal residence deductible	Principal and second residence deductible	Principal and second residence deductible
Other interest deductions	$10,000 plus amount equal to investment income	$5,000 plus amount equal to investment income*	$20,000 plus amount equal to investment income*	Limited to amount equal to investment income*
Charitable contribution	Fully deductible	Deductible, but only for itemizers	Deductible for itemizers; limited for nonitemizers	Deductible only for itemizers
State and local taxes	Fully deductible	No deduction	Fully deductible	Deductible except sales tax
Long-term capital gains	20% top rate	17.5% top rate	22% top rate	27% top rate
Short-term capital gains	50% top rate	35% top rate	38% top rate	27% top rate
Individual retirement accounts	$2,000; $250 for nonworking spouse	$2,000; $2,000 for nonworking spouse	$2,000, except for taxpayers with 401(K)s; $250 for nonworking spouse	Eliminates deduction for contributions, except for workers with no pension plan
Corporate tax rate	46% top rate	33% top rate	36% top rate	33% top rate
Investment tax credit	6% to 10%	Repealed	Repealed	Repealed
Depreciation	Accelerated	Somewhat accelerated; less generous than current law	Slower depreciation; least generous	Accelerated; more generous for equipment, less generous for real estate than current law

*Provision is phased in

Housing Won't Reach 2 Million '86 Starts

CHARLOTTE, N.C.—Predictions for two million housing starts this year are unreasonable, according to a prominent housing economist, and that is a good thing for the industry and the economy as a whole.

Kent Colton, executive vice president and CEO, National Association of Home Builders, Washington, said housing starts for 1986 will be about 1.7 million, and that the industry should expect an annual rate of between 1.4 million and 1.7 million for the next decade.

Mr. Colton, speaking to secondary market participants at the secondary mortgage market conference of the south, sponsored here by the North Carolina League of Savings Institutions, said that regional trends and demographics do not support the two million figure that some people in the industry have given as this year's estimate for housing starts.

"While the Northeast, Great Lakes states and California have issued more than 20% more building permits during the first ten months of 1985 than for that same period in 1984, farm and energy states have seen a greater than 20% decline in permits issued," said Mr. Colton.

"You really can't look at the nation as a whole without breaking down regions anymore," said Mr. Colton. "In some parts of the country, builders are realizing regional recession worse than in 1981 and '82," he added.

The economist noted that when first-time homebuyers are a dominant part of the market, there is usually a significant surge in home starts, but at present the dominant buyer in the market is the "upgrader," a buyer between the ages 35 and 50 moving into a more expensive house.

Mr. Colton said that the 1.7 million housing starts would be a good rate to keep the industry stable without overbuilding some areas, and that it will represent the fourth straight year of housing starts at or above 1.5 million.

Home sales should surge this year, added Mr. Colton. "In addition to the low mortgage rates, history shows us that sales increase dramatically after rates hit bottom and then begin to rise because the people who have been waiting for the lowest rate step into the market," he said.

Though single-family housing starts should rise about 15%, the market for condominiums and multi-family housing will likely be very soft, added Mr. Colton.

Mr. Colton also pointed out "megatrends" in the housing industry which will impact housing starts over the next decade. Among the most significant of these trends is that the percentage of homeowners under the age of 35 years has dropped by about ten percent over the last five years.

Whereas in 1981, 43.3% of those under age 35 owned homes, that rate declined to 39.7% in 1985.

The housing economist also pointed out the surge in mortgage products as an aid to qualifying more people as homebuyers. "We will continue to see diverse mortgage instruments over the next decade, so housing by all indicators should stay stable barring sharp changes in the economy."

"In the 1970's housing fluctuated like a roller coaster, which isn't good for anyone, but now we have established a different trend where a stable housing market helps to stablize the economy as a whole," said Mr. Colton.

As government examines its role in housing in the near and distant future, should keep in mind that programs which are integral to a stable housing market cannot be undone overnight and that changes should not be done "carte blanche" across the board, said Mr. Colton.

According to research provided by the NAHB, New Hampshire showed the greatest increase in building permits issued during the first ten months of last year. New Hampshire issued 14,164 permits during that period, a 70.5% increase over the 8,308 issued during the same period in 1984.

Other increases in the Northeast included: Massachusetts— +48.1%; New Jersey— +44.1%; New York— +57.1%; Connecticut— +40.4%. The only state in the region to show a decline in building permits for that period was Vermont.

Michigan showed the greatest increase for the Midwest during that period with a 41.8% increase in building permits issued.

The region as a whole reported a 14.5% increase.

The southern region reported a net decrease of 6.3% in building permits issued during the first ten months of 1985.

April 21, 1986

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO; VHFA Commissioners
FROM: Alan Hunt
DATE: May 29, 1986
RE: Public Information Campaign

BACKGROUND PAPER

Vermont Housing Finance Agency has decided to meet head on the marketing challange brought about by the lowering of conventional mortgage rates. With approximately $24 million left in available home mortgage funds, out of an original amount of $40 million, the Agency is initiating a public information campaign to move those funds into home loans, rather than adopting a "wait and see" attitude or "calling" the bonds.

In the past, Vermont Housing Finance Agency's Single Family Home Mortgage Program virtually publicized itself, because its rates were dramatically lower than those of conventional lenders. Even with advertising limited mostly to notices of new programs, Vermonters were well aware of programs and flocked to take advantage of them. The rate did the selling.

Now, with conventional mortgages at or below the Agency's rate of 10%, it becomes necessary to publicize the program and emphasize the opportunities VHFA offers to borrowers:

-- With a fixed rate mortgage of 10% for a 25 year term, 5% down payment, and 1-3/4 points, VHFA still offers a "below the market" mortgage;

-- VHFA is committed to serving those borrowers who would have difficulty obtaining a conventional mortgage, particularly first time homebuyers;

-- VHFA's mortgages are insured by a sister agency, the Vermont Home Mortgage Guarantee Board; therefore, lending guidelines are based on Vermont's economic and housing realities, instead of the rather onerous national standards used by private mortgage insurance companies.

The public information effort will focus on several groups: realtors, moderate-income households, renters, first-time homebuyers, employee groups, and participating lenders. The Agency is researching effective means of reaching these groups.

Current activities and plans for VHFA's public information campaign are described below.

ESTABLISH TOLL FREE NUMBER

VHFA recently set up a toll free number, and is advertising it. People can now quickly and cheaply find out what they need to know, and call to obtain a brochure. The Agency has arranged for a free listing in the Community Service Numbers section, at the front of all phonebooks in the state, and will also be listed in all the White Pages sections.

REACH THE REALTORS

For many homebuyers, the realtor is the first contact with VHFA. Pat Crady, Coordinator of the Single Family Program, recently sent a letter to every Vermont realtor emphasizing the ways in which VHFA differs from conventional mortgage programs, even when rates are comparable. "In just about all cases," she points out, "our financing terms, underwriting, and documentation requirements are more liberal than what is available in the conventional market." She gives examples concerning down payment, buydowns, credit history, income/employment, and property. The letter also highlights revised underwriting guidelines which recognize that energy efficient property reduces risk. Meetings with realtor associations have been scheduled, to introduce new realtors to VHFA's program, and to update and renew contact with established realtors. The letter also invites realtors to call the Agency's new toll free number with comments and suggestions. Initial response has been very good.

INFORM THE BORROWER

Recognizing that conventional lenders are very busy these days, VHFA has made itself more accessible to the public. Recent ads urge people to contact the Agency directly, by calling toll free or sending for a brochure, rather than first going to a participating lender. The thrust of the public information campaign is: let people know VHFA can help; give them the information they need; then direct them to the participating lender. If the borrower is informed about VHFA's program before approaching the lender, time will be saved, the borrower will be better prepared and, if eligible, more likely to utilize our program. The Agency is currently contacting lender liason people to make sure they have on hand an adequate supply of brochures.

ENHANCE PUBLIC PRESENTATION

VHFA is currently exploring the development of a new logo, to be used in a brochure, letterhead, posters, and advertising, in order to build a consistent, effective presentation. The Agency has traditionally operated behind the scenes on a low key basis. VHFA now feels that it can best represent of its own program, and that it is time to come forth with a strong and positive public identity. The Agency wants itself known throughout the state as an organization committed to providing and financing affordable housing for Vermonters.

SIMPLIFY BROCHURE

The Agency is considering the creation of a new brochure that would be easier to read and understand than the current one, that would emphasize the Agency's role as facilitator, and would encourage eligible homebuyers to take the next step. The brochure serves not only to inform and to screen, but also to motivate.

PUBLISH ARTICLES

The Agency is in the process of identifying suitable vehicles for reaching eligible groups. Articles describing VHFA's home mortgage program will appear in the next issue of the state employees' association newsletter, and in a tenants' organization newsletter.

INTEREST THE PRESS

VHFA is developing a press kit to distribute to the media, to provide background information and stimulate news interest. Other state agencies regularly use press releases as their primary public information method.

RUN PUBLIC SERVICE ANNOUNCEMENTS

Because of its non-profit status, VHFA can use the vehicle of public service announcements. A local radio station has offered to produce a tape for the Agency, which can then be sent to radio stations throughout the state and aired as publice service announcements.

ADVERTISE CREATIVELY

In the past few weeks, VHFA has placed several one-inch classified ads in the "Apartments for Rent" sections of newspapers. The ads were inexpensive yet bold and effective. Targeting renters, the ads produced a substantial number of information calls. Slightly different classified ads have been placed in the "Homes for Sale" column, but it is too soon to tell which placement yields more productive responses.

The Agency is planning some diplay advertising. The purpose of the ads will be to boost name recognition, offer instant information about the program, and provide the means of obtaining further information, either through the toll free number or by coupon. The ads will be geared to attract those who have felt that home ownership is not possible for them.

VHFA will use posters as an additional form of publicity and place them in laundromats, supermarkets, churches, community bulletin boards, and other locations apt to be frequented by potential homebuyers.

HIRE A PUBLIC INFORMATION OFFICER

Prior to the recent slowdown in home mortgage lending, VHFA had no staff position devoted solely to public information, nor was there a perceived need for one. Recently, the Agency hired, on a consultant basis, public information officer to gather information, make recommendations and take acction to publicize the Single Family Home Mortgage Program.

SUMMARY

By making its programs, goals, and accomplishments known throughout the state, VHFA's Single Family Program hopes to utilize its available mortgage funds, and build a reputation strong enough to weather market fluctuations. The public information campaign will swell the number of informed Vermonters who benefit from the program and spread the word. Publicity for the Single Family Program is likely to focus more attention on the whole Agency, and increase its influence in shaping the future of affordable housing in Vermont.

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA

VERMONT HOUSING FINANCE AGENCY

July 8, 1986

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, Vermont 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be holding its monthly Board meeting on Wednesday, July 16, 1986, at 2:00 PM, at the State Treasurer's Office, 133 State Street, Montpelier, Vermont.

If you have any questions, please call me.

Sincerely,

Kate Forcier

Kate Forcier
Secretary

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The Burlington Free Press
Monday, July 11, 1986

State Government Meetings

Week of July 14
MONDAY

Vermont Pesticide Advisory Council, 1 p.m., Agriculture Department conference room, 116 State St., Montpelier.

Private Detective Board, 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Fish and Wildlife Board, 7 p.m., Pavilion Auditorium, 109 State St., Montpelier.

District Environmental Commission, Frank P. Elnicki Inc., gravel pit operations in Clarendon, 10:45 a.m., town clerk's office, North Clarendon.

District 4 Environmental Commission, Gregg Lyman and Art Yandow, subdivision of 14 residential lots in Williston, 5 p.m., district office, 111 West St., Essex Junction.

TUESDAY

Barber Board, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Green Mountain Dairy Promotion, 10 a.m., third-floor conference room, Agriculture Department, 116 State St., Montpelier.

Transportation Agency, Rutland Superior Court hearing on petition for taking lands and rights for proposed highway project, 1 p.m., Superior Courthouse, Rutland.

Vermont Health Policy Corp., 6:30 p.m., 115 Rowell Building, University of Vermont, Burlington.

Vermont Veterans Home Bylaws Committee, 7 p.m., Building 1, Camp Johnson, Colchester.

District Environmental Commission, Cabot Farmers' Cooperative, construction of warehouse and cutting facility in Cabot, 2 p.m., Memorial Room, City Hall, Montpelier.

District Environmental Commission, R.E. Tucker Inc., Lula DuBois and Fay and George Coltey, gravel operations in Northfield, 7:30 p.m., Pavilion Auditorium, 109 State St., Montpelier.

WEDNESDAY

Vermont Advisory Council on Historic Preservation, 9:30 a.m., conference room, 13 Baldwin St., Montpelier.

Consolidated Council for Employment and Training, 10 a.m., Vermont Technical College, Randolph Center.

Vermont Office on Aging Advisory Board, 10 a.m., home of Bernice Murray, 14 Colonial Drive, Montpelier.

Vermont Educational and Health Buildings Financing Agency, noon, Lague Inn, Berlin.

Dental Board, 1 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Housing Finance Agency Board, 1 p.m., state treasurer's office, Montpelier.

Environmental Board, S & A Development Corp., 4 p.m., Town Hall, Stratton.

District Environmental Commission, Quechee Garden Center, construction of building in Hartford, 9 a.m., Town Hall, Woodstock.

District Environmental Commission, Hawk Mountain Corp., 24-unit inn and reception area at Salt Ash Amenity Center in Plymouth, 1:30 p.m., Town Offices, Plymouth.

District Environmental Commission, Forestdale Heights Inc., on forest management in Saxon Hill Industrial Park, Essex, 3 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

THURSDAY

Architects Board, 9 a.m., fourth-floor conference room, Pavilion Building, 109 State St., Montpelier.

Current Use Advisory Board, 9:30 a.m., Division of Property Valuation and Review, Mapping Office, Waterbury.

Vermont Lottery Commission, 9:30 a.m., commission office, Vermont 14, South Barre.

Engineers Board, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Criminal Justice Training Council, 10 a.m., Vermont Police Academy, Pittsford.

District Environmental Commission, Paul Damazo, 16-lot subdivision in Glover, 9:30 a.m., Memorial Hall, Barton.

District Environmental Commission, John J. Kennedy and Jeffrey T. Kilburn, construction of 116 residential units in multifamily buildings in Manchester, 9:30 a.m., VFW, Manchester.

District Environmental Commission, Gisele and Origene Robitaille, additions at Lakewood Campground in Swanton, 10 a.m., town clerk's office, Swanton.

District Environmental Commission, Summit Ventures, conference center, 72 condominium units and other work at Mount Ascutney, West Windsor, 1:15 p.m., Story Memorial Hall, West Windsor.

District Environmental Commission, Anita and Marcel Gervais, 20-unit hotel in Island Pond, 2 p.m., town clerk's office, Brighton.

District Environmental Commission, Edward Hemond and Gilbert Tremblay, 12-unit condominium project in St. Albans Town, 2:30 p.m., town clerk's office, St. Albans Bay.

District Environmental Commission, Pizzagalli Investment Co. and Mountaha Handy, commercial business park off U.S. 2 & 7 in Colchester; site visit 3 p.m., hearing 3:45 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

FRIDAY

Psychology Board, 9 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

VHFA VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

ANNUAL MEETING AGENDA

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Wednesday, July 16, 1986 -- 2:00 PM

1. Approval of June 4, 1986 Board Minutes

2. Appointment of Vice Chairman

3. Appointment of Treasurer

4. 1987 General Fund Budget Approval (Roger Schoenbeck)

5. Single Family Program

   a. 1985 Series B Report (Enclosure)

   b. Preliminary discussion of purchase of Community Development Rehabilitation loans (Allan Hunt/Doug Lothrop).

6. Multi-Family Program

   a. Update on South Meadow Project

   b. Discussion on sale of Randolph Project to new owner

   c. Approval of Supplemental Resolution to 1977 Multi-Family General Bond Resolution

7. Executive Session concerning litigation

8. Approval of resolution creating offices; approving the appointment of officers; granting authority and other miscellaneous matters.

9. Discussion and approval of a resolution supporting the Vermont Energy Investment Corporation (VEIC)

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Wednesday, June 4, 1986

Present: Vice Chairman Shaw, Commissioners Gardner, Myette, Hebard, Menson, Karen Meyer (designee of Guest); Mr. Hunt, Acting Interim Director; Mr. Schoenbeck, Mr. Richardson, Ms. Crady, VHFA Staff; Mr. Gurley of Morgan Stanley; Mr. Ingalls of the Bank of Boston.

Vice Chairman Shaw called the meeting to order at 1:45 PM.

The minutes of the April 7, 1986 meeting were considered and upon motion duly made and seconded, were unanimously approved.

Pat Crady reviewed with this Board the status of the 1985 Series B Program, indicating that nearly 50% of the funds are either committed or in the "pipeline". Next, she reviewed staff initiatives taken to stimulate the use of the program, including group meetings with realtors, increased and targeted advertising and making staff more accessible to the public through the installation of a toll-free line.

Ms. Crady next updated the Board on the status of the Newport and Montpelier Home Ownership Demonstration Projects and requested the Board to consider waiving the 5% down payment requirement in the case where additional equity was being provided by an outside public source. Upon a motion duly made and seconded, the proposal was approved unanimously.

Michael Richardson reviewed the status of the South Meadow Development, indicating that it appears necessary to obtain a rating on the bonds to be issued to finance the project from Standard and Poor's rating service. In order to obtain an "A" rating, pledging the Moral Obligation of the State will be necessary. Additionally, due to rising interest rates, Mr. Richardson indicated a Graduated Payment Mortgage format would be necessary to achieve feasibility. After extensive discussion on both issues, a motion was duly made, seconded and approved amending the previous financing Resolution to incorporate a Moral Obligation Pledge and a Graduated Payment format as long as the buydown didn't exceed $86,500.

Mr. Richardson next discussed the lack of interest in the Agency's advertised Graduated Payment Loan Program. Only 3 proposals were received, none of which appeared to be feasible. Uncertainity in the market place due to proposed tax reform seemed to be the major reason for lack of interest.

Next, upon motion duly made and seconded, the Board unanimously voted to go into Executive Session to discuss personnel matters.

After emerging from Executive Session, upon a motion duly made and seconded, the Board unanimously authorized the Vice Chairman to write an offer of employment to Allan S. Hunt for the job of Executive Director.

Mr. Schoenbeck discussed the final revised 1986 budget, noting adjustments were made to reflect actual expenditures. Following questioning, a motion was made, seconded and approved to adopt the 1986 revised final budget as submitted.

Next, the proposed 1987 budget was reviewed by Mr. Schoenbeck, who indicated the increase was primarily a result of anticipated new staffing, including new staff positions in research and public information. Following lengthy discussion and questioning, the staff was requested to provide more information to the Board before they would approve the budget.

Lastly, Mr. Hunt updated the Board on the tax reform legislation and its potential negative affects on housing in Vermont.

There being no further business to come before the Board, this meeting was adjourned at 5:00 PM.

Respectfully yours,

Allan S. Hunt
Interim Executive Director
and Secretary

AH/kf43

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Roger A. Schoenbeck, Controller RS

RE: F/Y/E June 30, 1987 Budget

DATE: July 10, 1986

Attached please find two printouts which answer questions raised at the last Board meeting.

The statement titled Proposed Budget compares the final approved budget for f/y/e 6/30/86 with the growth budget as proposed at the last meeting for f/y/e 6/30/87 and also a maintenance budget for the same period which deletes new positions requested and related changes to those positions. The percentage column reflects the increase (or decrease) for the line items between the two budgets.

The second statement titled Comparative Operating Statements purports to show the change over the last three years by line items and a percentage change over that period of time.

If you have any questions on these two statements, please contact me at your convenience.

RS/kf83
Attachments

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PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1987

	FINAL BUDGET FYE 6/30/86	GROWTH BUDGET FYE 6/30/87	MAINTENANCE BUDGET FYE 6/30/87	% INC/DEC GROWTH VS. MAINTENANCE
INCOME				
VHMGB	70,100	94,500	94,500	0.00%
SINGLE FAMILY FEES	343,700	250,000	250,000	0.00%
MULTI-FAMILY FEES	12,665	329,250	329,250	0.00%
INTEREST INCOME	225,750	216,000	223,000	-3.14%
MISCELLANEOUS	4,175	5,000	5,000	0.00%
TOTAL INCOME	656,390	894,750	901,750	-0.78%
FUND TRANSFERS				
LOANS TO LENDERS	275,070	150,000	150,000	0.00%
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	0.00%
HOWARD MTG PURCHASE	700,000	760,000	760,000	0.00%
HOWARD HOME MTG PURCH	(706,800)	200,000	200,000	0.00%
HOWARD MULTI-FAMILY	400,000	250,000	250,000	0.00%
CONN NATL MULTI-FAMILY	105,000	180,000	180,000	0.00%
TOTAL TRANSFERS	873,270	1,640,000	1,640,000	0.00%
TOTAL INC & TFRS	1,529,660	2,534,750	2,541,750	-0.28%
EXPENSES				
ADVERTISING	7,150	7,500	6,500	15.38%
AUDIT	18,000	19,000	19,000	0.00%
ANNUAL REPORT	10,550	10,000	10,000	0.00%
COMMISSIONERS EXPENSES	3,350	5,000	5,000	0.00%
CONSULTING FEES	33,550	40,000	35,000	14.29%
DUES & SUBSCRIPTIONS	10,200	11,700	11,700	0.00%
INSURANCE	37,800	61,800	54,200	14.02%
INTEREST EXPENSE	9,150	5,000	5,000	0.00%
LEGAL	36,250	44,000	39,000	12.82%
MISCELLANEOUS	5,250	2,500	2,500	0.00%
OFFICE EXPENSES	9,950	12,500	11,500	8.70%
PENSION PLAN	32,200	44,000	40,500	8.64%
POSTAGE	6,550	7,200	6,700	7.46%
RENT	56,500	61,400	61,400	0.00%
REPAIRS & MAINTENANCE	19,500	25,000	25,000	0.00%
SALARIES & WAGES	469,000	600,270	529,270	13.41%
STAFF TRAVEL & TRAINING	27,000	30,000	28,000	7.14%
TAXES-PAYROLL	31,900	42,750	37,675	13.47%
TELEPHONE	19,500	27,000	25,500	5.88%
TRUSTEE & CREDIT FEES	154,000	175,000	175,000	0.00%
DEPRECIATION	45,000	53,000	53,000	0.00%
TOTAL EXPENSES	1,042,350	1,284,620	1,181,445	8.73%
INCREASE (DECREASE) TO FUND BALANCE	487,310	1,250,130	1,360,305	-8.10%

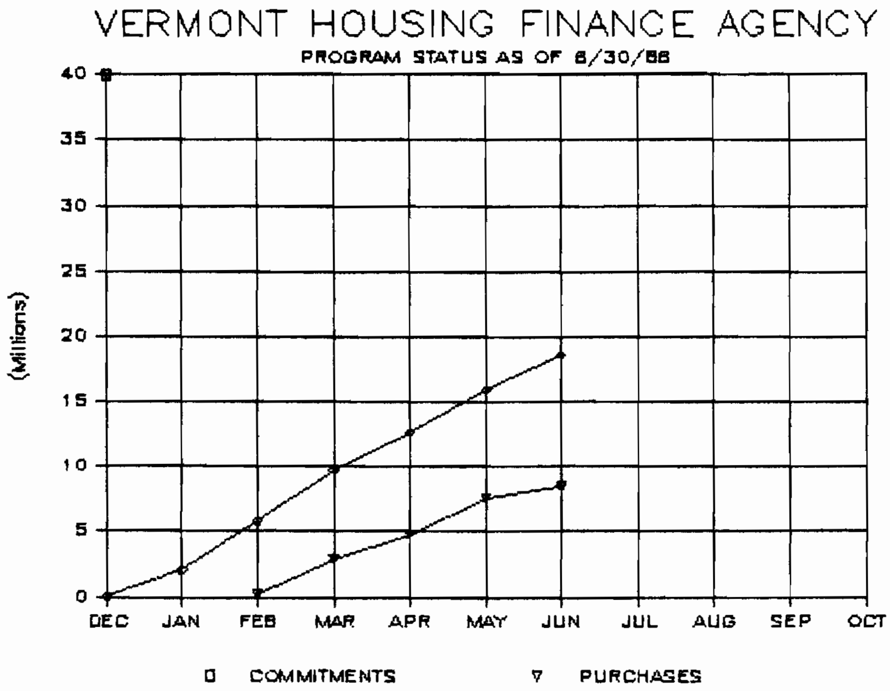
COMPARATIVE OPERATING STATEMENTS
VERMONT HOUSING FINANCE AGENCY
FOR THE FISCAL YEARS ENDING JUNE 30, 1984 THRU JUNE 30, 1986

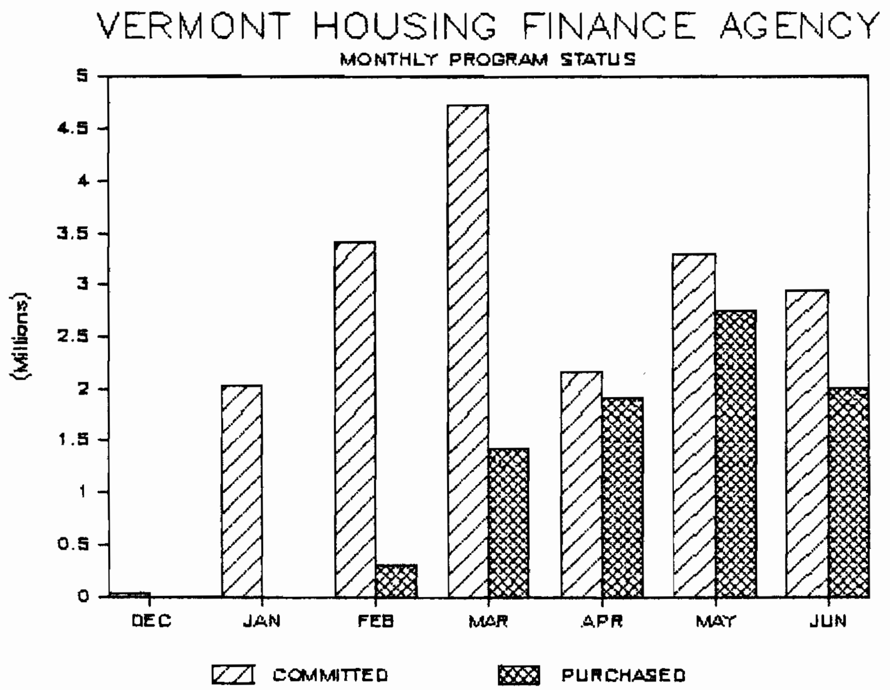
	OPERATING RESULTS FYE 6/30/84	OPERATING RESULTS FYE 6/30/85	ESTIMATED ACTUAL FYE 6/30/86	% INC/DEC FY86 VS. FY84
INCOME				
VHMGB	66,000	64,886	70,100	6.21%
SINGLE FAMILY FEES	337,500	400,289	343,700	1.84%
MULTI-FAMILY FEES	47,000	11,013	12,665	-73.05%
INTEREST INCOME	159,000	220,213	225,750	41.98%
MISCELLANEOUS	6,000	5,397	4,175	-30.42%
TOTAL INCOME	615,500	701,778	656,390	6.64%
FUND TRANSFERS				
LOANS TO LENDERS	180,000	180,000	275,070	52.82%
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	0.00%
HOWARD MTG PURCHASE	660,000	810,000	700,000	6.06%
HOWARD HOME MTG PURCH	(770,500)	(1,201,722)	(706,800)	-8.27%
HOWARD MULTI-FAMILY	400,000	400,000	400,000	0.00%
CONN NATL MULTI-FAMILY	60,000	60,000	105,000	75.00%
TOTAL TRANSFERS	629,500	348,278	873,270	38.72%
TOTAL INC & TFRS	1,245,000	1,050,056	1,529,660	22.86%
EXPENSES				
ADVERTISING	3,000	2,600	7,150	138.33%
AUDIT	20,726	16,500	18,000	-13.15%
ANNUAL REPORT	6,074	8,948	10,550	73.69%
COMMISSIONERS EXPENSES	2,000	2,629	3,350	67.50%
CONSULTING FEES	7,500	4,700	33,550	347.33%
DUES & SUBSCRIPTIONS	8,123	8,142	10,200	25.57%
INSURANCE	28,513	40,484	37,800	32.57%
INTEREST EXPENSE	14,412	11,239	9,150	-36.51%
LEGAL	42,420	34,496	36,250	-14.55%
MISCELLANEOUS	3,710	5,281	5,250	41.51%
OFFICE EXPENSES	9,000	12,000	9,950	10.56%
PENSION PLAN	8,700	15,000	32,200	270.11%
POSTAGE	5,300	6,127	6,550	23.58%
RENT	40,700	48,728	56,500	38.82%
REPAIRS & MAINTENANCE	27,437	23,179	19,500	-28.93%
SALARIES & WAGES	426,115	483,248	469,000	10.06%
STAFF TRAVEL & TRAINING	23,878	20,000	27,000	13.07%
TAXES-PAYROLL	30,020	32,801	31,900	6.26%
TELEPHONE	15,556	15,450	19,500	25.35%
TRUSTEE & CREDIT FEES	90,553	109,922	154,000	70.07%
DEPRECIATION	30,300	35,575	45,000	48.51%
TOTAL EXPENSES	883,874	937,049	1,042,350	17.93%
INCREASE (DECREASE) TO FUND BALANCE	361,126	113,007	487,310	34.94%

Single Family Status Reports

1985B Program

July 11, 1986


VERMONT HOUSING FINANCE AGENCY
PROGRAM STATUS AS OF 6/30/88
40
35
30
25
20
15
10
5
0
(Millions)
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
COMMITMENTS
PURCHASES


VERMONT HOUSING FINANCE AGENCY
MONTHLY PROGRAM STATUS
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
(Millions)
DEC
JAN
FEB
MAR
APR
MAY
JUN
COMMITTED
PURCHASED

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 07/11/86

Total Number of Loans:	408
Total Loan Amount:	$19,747,934
Average Loan Amount:	$48,401

EXISTING:	$16,647,724	86.5%	353 Loans
NEW CONSTRUCTION:	$3,100,210	13.4%	55 Loans
NEW DETACHED HOUSING:	$2,654,185	85.6%	48 Loans
NEW CONDOMINIUM:	$446,025	14.3%	7 Loans

Total Insured or Guaranteed Loans:	391
Loans Guaranteed by VHMGB:	374

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$49,087	$57,594	$52,965
Avg. Loan Amount	$44,798	$52,702	$48,401
Avg. Borrower Income	$25,866	$27,699	$26,701
Avg. Housing Debt-Income Ratio	23.7%	25.8%	24.7%
Avg. Total Debt	$684.96	$769.96	$723.71
Avg. Total Debt-Income Ratio	32.1%	33.7%	32.8%
Total No. of Loans	222	186	408
First Time Homebuyers	82.8%	100.0%	90.6%
% Loans with 2 or more Wage Earners	63.9%	62.3%	63.2%
% of Total Loan Amount	50.4%	49.6%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	23	$1,131,103	5.7%	29,406	5.8%
Bennington	17	$789,784	4.0%	33,345	6.6%
Caledonia	25	$1,017,406	5.2%	25,808	5.1%
Chittenden	112	$6,363,985	32.1%	115,534	22.6%
Essex	1	$30,400	0.2%	6,313	1.0%
Franklin	30	$1,482,256	7.5%	34,788	6.8%
Grand Isle	1	$37,000	0.2%	4,613	0.9%
Lamoille	7	$313,225	1.6%	16,747	3.3%
Orange	18	$865,080	4.4%	22,739	4.5%
Orleans	24	$825,843	4.2%	23,440	4.6%
Rutland	54	$2,482,020	12.6%	58,347	11.4%
Washington	58	$2,693,330	13.6%	52,393	10.2%
Windham	5	$235,647	1.2%	36,933	7.2%
Windsor	33	$1,480,855	7.5%	51,030	10.0%
TOTAL	408	$19,747,934	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

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VERMONT HOUSING ANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
07/11/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
Bank of Vermont	3,000,000	0	3,000,000	736,119	24.5%	454,903	281,216
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	295,875	59.1%	246,475	49,400
Bradford National Bank	400,000	0	400,000	143,955	35.9%	40,500	103,455
Caledonia National Bank of Danville, The	250,000	0	250,000	660,312	264.1%	126,823	533,489
Chittenden Trust Company	4,000,000	0	4,000,000	2,229,246	55.7%	837,240	1,392,006
Comfed Mortgage Co., Inc.	1,300,000	0	1,300,000	59,950	4.6%	59,950	0
Commonwealth Mortgage Company, Inc	1,000,000	0	1,000,000	381,867	38.1%	267,607	114,260
Community National Bank	500,000	0	500,000	515,085	103.0%	191,924	323,161
Factory Point National Bank, The	750,000	0	750,000	196,087	26.1%	76,377	119,710
First Brandon National Bank	300,000	0	300,000	148,075	49.3%	0	148,075
First Twin-state Bank	1,000,000	0	1,000,000	865,406	86.5%	343,031	522,375
Franklin-Lamoille Bank	1,700,000	0	1,700,000	334,224	19.6%	244,719	89,505
Granite Savings Bank and Trust Company	800,000	0	800,000	284,075	35.5%	174,200	109,875
Howard Bank, National Assn, The	5,000,000	0	5,000,000	2,832,369	56.6%	2,223,519	608,850
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	182,100	72.8%	0	182,100
Marble Bank	1,800,000	0	1,800,000	870,319	48.3%	206,294	664,025
Merchants Bank, The	3,000,000	0	3,000,000	979,496	32.6%	181,047	798,449
National Bank of Middlebury, The	1,000,000	0	1,000,000	356,772	35.6%	89,768	267,004
New England IBM Employees Fed Crdt Union	800,000	0	800,000	410,648	51.3%	294,798	115,850
Northfield Savings Bank	2,000,000	0	2,000,000	923,451	46.1%	331,751	591,700
Passumpsic Savings Bank	500,000	0	500,000	457,066	91.4%	185,916	271,150
Peoples Trust Company of St Albans	800,000	0	800,000	153,900	19.2%	0	153,900
Proctor Bank	1,500,000	0	1,500,000	106,338	7.0%	25,588	80,750
Randolph National Bank	750,000	0	750,000	305,290	40.7%	37,365	267,925
Union Bank	600,000	0	600,000	79,970	13.3%	34,970	45,000
Vermont Federal Bank, FSB	4,000,000	0	4,000,000	3,412,605	85.3%	2,420,822	991,783
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	995,334	99.5%	322,929	672,405
Vermont National Bank	1,500,000	0	1,500,000	832,000	55.4%	0	832,000
	40,000,000	0	40,000,000	19,747,934	49.3%	9,418,516	10,329,418

Interest Rate Survey
July 8, 1986

	30 yr rate	fixed points	15 yr rate	fixed points
Bank of Vermont	11.00	2	10.75	2
Chittenden Trust Co.	10.75	2	10.50	2
Commonwealth Mortgage	10.25	2	10.00	3
Franklin-Lamoille	11.25	2	11.00	2
Howard Bank	11.375	2	11.00	2
Merchants Bank	11.00	2	11.00	2
VT Federal Bank	10.625	2	10.50	2
VT National Bank	10.75	2	10.75	2

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Michael Richardson

RE: Secondary Market for Home Repair Loans

DATE: July 10, 1986

One common use of Community Development Block Grants has been to set up a revolving loan fund from which home repair loans can be made at low interest rates (most in the 3 to 5 percent range) to income-elegible home owners. Fourteen revolving funds have been set up representing 32 Vermont towns (towns, sometimes jointly, make application to the Department of Housing and Community Development for the funds, which are then awarded on a competitive basis). About 2.6 million dollars have been loaned out representing 308 loans. The average loan amount is about $8,500 and the average term is about 8 years. Most loans are serviced by private lenders who charge a flat monthly fee. Less than 1% of the loans have gone into default.

Recently DHCA awarded a grant to one of the revolving loan fund operators to look at the secondary market potential for these loans. With such a market towns could sell their loans at discount and use the sale proceeds to do more housing-related activities.

The Agency has been approached as one possible purchaser of these loans. Conceptually, we would purchase the loans with the proceeds from sale of securities (using recycled bond proceeds is not possible because of indenture limitations). A taxable security would be the least cumbersome instrument since it does not entail the tracking of federal restrictions, a complex Bond Counsel Opinion and the like. Making the security a general obligation of the Agency would insulate the buyer from the risk of default on any individual loan. The Agency, in turn, would withhold 10% of the pool purchase price as a reserve fund and the participating town would be required to replenish the fund as needed. The income stream of each loan pool would be discounted to present value using the yield of the taxable security as the discount factor. Because each pool has differing average interest rates, those pools with the lowest interest rates would have to be most deeply discounted.

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The program would not require additional staff. However, extra time would be required to initially enter the data into our computer and a seperate set of books would be opened and maintained. The software is in place both to value the loans and to track them.

The Agency has not been able to offer home repair loans in the 3 to 5 percent interest range. With this mechanism it could be instrumental in efficiently recycling a scarce resource. The only comparable source of low interest home repair money has been from the Farmer's Home Administration which will be sharply cut back in this year's Federal Budget.

MR/kf151

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Sam Falzone

RE: Prospect Forest Homes - Randolph

DATE: July 11, 1986

BACKGROUND

In 1983 the Agency made a 100% non-recourse loan to Faith, Hope and Charity, a local non-profit sponsor, to develop 9 units of family housing in Randolph, Vermont. Over the years they have shown less interest in their commitment as owners and have had a mediocre record as managers of the physical property. Recently, we along with the VSHA have required them to hire a professional management agent and since that time Carol Brock, President, has been actively seeking to sell the property.

PROPOSED TRANSFER OF OWNERSHIP

On May 22nd, Gary Winders and Carol Brock executed a purchase and sales agreement for the property which would effectively transfer all project related assets and liabilities for the price of $4,000 at closing and a $1,000 payment each year thereafter for a period of 5 years.

On July 3rd, Gary Winders submitted a formal proposal to the Agency to transfer ownership of the property from Faith, Hope and Charity to Gary Winders and Louis and Dorothy Pickard. (A partnership to be known as UmFahtsa Enterprises). He is proposing a recourse loan with assumption of the existing mortgage and regulatory agreement, and assignment of the HAP contract and all cash and security accounts of the project. Gary will manage the property and has proposed to fund any cash flow deficits from his management fee and then from partnership advances if needed. His proposal also requests that the Agency waive the 1% Mortgage Assumption Fee which as of the July 10th principal balance would be $3555.

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BOARD CONSIDERATIONS

1. If approved, should we require that the 5 remaining 5 year HAP term renewals be mandatory?

2. Should the Agency look to limit the residuals this property would generate at the time of sale and try and insure that these units would remain affordable housing in the Randolph Community?

3. Is this the moment the Agency should form a non-profit housing component and acquire the property directly?

RECOMMENDATION

As a management agent, Gary Winders has an excellent track record with the Agency. He would be a responsible owner and both the property and residents would benefit by his involvement. My recommendation is that the Board approve the sale and transfer of ownership with the following conditions:

1. Require mandatory renewal of the 5 remaining HAP terms.

2. Limit the residuals through negotiations with Gary which would allow the property to revert back to us at the end of the 30 year HAP/Mortgage term.

3. Waive the Mortgage Assumption fee but require Gary to pay all closing costs including Frank's fee for preparing the transfer, assumption and assignment documents.

SF/kf144

VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Directors

FROM: Allan Hunt

RE: Vermont Energy Investment Corporation

DATE: July 10,1986

Overview:

The Vermont Energy Investment Corporation (VEIC), a Section 501(c)(3) non-profit energy service corporation, has recently been established to provide financial, technical, and management services for energy efficiency in Vermont buildings. VEIC will work with state and local government agencies, financial institutions, utility companies, and a variety of service delivery organizations to develop and implement below-market-rate financing mechanisms and energy efficiency services. VEIC will primarily target low and moderate income residential buildings, including both single and multi-family units.

The Board of Directors of VEIC will consist of a variety of existing organizations which all share an interest in housing and energy efficiency. Representatives on the Board will include the Burlington Electric Department (BED), Champlain Valley Office of Economic Opportunity (CVOEO), Burlington Housing Authority (BHA), Burlington Community and Economic Development Office (CEDO), Memphremagog Group (TMG), a non-profit energy consulting firm, and other interested parties.

Although VEIC will initially be focusing its efforts regionally, the intention of the non-profit, as stated in its By-Laws, is to expand state-wide.

Recommended Action:

It is recommended that the Board of Directors of the Vermont Housing Finance Agency provide an indication of support for the Vermont Energy Investment Corporation, and consider a contribution of seed capital or a grant, and/or contract for services.

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Recommended Action (Continued):

In support of the creation of VEIC, it is recommended that the VHFA directly participate in its development and operation as follows:

1) One member of the VHFA staff should be a liaison to the VEIC.

2) This staff person would coordinate pertinent VHFA programs and policy with the goals and activities of VEIC.

3) VHFA should provide start-up capital in return for specific mutually agreed upon services to VHFA, which will be negotiated with VEIC at a later date.

AH/kfrf44

VHFA
VERMONT HOUSING FINANCE AGENCY

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: Board of Commissioners

FROM: Allan S. Hunt, Acting Director ASH

RE: Growth Versus No Growth Budget

DATE: July 10, 1986

The choice is clear. We can continue to exist and pick away at Vermont's housing problems in a very limited way by adopting a "No Growth" budget or decide to develop a comprehensive program of broad based initiatives which will have (potentially) wide ranging effects on Vermont's housing future. The "Growth" budget presented to you at the last meeting and presented again at this meeting will go a long way to exploring some exciting opportunities.

Since I returned to the Agency in April, I have evaluated existing staff and workload and concluded, in general, that existing staffing is adequate for the administration of the existing portfolio and undertaking a few new initiatives spread throughout the year.

The enclosed outline entitled "Operational and Ongoing Activities" details the work volume and duties of existing staff.

My analysis indicates that current staff has virtually no extra time to design and research new programs, which is a key to growth. Secondly, relying on outside counsel to do legal research is time consuming and slow. Thirdly, new programs which are developed need to be widely advertised if they are to reach their intended audience.

Therefore, the growth budget anticipates the hiring of:

1) Director of Research and Program Development

   This person would have primary responsibility to research and recommend new program initiatives under the direction of the Executive Director.

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2) Public Information Officer

Primary responsibility to coordinate all advertising, arrange informational meetings with constituent groups, oversee development of all printed material and provide appropriate informational outreach.

3) In-House Counsel

Would handle routine legal matters, including foreclosures, do research, do support work in conjunction with outside counsel on more complicated issues.

4) Junior Accountant

General accounting duties under supervision of Director of Finance and/or Controller.

These four positions will position us to undertake a number of new program initiatives. A list of potential programs is as follows:

Single Family

1) VHFA/Farmers Home Program - Blending our funds with theirs to achieve a very low interest rate. $5,000,000 - $10,000,000.

2) Builder's Set-Aside Program - Reservation of funds to promote the construction of affordable homes. $10,000,000 - $15,000,000

3) Vocational Education Housing Set-Aside - This would finance homes built by vocational education departments. $500,000 annually.

4) Single Family Target Area Program - would provide mortgage set-asides to communities using CBDG funds to revitalize neighborhoods.

5) Mortgage Credit Certificates - These should be made operational and used!

Energy

1) Development of Energy Efficient Mortgage Program - In cooperation with Public Services Department, utilizing $500,000 of Exxon Oil Overcharge funds to demonstrate the feasibility and desirability of including retrofit funds to upgrade homes at time of purchase.

Energy (Continued)

2) Public Housing Energy Loan Program - using $400,000 of Exxon Oil Overcharge funds to be leveraged with approximately $3,000,000 of VHFA taxable securities to retrofit approximately 1,000 public housing authority units throughout the state.

3) Energy Loan Program - The Agency would issue bonds to finance approximately 1,000 energy conservation loans. The Vermont Home Mortgage Guarantee Board would provide the insurance. $5,000,000 annually.

Multi-Family

1) Creation of a state-wide non-profit housing development corporation to promote the development of affordable rental housing, as well as purchasing existing Section 8 projects.

2) Provide financing on projects assisted through CBDG, HODAG or RDAG funds.

Taxable Securities

I believe the time is right to put together a program to purchase mortgage loans from conventional lenders "VERMAC Program".

As you can see, the opportunities are virtually unlimited! The growth budget, as proposed, is realistic. I ask for your support of this budget.

AH/kf47
Enclosures

VERMONT HOUSING FINANCE AGENCY
BUSINESS PLAN

Operational and Ongoing Activities

I. Single Family

A. Current Staffing: Doug Lothrop, Director of Single Family Programs; Pat Crady, Single Family Program Coordinator; Jacklyn Santerre, Underwriter; Ann-Marie Plank (3 days/week), Underwriter; Jim O'Malley, Loan Servicing Supervisor; Susan Robertson, Administrative Assistant.

B. Scope

1. Total purchases for calendar year 1985 expected to exceed $60,000,000.

2. Approximately 6500 loans outstanding totaling $230 million.

3. 3 bond resolutons, 13 main programs, 10 ancillary programs.

C. Ongoing Activities

1. Programmatic

a. Continued fine tuning of data system.
b. Improve processing procedures, document design.
c. Federal compliance requirements.
d. Continued appraiser training.
e. Continued Training of staff.
f. Program promotion monitoring.
g. Continued interaction with lenders, builders, real estate professionals, mortgage insurers and others.
h. Retain sensitivity to market conditions.
i. Market forecasting.

D. Portfolio Management

On average, at any point in time:

63 loans 60 days in arrears.
43 loans 90 days in arrears.
10 loans in foreclosure.
15 loans owned by Agency (25 properties acquired during last year, 22 properties marketed and sold).

D. Portfolio Management (Continued)

1. Monthly oversight of lender servicing activities on defaulted mortgage loans.

2. Individual attention to all accounts delinquent 90 days or more including loan foreclosures.

3. Direct action involving property acquisitions and dispositions including rehab contracts, pricing and marketing.

4. Dealing with mortgagors and lenders involving requests for partial releases, modification of mortgage instruments, rental situations and Agency policy, etc.

5. Monitoring ocmpliance with program requirement (particularly 103A).

6. Residential lender training and interaction.

II. **Multi-Family Development**

A. Current Staffing: Mike Richardson, Multi-Family Development Officer.

B. Scope

1. Program Development: 80/20 multi-family rental housing and community care homes.

C. Ongoing Activities

1. Program Development and Research

a. Maintain and expand Agency data base.
b. Stay abreast of other State programs.
c. Monitor Federal tax law changes.
d. Monitor proposed State legislation.
e. Maintain contact with DCA, VSHA, FmHA.
f. Maintain contact with advocacy groups.

III. **Multi-Family Management**

A. Current Staffing: Sam Falzone, Management Coordinator; Meg Pond, Management Coordinator; Pat Willis, Audit Specialist.

B. Scope

1. Section 8: 88 projects, 1935 units under management (15 projects, HUD contract administrator).

C. Ongoing Activities

a. Prepare for annual VHMA/VHFA/VSHA Conference.
b. Review management fee structure.
c. Review and approve project budgets.
d. Review project quarterly financial reports.
e. Review audited financial statements.
f. Physical inpections (annual, follow-ups, windshield).
g. Annual tenant file audits.
h. Annual management agent compliance review.
i. Contact with owners and managers re. problems and information exchange.
j. Monthly review of HAP requisition.
k. Process annual rent adjustments.
l. Prepare rent comparability analysis.
m. Examine and determine annual utility allowance adjustments.
n. Review insurance policies and renewals.
o. Process Replacement Reserve release requests.
p. Process PCE Release Requests.
q. Coordination with VSHA.
r. Work with CSHA re. management issues.
s. Contact with HUD on contract issues.
t. Process UCC renewals.
u. Training.
v. Participate in new program development.

IV. <u>Financial and Data Processing</u>

A. Current Staffing: Roger Schoenbeck, Controller; Tim Gutchell, Assistant Controller; Sue Joachim, Lender Accounting Coordinator; Heather Mumford, Financial Accountant; Otis Whitehurst, Data Processing Manager.

B. Scope

1. 153 monthly bank reports.
2. In excess of 100 monthly trust accounts.
3. $4-5 million monthly cash turnover every month.
4. $100 million short and long-term investment on a continuing basis.
5. Single Family: 10 bond series, 7 ledgers.
   Loans to Lenders: 3 bond series, 2 ledgers.
   General Fund: 2 ledgers.

C. Ongoing Activities

1. Financial

a. Accounting for receipts of funds.
b. Accouting for disbursement of funds.
c. Single Family portfolio management.
d. Multi-Family portfolio management.
e. Investment of funds.
f. NSA section accounting.
g. Program cash flows and debt service analysis.
h. Audits - Agency and HUD.
i. Financial statements and budget reports.
j. Employee benefit administration.
k. Comparative review other HFAs.
l. Policies and Procedures handbook.
m. Loans to Lenders management.

2. EDP

a. Programming new initiatives.
b. System backup.
c. Employee training.
d. Troubleshooting existing programs.
e. Documentation.

AH/kf47

RESOLUTIONS PROPOSED FOR ADOPTION AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, JULY 16, 1986

RESOLVED, the office of Director of Programs is abolished, and the Resolution of August 2, 1982 creating that office is hereby repealed effective as of the date of adoption of this Resolution; provided, however, that this Resolution shall not affect the validity of any act taken by the Director of Programs while the Resolution of August 2, 1982 was in force and effect.

RESOLVED, all deeds, real estate brokerage listing agreements, Vermont Property Transfer Tax Returns, mortgage discharges, real estate sales agreements, releases of debtors, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages, and all documents and agreements arising from or incidental to any of the foregoing, heretofore executed on behalf of the Agency by Thomas P. Brisson and/or Roger Schoenbeck and/or W. Scott Frazier are hereby RATIFIED AND CONFIRMED as the authorized acts of Vermont Housing Finance Agency.

RESOLVED, There is hereby created the office of Director of Finance. The Director of Finance shall report to the Executive Director and shall have the duties assigned to him from time to time by the Executive Director, including the following:

A. The Director of Finance shall have supervisory responsibility for the Controller and all activities administered on a day to day basis by the Controller.

B. The Director of Finance shall select and make legal investments on behalf of the Agency with respect to funds of the Agency not needed for current operating expenses as well as funds in the hands of any trustee under any bond resolution of the Agency, and for such purpose the Director of Finance shall be an authorized agent of the Agency for the purpose of executing any investment contract.

C. The Director of Finance shall be the officer in charge of the financial structuring of any bond financings of the Agency.

D. In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Director of Finance shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

E. The Director of Finance is authorized, in his discretion, to execute on behalf of the Agency mortgage discharges, releases of debtors, real estate brokerage listing agreements, real estate sales contracts, deeds, bills of sale, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages.

F. The Director of Finance shall be responsible for all agreements with auditors and any dissemination of published information regarding the financial position of the Agency or any of its funds or accounts.

G. In the absence of the Executive Director and in the absence of a Deputy Director, the Director of Finance shall perform the duties of the Executive Director and shall have all the powers and authority incidental thereto.

In addition to the powers specifically granted to the Director of Finance by resolutions of the Agency, the Director of Finance shall have all of the powers reasonable and necessary to carry out the duties of the office.

RESOLVED, there is hereby created the office of Director of Single Family Programs. The Director of Single Family Programs shall report to the Executive Director, and shall have the duties assigned to him from time to time by the Executive Director, including the following:

A. The Director of Single Family Programs shall have general day to day responsibility for the operation of all of the Agency's single family programs, including all of the Agency's programs within the ambit of its "Rules and Regulations Pertaining to Certain Single Family Mortgage Loans" of May 27, 1982.

B. The Director of Single Family Programs shall have supervisory responsiblity for all single family program departments, including loan origination, loan purchase, and loan servicing.

C. The Director of Single Family Programs is authorized, in his discretion, to execute on behalf of the Agency any document within the scope of his responsiblity including, without limitation, mortgage discharges, releases of debtors, real estate brokerage listing agreements, real estate sales contracts, deeds, bills of sale, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages.

In addition to the powers specifically granted to the Director of Sinigle Family Programs by resolutions of the Agency, the Director of Single Family Programs shall have all of the powers reasonable and necessary to carry out the duties of the office.

RESOLVED, the office of Controller is continued as herein described. The Controller shall report to the Director of Finance and shall have such duties as are assigned to him by the Director of Finance, including day to day supervision and control of the Agency's accounting department and accounting personnel. The Controller is specifically authorized to execute on behalf of the Agency any mortgage discharge under any single family mortgage program of the Agency, and discharge of collateral under any loans to lenders program of the Agency, and any officer's certificate required in connection with the release of funds from the Agency's General Fund.

RESOLVED, the appointment of Douglas R. Lothrop as Director of Single Family Programs is hereby approved.

RESOLVED, the appointment of Roger A. Schoenbeck as Director of Finance is hereby approved.

RESOLVED, the appointment of Timothy M. Gutchell as Controller is hereby approved.

RESOLVED, ✓ ________________ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1986 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1986 and until his successor be elected and qualified.

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to access all safekeping vault boxes of the Agency for the purpose of safekeeping and retrieving any and all books, papers, and documents of the Agency:

Executive Director:	________________ (Signature)
Director of Finance:	________________ (Signature)
Director of Single Family Programs:	________________ (Signature)
Controller:	________________ (Signature)
Lender Accounting Coordinator	________________ (Signature)
Financial Accountant	________________ (Signature)

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director
Director of Single Family Programs
Director of Finance or Timothy M. Gutchell as Controller as to any payroll check and, in the absence of the Director of Finance,

any other check.

Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons. Any other check payable against the General Fund must be signed by at least two of the foregoing persons, only one of whom may be the Director of Finance or Timothy M. Gutchell. Any third person or institution may rely absolutely on the signature of Timothy M. Gutchell without inquiry as to the circumstances giving rise to his authority.

RESOLVED, the following officers of the Agency are hereby appointed trustees of the Vermont Housing Finance Agency Employee Pension Plan:

Executive Director: ______________________
(Signature)

Director of Finance: ______________________
(Signature)

Director of Single Family Programs: ______________________
(Signature)

RESOLVED, whereas the notice of the Agency's meeting of April 7, 1986 inadvertently was not published until the morning of April 7, 1986, all actions taken and resolutions adopted by the commissioners present at said meeting are hereby RATIFIED AND CONFIRMED, effective as of April 7, 1986, as the actions and resolutions of Vermont Housing Finance Agency.

ALLAN S. HUNT, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

August 18, 1986

4:30 Thursday Pub

Ms. Jean Gauthier - Phone # 828-3322
Pavilion Office Building
Montpelier, Vermont 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be holding its monthly Board meeting on Thursday, August 28, 1986, at 1:30 PM, at our offices, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to call.

Sincerely,

Judy Russell
Secretary

8/26

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has to be in by Thursday.

The Burlington Free Press
Monday 25, 1986

State Government Meetings

Week of Aug. 25
MONDAY

Board of Public Accountants, 9 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Hospital Data Council, Fanny Allen Hospital, 9:30 a.m.; Porter Medical Center, 12:30 p.m.; Radisson Hotel, Burlington.

Architectural Barrier Compliance Board, 10 a.m., room 9, Statehouse, Montpelier.

Vermont Health Policy Corp. Project Review Committee, discussion of Medical Center Hospital of Vermont's proposal to establish an outpatient chemical dependency rehabilitation program, and decision on requests by Mertens House, Copley Hospital, Gifford Memorial Hospital and Porter Medical Center to offer nursing home services, 1 p.m., State Office Complex, Waterbury.

District Environmental Commission, General Electric Co., closing of landfill and construction of parking area in Clarendon, 9 a.m.; Ronald and Judith Jensen, addition of six parking spaces in existing lot and construction of addition to garage in Clarendon, 2:30 p.m.; conference room, State Office Building, 9 Merchants Row, Rutland.

TUESDAY

Hospital Data Council, Springfield Hospital, 9:30 a.m.; Mount Ascutney Hospital, 12:30 p.m.; Rockingham Hospital, 2:45 p.m.; Hartness House, Springfield.

Oil Overcharge Task Force, 9:30 a.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

Board of Libraries, 10:30 a.m., state librarian's office, 111 State St., Montpelier.

Opticians' Board, 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

District Environmental Commission, Transportation Agency, reconstruction of portion of U.S. 5 in Coventry, 9 a.m., Community Center, Coventry.

District Environmental Commission, Arthur Bousquet, construction of truck repair shop in Highgate, 1:45 p.m., Municipal Office, Highgate Center.

District Environmental Commission, John Reynolds/Environmental Industrial Associates, creation of two-lot industrial subdivision and construction of building for use by S.T. Paving Inc. in Waterbury, 2 p.m., room 121, Stanley Hall, State Office Complex, Waterbury.

WEDNESDAY

Hospital Data Council, Brattleboro Hospital, 9:30 a.m.; Grace Cottage Hospital, 12:30 p.m.; Hartness House, Springfield.

Environmental Board, Killington Ltd., 9:30 a.m., Town Offices, Sherburne.

Vermont Industrial Development Authority, hearings, 9:30, 10 and 10:30 a.m., authority office, 58 E. State St., Montpelier.

Board of Architects, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Transportation Agency, public hearing on bridge replacements on Vermont 116 in Bristol, 1:30 p.m., village manager's office, Bristol.

District Environmental Commission, Dragonshak Enterprises and Rutland Fair Association, conversion of Butterfield's Snackerama to a bagel bakery and delicatessen in Rutland, 10:30 a.m., conference room, State Office Building, 9 Merchants Row, Rutland.

THURSDAY

Hospital Data Council, 9:30 a.m., Skylight Conference Room, State Office Complex, Waterbury.

Vermont Industrial Development Authority, 9:30 a.m., The Equinox Hotel, Manchester.

Radiological Technicians, 1 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Housing Finance Agency, 1:30 p.m., agency office, 1 Burlington Square, Burlington.

Fish and Wildlife Board, 7 p.m., Rowell Auditorium, University of Vermont, Burlington.

District Environmental Commission, Thomas and Patricia Barnett, subdivision into nine lots in Manchester Center, 9:30 a.m.; Equinox Gerimanor Inc., Manchester Medical Center and Combe Properties Inc., construction of a community care home in Manchester, 1:30 p.m.; VFW, Manchester.

FRIDAY

Appeals Panel, 9:30 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Developmental Disabilities Council, 10 a.m., Radisson Hotel, Burlington.

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
Burlington, Vermont

Thursday, August 28, 1986 -- 1:30 PM

1. Approval of Minutes of Meeting of July 16, 1986

2. Update on the Effects of Tax Reform on Tax Exempt Financing (Hunt/Enclosure)

3. Discussion and Possible Action Concerning the Restructuring of a loan for Canal House Associates (Hunt/Kochman)

4. Discussion and Approval of a Resolution Authorizing the Issuance of Notes/Bonds to Finance the South Meadow Housing Development

5. Update on Oil Overcharge Funds (Hunt/Faesy/Enclosure)

6. Discussion of the VEIC Request to Undertake a Demostration Program for Energy/Home Improvement Loans (Hunt/Faesy/Enclosure)

7. <u>Single Family</u>

   a. Discussion of Joint Farmers Home/Agency Mortgage Loan Programs (Lothrop/Enclosure)

   b. Update on Single Family Loan Program (Lothrop/Enclosure)

8. Discussion and Approval of a Grant to PROJECT HOME (Hunt/Enclosure)

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

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COUNCIL OF STATE HOUSING AGENCIES

August 18, 1986

TO: Executive Directors

FROM: Carl W. Riedy, Jr., Executive Vice President
Gerald M. Howard, Legislative Counsel

SUBJECT: Tax Reform: Conference Agreement

The tax reform conference concluded late Saturday night. We have enclosed a draft of that agreement which hits the real estate/housing and bond industries extremely hard. The relevant provisions are on pages 11-14 (low income rental housing credit) and 64-78 (tax-exempt bonds). Basically the bill imposes the following:

VOLUME

- Volume for GOs, 501(c)(3)s, airports, docks and wharves, and sewage and solid waste are not restricted. All other activities including MRBs and multifamily IDBs have a unified volume cap with no specific set-aside amounts. It is:

  In 1987: the greater of $75 per capita or $250,000,000

  In 1988 and thereafter: $50 per capita or $150,000,000

MRB

- MRB sunset is extended until December 31, 1988.
- MRB purchase price limits are reduced to 90% of (the greater of state or area) median in non-targeted areas and 110% in targeted areas.
- Federal income limits of 115% of the greater of state or area median in non-targeted areas and 140% in targeted areas are imposed on MRB users. In targeted areas one-third of the loans must meet the 140% requirement and two-thirds are exempt from it.

MULTIFAMILY IDBs

- Targeting for the multifamily program is:
  - 20% of the units at 50% of area median income; or
  - 40% of the units at 60% of area median income. Both tiers are adjusted for family size.

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- o Bond or Farmers Home financed projects are eligible for a 4% tax credit or the depreciable basis of the targeted units. It is apportioned over 10 years.

- o Conventionally financed low income rental housing is eligible for a similar 9% credit.

- o Each state can issue $1.25 per capita of credit authority for non-bond financed projects, including FmHA projects, conventionally financed non-profit developments and existing developments. (Bond-financed credit is capped by its very nature.) Credit allocation is through appropriate state agencies.

- o Multifamily projects must remain in service for 15 years.

- o Tax-exempt income from all issues except GOs and 501(c)(3) issues are included as a preference for minimum tax purposes.

We have done runs on both the bond and credit volume, which are also enclosed.

This agreement has yet to be written in legislative language. A conference report will be drafted next but not likely available until after Labor Day. If you have any questions please contact us, we will be asking Joint Tax Committee staff for clarification as issues arise.

Mailings concerning the next steps and potential meetings for Executive Directors will follow.

Enclosures

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Board of Commissioners

FROM: Allan Hunt ASid

DATE: August 22, 1986

RE: Update on the Action of the Joint Fiscal Committee in Regard to Exxon Overcharge Funds

Overview:

As you know, I was appointed by Governor Kunin to serve on her oil overcharge task force, which was charged with making recommendations on how to use the approximately $5 million the state received as part of a court ordered refund by Exxon for violating federal price controls between 1975 and 1981.

One of the recommendations made by the task force was the Energy Mortgage Program. In this program, the viability of including energy efficiency improvements in home mortgage loan packages will be ascertained in a two-phased program. In the first phase, a pilot program involving our funds and using a few lenders in different parts of the state will demonstrate the benefits of including a home's energy efficiency in the appraisal process and the merits of rolling energy retrofit costs into the mortgage. In the second phase, the results from the pilot program will be used to convince the rest of the home mortgage lenders in Vermont to utilize the energy appraisal and energy improvement guidelines in their underwriting procedures.

On July 30, 1986, the Joint Fiscal Committee allocated $150,000 for the first phase of the Energy Mortgage Program. The Public Service Department(PSD), in charge of administering the oil overcharge funded programs, will be contracting with the Vermont Housing Finance Agency (VHFA) to run this program. An additional $350,000 is potentially available to implement this second phase.

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Recommended Action:

It is recommended that the Board of Directors authorize the Executive Director to negotiate a contract with the PSD to implement the first phase of the Energy Mortgage Program and to contract certain phases of program development to qualified parties.

AH/rf

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Allan Hunt

DATE: August 22, 1986

RE: 1-4 Unit Home Energy/Improvement Loan Demonstration Program

Overview:

A natural extension of the Vermont Housing Finance Agency's (VHFA) mission of providing affordable housing opportunities to Vermonters would be the implementation of a Home Energy/Improvement Loan Program. By providing a below market-rate loan (Home Improvement Loans currently run about 12%), the VHFA could positively impact the energy efficiency of our older, under-insulated housing stock.

In place currently at the Vermont Housing Mortgage Guarantee Board (VHMGB) is a provision to guarantee energy conservation loans used to improve one to four unit owner-occupied residences. At least 60% of the loan proceeds must be used directly for energy conservation, leaving 40% for other necessary dwelling improvements. The maximum loan amount is $7,500 with a maximum term of 10 years. The loan guarantee covers 90% of the outstanding principal due on the loan.

The source of capital for a Home Energy/Improvement Loan Program could come from taxable securities. This would deliver a rate of 9 to 9-1/2%, which is well below the competitive rate for comparable loans. In addition, there is the possibility of working in conjunction with the Burlington Electric Department, who may buy-down some of the loans on electrically heated homes.

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The VHFA has received a request from the Vermont Energy Investment Corporation (VEIC) to work in conjunction with us in setting up and running a pilot Home Energy/Improvement Loan Program in the Chittenden County and surrounding area. The pilot would demonstrate the marketability of such a program throughout the state, and give us the opportunity to work out any of the kinks. The VHMGB Energy Conservation Loan Guarantee would be utilized in this pilot phase.

Based on the outcome of the pilot, a broad-based Home Energy/Improvement Loan Program using taxable securities could follow in the future.

Recommended Action:

It is recommended that the Board of Directors of the Vermont Housing Finance Agency make up to $150,000 available to the VEIC for a Home Energy/Improvement Loan Pilot Program to be run in conjunction with the VHFA.

AH/rf

Vermont Energy Investment Corporation
91 Henry Street
Burlington, VT 05401
(802) 658-6060

August 20, 1986

Allan Hunt
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

Dear Allan,

Thank you for the opportunity to discuss VEIC and our ideas about working together with VHFA with you last week, and your follow-up letter of August 18. We are very excited about VHFA's proposed "Home Energy/Improvement Loan Program" as an innovative mechanism for helping Vermonters reduce their energy bills and improve the value of the homes at the same time.

Vermonters made huge efforts at conserving energy while staying warm when oil prices skyrocketted. Although energy conservation has gone out of fashion recently with lower fuel prices, the fact remains that most households in the state still use over $1000 each year for heating. In other words, there is still an enormous potential for energy efficiency in housing in Vermont. The only available financing to improve these buildings is through conventional banks at rates of 12 - 13%. From a purely economic standpoint, the energy investment is probably cost-effective even at these rates, but experience has shown us that the economics alone do not induce people to act. Below-market rate financing, with single-digit interest rates, may provide the additional incentive that will motivate people. The proposed VHFA Home Energy/Improvement Loan Program will be a valuable experiment to help determine the impact of more attractive financing as well as to stimulate energy efficiency improvements in existing homes.

VEIC would like to act as an agent of VHFA to make these energy loans available in Vermont. As we are located in Burlington, we anticipate that most of the loans we would originate would be in the Chittenden County area. While we would not market the program aggressively outside this area, we would like to make it available to anyone in the state who is interested and qualifies.

VEIC was founded on a premise that people will be more likely to act on making energy efficiency investments if all their energy efficiency needs can be met by a single organization - a "one-stop shopping" approach. In addition to offering financing alone, we plan to develop a program which combines attractive financing with the full range of other services that people require to make energy efficiency investments in their homes - an energy assessment, bid specification and contractor selection, inspection, monitoring, and other energy management services. We propose to develop a program which would allow clients to select from a number of options. They could choose to secure financing only from VEIC, in which case the choice of measures is their own. VEIC would only confirm that they were on VHFA's approved list of measures, and loan then them the money at the interest rate determined by VHFA for this program. Alternatively, as we have discussed with you, a slightly lower interest rate could be offered for a wider list of measures, provided that an energy appraisal of the home is conducted and determines these measures to be a good investment. If agreable with VHFA, we would like to adjust loan terms from three to seven years so that, where possible, energy cost savings could cover the cost of debt service.

VEIC estimates the ability to originate 50 installment loans through the Home Energy/Improvement Loan Program at an average cost of $3000 per building over the next six months, for a total capital pool of $150,000. We propose a loan origination fee for VEIC of $150 per loan for unsecured loans, and $175 each for secured loans. We can be ready to begin this program by October 1, 1986.

In addition to the Home Energy/Improvememt Loan Program designed to serve 1 - 4 unit owner-occupied buildings, we would like to discuss the possibility of a small demonstration project with VHFA to serve the buildings of 5 units and above. This group of buildings and their owners, is a particular problem in Chittenden County. Tenants (who are almost all low and moderate income) usually pay the energy bills in these buildings, and have little or no incentive, or in many cases, ability to invest in energy improvements. Property owners have little incentive because they doubt that they will see the value of such improvements reflected in the resale value of the buildings. But the fact remains that the energy costs are high and the tenants pay the price. These buildings also tend to be among the most energy inefficient housing in the state and should not be ignored. We suggest that VHFA consider establishment of an energy loan program for these buildings similar to the proposed Home Energy/Improvement Loan Program. VEIC would be happy to assist you in establishing such a program and in acting as an agent for VHFA to originate loans in a pilot/ demonstration program. We estimate the loan funds required for a pilot program to be in the vicinity of $100,000.

We look forward to working with you and your staff very soon to make the Home Energy/Improvement Loan Program available to Vermonters this year, and to discussing the possibilities for the larger-building program soon.

Sincerely,

Beth

Beth Sachs
Executive Director

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Board of Commissioners

FROM: Allan S. Hunt, ASH

DATE: August 21, 1986

RE: Grant for PROJECT HOME

PROJECT HOME is a nonprofit organization which matches people who have housing and need some type of assistance with people who need housing who can provide such assistance. Operating since 1981, this mostly volunteer organization has matched nearly 400 persons in Chittenden County. They recently have been accepted as a United Way Agency with funding to begin in Spring, 1987.

This innovative and effective program is gearing up to do a fund raising and information campaign to educate people about the program. A cornerstone of this campaign is a brochure, which will explain the program and assist in fund raising. While some of the cost of producing the brochure is being donated, approximately $1,500 must be raised to print 10,000 brochures.

I recommend we provide a grant to allow printing of these brochures as a way of promoting alternative housing programs.

Project HOME Fact Sheet

Project HOME
3 Cathedral Square
Burlington, VT 05401
(802) 863-3868

Project HOME, a non-profit agency, provides homesharing and live-in caregiver information, assessment, counseling, referrals and introductions to Chittenden County residents of all ages. Project HOME also promotes public awareness of the benefits and requirements of homesharing and live-in employment.

Project HOME is a home saving program for home providers, the majority elderly or handicapped; an affordable housing option for home seekers of all ages; and a clearing house for live-in caregivers seeking employment.

Service Data:

Calendar Year	Inquiries	Enrollments	Introductions	Matches
1982 March-December	data not available	55 42 home providers 13 home seekers	22	2
1983	235	101 52 home providers 48 home seekers	69	18 (7 Live-in Companions)
1984	344	122 47 home providers 75 home seekers	108	35 (12 Live-in Companions)
1985	541	295 107 home providers 188 home seekers	241	79 (57 Live-in Companions)

Examples of Homesharing:

1--a widow in her 70's who needs help with yardwork and dislikes living alone, shares with a college student who wants an affordable homey place to live. He pays rent.

2--an artist in her 40's who wants a live-in job with enough time and space to paint, shares with a widow in her 90's with severe hearing loss and arthritis. The artist cooks, keeps house, assists in personal care and is present in case of emergency in exchange for room, board and a stipend. She also receives some time off on weekends for respite.

3--a retired maintenance man in his 70's wants the security of another person in his mobile home and needs transportation help, shares with a man in his 30's who is disabled from diabetes and who owns a truck. They share companionship, housework and expenses.

History

Project HOME is sponsored by Cathedral Square Corporation, a housing ministry of the Cathedral Church of St Paul (Episcopal), which specializes in service to elderly and handicapped persons. Project HOME was founded in 1981 by the Retired Senior Volunteer Program of Chittenden County with a Special Projects Grant from the United Way of Chittenden County. Funding has come from a Community Services Grant, International Business Machines (1982-83); from the Independence Fund of the State of Vermont (1983-84, 1984-85, and 1985-86); from the City of Burlington Community Development Block Grant and Revenue Sharing Funds (1983-84, 1984-85, and 1985-86); from a grant from RSVP (1983-84); from the United Thank Offering, Episcopal Church USA (1986-87) from the Community Education Division of the Vermont State Department of Education, the New York Life Foundation, and from churches and private individuals.

Philosophy

Project HOME believes that every person no matter how old or young has something to offer and to receive from others. We believe in offering persons choices and in fostering interdependence. The agency is staffed with a full-time director, 8 trained RSVP volunteer intervier/counselors a trainee from Vermont Associates, and student interns. Most HOME staff members are homesharers themselves, and having experienced retirement and often loss of a spouse--reasons which prompt many persons to consider homesharing--they can offer first-hand experience, knowledge and help.

Project HOME believes in sharing what you learn with others, and has from its founding cooperated in research with the University of Vermont Department of Sociology, which in 1983 received an Andrus Foundation Grant from the American Association of Retired Persons to support research on homesharing and volunteerism at Project HOME. Papers on Project HOME have been presented at SYSTED International Conference (1983); and the International Congress of Gerontology (1985), the British Society of Gerontology (1985) and the Northeastern Gerontological Meeting (1985).

VERMONT HOUSING FINANCE AGENCY

ANNUAL MEETING
MINUTES

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Wednesday, July 16, 1986

Present: Chairman Shaw, Commissioners Gardner, Guest, Hebard, and Myette (by telephone); Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop.

Chairman Shaw called the meeting to order at 2:05 PM.

The minutes of the June 4, 1986 meeting were considered and upon motion duly made and seconded, were unanimously approved.

Chairman Shaw indicated that nominations for Vice Chairman were appropriate. Mr. Gardner was nominated for the position and following a second, was unanimously approved.

Chairman Shaw next indicated that nominations for the Treasurer were in order. Mr. Schoenbeck was nominated, the motion seconded and the nomination unanimously approved.

Next, upon motion duly made and seconded, the Board unanimously voted to go into Executive Session to discuss legal matters. After emerging from Executive Session, a motion was made, seconded and unanimously approved to adopt the attached resolution authorizing the Executive Director to extend the redemption period for Rockingham Canal House subject to certain conditions being met.

Mr. Schoenbeck presented the 1987 General Fund Budget, with explanations attached, as well as a proposed organizational chart indicating current and proposed staffing. After questioning, a motion was made, seconded and unanimously approved passing the budget as submitted.

A "Housekeeping" Resolution providing for a change in job descriptions, approving the appointment of officers, granting authority, and ratifying action taken on April 7, 1986 was presented. A motion was made, seconded and the resolution was approved unanimously.

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Mr. Lothrop updated the Board on the status of the 1985 Single Family Program, indicating that approximately 65% of the funds were committed or in the pipeline. Mr. Hunt indicated an extensive advertising campaign was about to get underway and that he and Mr. Lothrop were confident of placing all the funds. Mr. Lothrop indicated he was meeting with Farmers Home to work out details on the blended rate program in response to a question from Mr. Hebard.

Mr. Hunt advised the Board they had some preliminary discussions with local communities about acting as a secondary market for their rehabilitation loans. By selling these loans to VHFA, the communities could recycle the proceeds into new loans. A motion was made, seconded and unanimously approved supporting the concept and encouraging staff to develop the details.

Next, Mr. Hunt indicated that the Bank of Boston had approved a "loan" to the Agency to finance the South Meadow Housing Development. Details of the financing would be brought to the Board in the near future.

The sale of Prospect Forest Homes was discussed, with Mr. Hunt indicating a concern about the new owners' motives to hold the project until the HAP contract expires and then sell it for the highest price possible. Since the expectation was the project would remain affordable virtually forever when the loan was originally made, due to the nonprofit ownership, Mr. Hunt felt it inappropriate to approve a change in ownership without restricting the resale. Upon a motion duly made and seconded, it was unanimously agreed <u>not</u> to approve the sale unless the residual value reverted back to the Agency so as to keep the project truly affordable.

Next, Mr. Hunt presented a Supplemental Resolution to the 1977 Multi-Family General Bond Resolution which provides clarification on Section 407 dealing with prepayment of mortgage loans. Upon a motion made and seconded, the motion was approved unanimously.

Finally, Mr. Hunt explained the formation of Vermont Energy Investment Corporation, a non-profit organization formed to make housing more affordable through energy loans for retrofit. Mr. Hunt indicated he felt it appropriate for the Board to express its support for this organization as well as agreeing to contract with it for services for approximately $3,000. A motion was made, seconded and unanimously approved indicating the support and approving the contract.

There being no further business, this meeting was adjourned.

Respectfully yours,

Allan S. Hunt

Allan S. Hunt
Interim Executive Director
and Secretary

AH/kf54

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO EXTEND REDEMPTION

PERIOD FOR ROCKINGHAM CANAL HOUSE

RESOLVED, upon receipt from Mosely, Hallgarten of a representation letter of inducement substantially in the form attached to this Resolution, but with such changes as the Executive Director may in his discretion determine to be reasonable, the Executive Director is authorized in his discretion

A. to consent to an extension of the redemption period for Rockingham Canal House until not later than September 20, 1986,

B. to negotiate the details of settlement of the pending Rockingham Canal House foreclosure, and

C. subject to the approval of bond counsel for the Agency, to settle the pending foreclosure on such terms as he shall deem in the interest of the Agency and its participating lender.

Allan S. Hunt
Executive Director and
Secretary
Vermont Housing Finance Agency
July 16, 1986

ASH/jr012

RESOLUTIONS PROPOSED FOR ADOPTION AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, JULY 16, 1986

RESOLVED, the office of Director of Programs is abolished, and the Resolution of August 2, 1982 creating that office is hereby repealed effective as of the date of adoption of this Resolution; provided, however, that this Resolution shall not affect the validity of any act taken by the Director of Programs while the Resolution of August 2, 1982 was in force and effect.

RESOLVED, all deeds, real estate brokerage listing agreements, Vermont Property Transfer Tax Returns, mortgage discharges, real estate sales agreements, releases of debtors, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages, and all documents and agreements arising from or incidental to any of the foregoing, heretofore executed on behalf of the Agency by Thomas P. Brisson and/or Roger Schoenbeck and/or W. Scott Frazier are hereby RATIFIED AND CONFIRMED as the authorized acts of Vermont Housing Finance Agency.

RESOLVED, There is hereby created the office of Director of Finance. The Director of Finance shall report to the Executive Director and shall have the duties assigned to him from time to time by the Executive Director, including the following:

A. The Director of Finance shall have supervisory responsibility for the Controller and all activities administered on a day to day basis by the Controller.

B. The Director of Finance shall select and make legal investments on behalf of the Agency with respect to funds of the Agency not needed for current operating expenses as well as funds in the hands of any trustee under any bond resolution of the Agency, and for such purpose the Director of Finance shall be an authorized agent of the Agency for the purpose of executing any investment contract.

C. The Director of Finance shall be the officer in charge of the financial structuring of any bond financings of the Agency.

D. In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Director of Finance shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

E. The Director of Finance is authorized, in his discretion, to execute on behalf of the Agency mortgage discharges, releases of debtors, real estate brokerage listing agreements, real estate sales contracts, deeds, bills of sale, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages.

F. The Director of Finance shall be responsible for all agreements with auditors and any dissemination of published information regarding the financial position of the Agency or any of its funds or accounts.

G. In the absence of the Executive Director and in the absence of a Deputy Director, the Director of Finance shall perform the duties of the Executive Director and shall have all the powers and authority incidental thereto.

In addition to the powers specifically granted to the Director of Finance by resolutions of the Agency, the Director of Finance shall have all of the powers reasonable and necessary to carry out the duties of the office.

RESOLVED, there is hereby created the office of Director of Single Family Programs. The Director of Single Family Programs shall report to the Executive Director, and shall have the duties assigned to him from time to time by the Executive Director, including the following:

A. The Director of Single Family Programs shall have general day to day responsibility for the operation of all of the Agency's single family programs, including all of the Agency's programs within the ambit of its "Rules and Regulations Pertaining to Certain Single Family Mortgage Loans" of May 27, 1982.

B. The Director of Single Family Programs shall have supervisory responsiblity for all single family program departments, including loan origination, loan purchase, and loan servicing.

C. The Director of Single Family Programs is authorized, in his discretion, to execute on behalf of the Agency any document within the scope of his responsiblity including, without limitation, mortgage discharges, releases of debtors, real estate brokerage listing agreements, real estate sales contracts, deeds, bills of sale, claims for property insurance, claims for mortgage insurance, and claims for guarantees of mortgages.

In addition to the powers specifically granted to the Director of Sinigle Family Programs by resolutions of the Agency, the Director of Single Family Programs shall have all of the powers reasonable and necessary to carry out the duties of the office.

RESOLVED, the office of Controller is continued as herein described. The Controller shall report to the Director of Finance and shall have such duties as are assigned to him by the Director of Finance, including day to day supervision and control of the Agency's accounting department and accounting personnel. The Controller is specifically authorized to execute on behalf of the Agency any mortgage discharge under any single family mortgage program of the Agency, and discharge of collateral under any loans to lenders program of the Agency, and any officer's certificate required in connection with the release of funds from the Agency's General Fund.

RESOLVED, the appointment of Douglas R. Lothrop as Director of Single Family Programs is hereby approved.

RESOLVED, the appointment of Roger A. Schoenbeck as Director of Finance is hereby approved.

RESOLVED, the appointment of Timothy M. Gutchell as Controller is hereby approved.

RESOLVED, Benjamin Gardner is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1986 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1986 and until his successor be elected and qualified.

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to access all safekeping vault boxes of the Agency for the purpose of safekeeping and retrieving any and all books, papers, and documents of the Agency:

Executive Director:	(Signature)
Director of Finance:	Roger A. Schoenbeck (Signature)
Director of Single Family Programs:	(Signature)
Controller:	Timothy M. Gutchell (Signature)
Lender Accounting Coordinator	Susan B. Joachim (Signature)
Financial Accountant	(Signature)

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director
Director of Single Family Programs
Director of Finance or Timothy M. Gutchell as Controller as to any payroll check and, in the absence of the Director of Finance,

any other check.

Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons. Any other check payable against the General Fund must be signed by at least two of the foregoing persons, only one of whom may be the Director of Finance or Timothy M. Gutchell. Any third person or institution may rely absolutely on the signature of Timothy M. Gutchell without inquiry as to the circumstances giving rise to his authority.

RESOLVED, the following officers of the Agency are hereby appointed trustees of the Vermont Housing Finance Agency Employee Pension Plan:

Executive Director: ____________________ (Signature)

Director of Finance: ____________________ (Signature)

Director of Single Family Programs: ____________________ (Signature)

RESOLVED, whereas the notice of the Agency's meeting of April 7, 1986 inadvertantly was not published until the morning of April 7, 1986, all actions taken and resolutions adopted by the commissioners present at said meeting are hereby RATIFIED AND CONFIRMED, effective as of April 7, 1986, as the actions and resolutions of Vermont Housing Finance Agency.

VERMONT HOUSING FINANCE AGENCY

First Supplemental Multi-Family
Mortgage Bond Resolution

Adopted July 16, 1986

VERMONT HOUSING FINANCE AGENCY

First Supplemental Multi-Family
Mortgage Bond Resolution

July 16, 1986

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

WHEREAS, the Agency now desires to clarify certain matters arising under the Bond Resolution with respect to the application of Prepayments;

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

Section 1. Short Title. This resolution is hereinafter sometimes referred to as the "First Supplemental Resolution."

Section 2. Definitions. All terms used herein shall have the same meanings as are given such terms in the Bond Resolution.

Section 3. Authority. This First Supplemental Resolution is adopted pursuant to and in accordance with Section 802 of the Bond Resolution.

Section 4. Amendment. Section 407 of the Bond Resolution is hereby amended by deleting the period at the end thereof and inserting the following clause:

> ; provided, however, that in the event the Agency directs the Trustee to deposit any Prepayment into a Mortgage Loan Account in the Program Fund pursuant to Section 503(C) of this Bond Resolution, all or any portion of the amounts set aside in such special trust fund may, upon application of such Prepayment to make or to purchase a Mortgage Loan and at the direction of the Agency, be repaid to the Mortgagor that made such Prepayment.

Section 5. Effective Date. In accordance with Section 802 of the Bond Resolution, this First Supplemental Resolution shall take effect upon (a) filing with the Trustee of a copy of this First Supplemental Resolution certified by the Secretary of the Agency and (b) filing with the Trustee and the Agency of an instrument in writing made by the Trustee consenting to this First Supplemental Resolution.

COUNCIL OF STATE HOUSING AGENCIES

August 18, 1986

TO: Executive Directors

FROM: Carl W. Riedy, Jr., Executive Vice President
Gerald M. Howard, Legislative Counsel

SUBJECT: Tax Reform: Conference Agreement

The tax reform conference concluded late Saturday night. We have enclosed a draft of that agreement which hits the real estate/housing and bond industries extremely hard. The relevant provisions are on pages 11-14 (low income rental housing credit) and 64-78 (tax-exempt bonds). Basically the bill imposes the following:

VOLUME

- Volume for GOs, 501(c)(3)s, airports, docks and wharves, and sewage and solid waste are not restricted. All other activities including MRBs and multifamily IDBs have a unified volume cap with no specific set-aside amounts. It is:

  In 1987: the greater of $75 per capita or $250,000,000

  In 1988 and thereafter: $50 per capita or $150,000,000

MRB

- MRB sunset is extended until December 31, 1988.
- MRB purchase price limits are reduced to 90% of (the greater of state or area) median in non-targeted areas and 110% in targeted areas.
- Federal income limits of 115% of the greater of state or area median in non-targeted areas and 140% in targeted areas are imposed on MRB users. In targeted areas one-third of the loans must meet the 140% requirement and two-thirds are exempt from it.

MULTIFAMILY IDBs

- Targeting for the multifamily program is:
  - -- 20% of the units at 50% of area median income; or
  - -- 40% of the units at 60% of area median income. Both tiers are adjusted for family size.

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- o Bond or Farmers Home financed projects are eligible for a 4% tax credit or the depreciable basis of the targeted units. It is apportioned over 10 years.

- o Conventionally financed low income rental housing is eligible for a similar 9% credit.

- o Each state can issue $1.25 per capita of credit authority for non-bond financed projects, including FmHA projects, conventionally financed non-profit developments and existing developments. (Bond-financed credit is capped by its very nature.) Credit allocation is through appropriate state agencies.

- o Multifamily projects must remain in service for 15 years.

- o Tax-exempt income from all issues except GOs and 501(c)(3) issues are included as a preference for minimum tax purposes.

We have done runs on both the bond and credit volume, which are also enclosed.

This agreement has yet to be written in legislative language. A conference report will be drafted next but not likely available until after Labor Day. If you have any questions please contact us, we will be asking Joint Tax Committee staff for clarification as issues arise.

Mailings concerning the next steps and potential meetings for Executive Directors will follow.

Enclosures

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Allan Hunt

DATE: August 22, 1986

RE: Update on the Action of the Joint Fiscal Committee in Regard to Exxon Overcharge Funds

Overview:

As you know, I was appointed by Governor Kunin to serve on her oil overcharge task force, which was charged with making recommendations on how to use the approximately $5 million the state received as part of a court ordered refund by Exxon for violating federal price controls between 1975 and 1981.

One of the recommendations made by the task force was the Energy Mortgage Program. In this program, the viability of including energy efficiency improvements in home mortgage loan packages will be ascertained in a two-phased program. In the first phase, a pilot program involving our funds and using a few lenders in different parts of the state will demonstrate the benefits of including a home's energy efficiency in the appraisal process and the merits of rolling energy retrofit costs into the mortgage. In the second phase, the results from the pilot program will be used to convince the rest of the home mortgage lenders in Vermont to utilize the energy appraisal and energy improvement guidelines in their underwriting procedures.

On July 30, 1986, the Joint Fiscal Committee allocated $150,000 for the first phase of the Energy Mortgage Program. The Public Service Department(PSD), in charge of administering the oil overcharge funded programs, will be contracting with the Vermont Housing Finance Agency (VHFA) to run this program. An additional $350,000 is potentially available to implement this second phase.

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(802) 864-5743

Recommended Action:

It is recommended that the Board of Directors authorize the Executive Director to negotiate a contract with the PSD to implement the first phase of the Energy Mortgage Program and to contract certain phases of program development to qualified parties.

AH/rf

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Board of Commissioners

FROM: Allan Hunt

DATE: August 22, 1986

RE: 1-4 Unit Home Energy/Improvement Loan Demonstration Program

Overview:

A natural extension of the Vermont Housing Finance Agency's (VHFA) mission of providing affordable housing opportunities to Vermonters would be the implementation of a Home Energy/Improvement Loan Program. By providing a below market-rate loan (Home Improvement Loans currently run about 12%), the VHFA could positively impact the energy efficiency of our older, under-insulated housing stock.

In place currently at the Vermont Housing Mortgage Guarantee Board (VHMGB) is a provision to guarantee energy conservation loans used to improve one to four unit owner-occupied residences. At least 60% of the loan proceeds must be used directly for energy conservation, leaving 40% for other necessary dwelling improvements. The maximum loan amount is $7,500 with a maximum term of 10 years. The loan guarantee covers 90% of the outstanding principal due on the loan.

The source of capital for a Home Energy/Improvement Loan Program could come from taxable securities. This would deliver a rate of 9 to 9-1/2%, which is well below the competitive rate for comparable loans. In addition, there is the possibility of working in conjunction with the Burlington Electric Department, who may buy-down some of the loans on electrically heated homes.

The VHFA has received a request from the Vermont Energy Investment Corporation (VEIC) to work in conjunction with us in setting up and running a pilot Home Energy/Improvement Loan Program in the Chittenden County and surrounding area. The pilot would demonstrate the marketability of such a program throughout the state, and give us the opportunity to work out any of the kinks. The VHMGB Energy Conservation Loan Guarantee would be utilized in this pilot phase.

Based on the outcome of the pilot, a broad-based Home Energy/Improvement Loan Program using taxable securities could follow in the future.

Recommended Action:

It is recommended that the Board of Directors of the Vermont Housing Finance Agency make up to $150,000 available to the VEIC for a Home Energy/Improvement Loan Pilot Program to be run in conjunction with the VHFA.

AH/rf

Vermont Energy Investment Corporation
91 Henry Street
Burlington, VT 05401
(802) 658-6060

August 20, 1986

Allan Hunt
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

Dear Allan,

Thank you for the opportunity to discuss VEIC and our ideas about working together with VHFA with you last week, and your follow-up letter of August 18. We are very excited about VHFA's proposed "Home Energy/Improvement Loan Program" as an innovative mechanism for helping Vermonters reduce their energy bills and improve the value of the homes at the same time.

Vermonters made huge efforts at conserving energy while staying warm when oil prices skyrocketted. Although energy conservation has gone out of fashion recently with lower fuel prices, the fact remains that most households in the state still use over $1000 each year for heating. In other words, there is still an enormous potential for energy efficiency in housing in Vermont. The only available financing to improve these buildings is through conventional banks at rates of 12 - 13%. From a purely economic standpoint, the energy investment is probably cost-effective even at these rates, but experience has shown us that the economics alone do not induce people to act. Below-market rate financing, with single-digit interest rates, may provide the additional incentive that will motivate people. The proposed VHFA Home Energy/Improvement Loan Program will be a valuable experiment to help determine the impact of more attractive financing as well as to stimulate energy efficiency improvements in existing homes.

VEIC would like to act as an agent of VHFA to make these energy loans available in Vermont. As we are located in Burlington, we anticipate that most of the loans we would originate would be in the Chittenden County area. While we would not market the program aggressively outside this area, we would like to make it available to anyone in the state who is interested and qualifies.

VEIC was founded on a premise that people will be more likely to act on making energy efficiency investments if all their energy efficiency needs can be met by a single organization - a "one-stop shopping" approach. In addition to offering financing alone, we plan to develop a program which combines attractive financing with the full range of other services that people require to make energy efficiency investments in their homes - an energy assessment, bid specification and contractor selection, inspection, monitoring, and other energy management services. We propose to develop a program which would allow clients to select from a number of options. They could choose to secure financing only from VEIC, in which case the choice of measures is their own. VEIC would only confirm that they were on VHFA's approved list of measures, and loan then them the money at the interest rate determined by VHFA for this program. Alternatively, as we have discussed with you, a slightly lower interest rate could be offered for a wider list of measures, provided that an energy appraisal of the home is conducted and determines these measures to be a good investment. If agreable with VHFA, we would like to adjust loan terms from three to seven years so that, where possible, energy cost savings could cover the cost of debt service.

VEIC estimates the ability to originate 50 installment loans through the Home Energy/Improvement Loan Program at an average cost of $3000 per building over the next six months, for a total capital pool of $150,000. We propose a loan origination fee for VEIC of $150 per loan for unsecured loans, and $175 each for secured loans. We can be ready to begin this program by October 1, 1986.

In addition to the Home Energy/Improvememt Loan Program designed to serve 1 - 4 unit owner-occupied buildings, we would like to discuss the possibility of a small demonstration project with VHFA to serve the buildings of 5 units and above. This group of buildings and their owners, is a particular problem in Chittenden County. Tenants (who are almost all low and moderate income) usually pay the energy bills in these buildings, and have little or no incentive, or in many cases, ability to invest in energy improvements. Property owners have little incentive because they doubt that they will see the value of such improvements reflected in the resale value of the buildings. But the fact remains that the energy costs are high and the tenants pay the price. These buildings also tend to be among the most energy inefficient housing in the state and should not be ignored. We suggest that VHFA consider establishment of an energy loan program for these buildings similar to the proposed Home Energy/Improvement Loan Program. VEIC would be happy to assist you in establishing such a program and in acting as an agent for VHFA to originate loans in a pilot/ demonstration program. We estimate the loan funds required for a pilot program to be in the vicinity of $100,000.

We look forward to working with you and your staff very soon to make the Home Energy/Improvement Loan Program available to Vermonters this year, and to discussing the possibilities for the larger-building program soon.

Sincerely,

Beth

Beth Sachs
Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Allan S. Hunt, ASH

DATE: August 21, 1986

RE: Grant for PROJECT HOME

PROJECT HOME is a nonprofit organization which matches people who have housing and need some type of assistance with people who need housing who can provide such assistance. Operating since 1981, this mostly volunteer organization has matched nearly 400 persons in Chittenden County. They recently have been accepted as a United Way Agency with funding to begin in Spring, 1987.

This innovative and effective program is gearing up to do a fund raising and information campaign to educate people about the program. A cornerstone of this campaign is a brochure, which will explain the program and assist in fund raising. While some of the cost of producing the brochure is being donated, approximately $1,500 must be raised to print 10,000 brochures.

I recommend we provide a grant to allow printing of these brochures as a way of promoting alternative housing programs.

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(802) 864-5743

Project HOME
3 Cathedral Square
Burlington, VT 05401
(802) 863-3868

Project HOME Fact Sheet

Project HOME, a non-profit agency, provides homesharing and live-in caregiver information, assessment, counseling, referrals and introductions to Chittenden County residents of all ages. Project HOME also promotes public awareness of the benefits and requirements of homesharing and live-in employment.

Project HOME is a home saving program for home providers, the majority elderly or handicapped; an affordable housing option for home seekers of all ages; and a clearing house for live-in caregivers seeking employment.

Service Data:

Calendar Year	Inquiries	Enrollments	Introductions	Matches
1982 March-December	data not available	55 42 home providers 13 home seekers	22	2
1983	235	101 52 home providers 48 home seekers	69	18 (7 Live-in Companions)
1984	344	122 47 home providers 75 home seekers	108	35 (12 Live-in Companions)
1985	541	295 107 home providers 188 home seekers	241	79 (57 Live-in Companions)

Examples of Homesharing:

1--a widow in her 70's who needs help with yardwork and dislikes living alone, shares with a college student who wants an affordable homey place to live. He pays rent.

2--an artist in her 40's who wants a live-in job with enough time and space to paint, shares with a widow in her 90's with severe hearing loss and arthritis. The artist cooks, keeps house, assists in personal care and is present in case of emergency in exchange for room, board and a stipend. She also receives some time off on weekends for respite.

3--a retired maintenance man in his 70's wants the security of another person in his mobile home and needs transportation help, shares with a man in his 30's who is disabled from diabetes and who owns a truck. They share companionship, housework and expenses.

History

Project HOME is sponsored by Cathedral Square Corporation, a housing ministry of the Cathedral Church of St Paul (Episcopal), which specializes in service to elderly and handicapped persons. Project HOME was founded in 1981 by the Retired Senior Volunteer Program of Chittenden County with a Special Projects Grant from the United Way of Chittenden County. Funding has come from a Community Services Grant, International Business Machines (1982-83); from the Independence Fund of the State of Vermont (1983-84, 1984-85, and 1985-86); from the City of Burlington Community Development Block Grant and Revenue Sharing Funds (1983-84, 1984-85, and 1985-86); from a grant from RSVP (1983-84); from the United Thank Offering, Episcopal Church USA (1986-87) from the Community Education Division of the Vermont State Department of Education, the New York Life Foundation, and from churches and private individuals.

Philosophy

Project HOME believes that every person no matter how old or young has something to offer and to receive from others. We believe in offering persons choices and in fostering interdependence. The agency is staffed with a full-time director, 8 trained RSVP volunteer intervier/counselors a trainee from Vermont Associates, and student interns. Most HOME staff members are homesharers themselves, and having experienced retirement and often loss of a spouse--reasons which prompt many persons to consider homesharing--they can offer first-hand experience, knowledge and help.

Project HOME believes in sharing what you learn with others, and has from its founding cooperated in research with the University of Vermont Department of Sociology, which in 1983 received an Andrus Foundation Grant from the American Association of Retired Persons to support research on homesharing and volunteerism at Project HOME. Papers on Project HOME have been presented at SYSTED International Conference (1983); and the International Congress of Gerontology (1985), the British Society of Gerontology (1985) and the Northeastern Gerontological Meeting (1985).

LOTHROP LEADS DISCUSSION -

3-0 -

VERMONT HOUSING FINANCE AGENCY

TO: VHFA Commissioners

FROM: Douglas R. Lothrop, Director, Single Family Programs

SUBJECT: VHFA/FmHA Loan Participation Program

DATE: August 22, 1986

Program Information

VHFA is proposing to enter into an agreement with the Farmers Home Administration (FmHA) which will allow an expanded amount of funds to be made available to Vermonters in need of mortgage financing which to date we have been unable to reach. This will be a "Mortgage Participation Program" the basic guidelines of which are as follows:

1. VHFA's maximum loan amount would be up to 50% of $60,000. Most commitments would be less than 50-50 participation.

2. VHFA will have a first lien, FmHA will have a second.

3. The income range for borrowers in this program will be between $8,500 and $24,100.

4. Interest rate to the borrower would be between 3% and 5.9% depending on the amount of VHFA participation, and the interest rate on the money used to fund the loan. The rate on our share of the package would be the rate specified in the Program where our funding comes from.

5. Loans will be originated by FmHA and VHFA's share purchased at closing.

6. Monthly payments will be collected by FmHA and forwarded to the Agency. No payment will be accepted unless both FmHA and VHFA's payment is enclosed.

7. The Agency will use this Program to pilot direct servicing of a loan portfolio.

8. If a loan becomes 3 payments past due, FmHA will repurchase the loan.

9. Past due property taxes and property insurance premiums will be advanced by FmHA and added to their mortgage if the borrower does not pay them.

Benefits of the Program

1. Allows the Agency to reach a segment of the Vermont population it has not been able to reach before.

2. Pilot Program very likely will mature into an ongoing program.

3. Provides a ready outlet for uncommitted and recyclable funds of existing programs.

4. Easily funded by taxable issues.

5. Start up costs limited to legal fees in producing necessary document changes, plus staff time in preparation.

6. New potential of the Agency to service a loan portfolio in the future.

7. Expands the mortgage money supply in Vermont.

Initial Funding Source

It is anticipated that VHFA will fund the pilot phase with five million dollars. This figure will allow us enough time and number of loans to accurately determine the success of the program and spot areas where changes may be needed before continuing. Two million dollars of uncommitted funds at 10.6% from the 1985A Program will be provided initially. The remaining funding will be determined at a later date based on the most desirable source of funds available at the time.

Action Requested by the Board

Authorization for the Executive Director and/or Director, Single Family Programs to enter into an agreement with the Farmers Home Administration to participate in the above described Loan Participation Program in an initial amount not to exceed $5,000,000.00.

1985B Homeownership Program

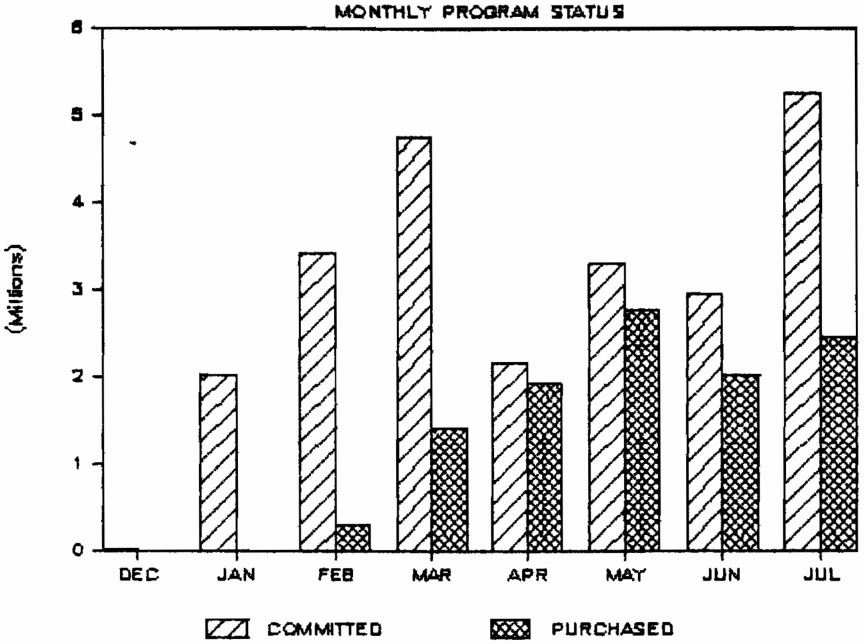
Status Reports

Survey of Lenders

August 22, 1986

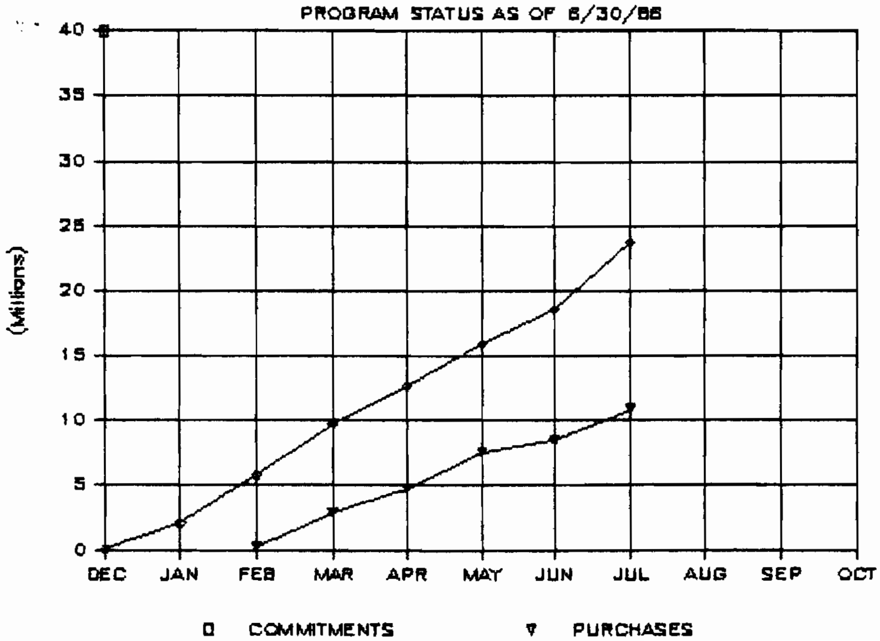
VERMONT HOUSING FINANCE AGENCY

MONTHLY PROGRAM STATUS



VERMONT HOUSING FINANCE AGENCY

PROGRAM STATUS AS OF 6/30/86



REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
08/21/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
======	==========	===========	==========	=========	=======	=========	=========
Bank of Vermont	3,000,000	1,000,000-	2,000,000	1,332,835	66.6%	628,419	704,416
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	342,875	68.5%	295,875	47,000
Bradford National Bank	400,000	0	400,000	224,720	56.1%	140,835	83,885
Caledonia National Bank of Danville, The	250,000	1,000,000	1,250,000	981,190	78.4%	126,823	854,367
Chittenden Trust Company	4,000,000	1,000,000	5,000,000	2,997,199	59.9%	1,203,868	1,793,331
Comfed Mortgage Co., Inc.	1,300,000	750,000-	550,000	122,650	22.3%	59,950	62,700
Commonwealth Mortgage Company, Inc	1,000,000	350,000-	650,000	492,357	75.7%	446,057	46,300
Community National Bank	500,000	0	500,000	534,784	106.9%	346,316	188,468
Factory Point National Bank, The	750,000	300,000-	450,000	252,137	56.0%	252,137	0
First Brandon National Bank	300,000	0	300,000	180,075	60.0%	0	180,075
First Twin-state Bank	1,000,000	600,000	1,600,000	1,283,562	80.2%	803,612	479,950
Franklin-Lamoille Bank	1,700,000	400,000-	1,300,000	654,174	50.3%	299,724	354,450
Granite Savings Bank and Trust Company	800,000	200,000-	600,000	344,075	57.3%	284,075	60,000
Howard Bank, National Assn, The	5,000,000	0	5,000,000	4,036,380	80.7%	2,768,230	1,268,150
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	208,523	83.4%	72,923	135,600
Marble Bank	1,800,000	0	1,800,000	1,287,912	71.5%	363,387	924,525
Merchants Bank, The	3,000,000	0	3,000,000	1,357,254	45.2%	603,650	753,604
National Bank of Middlebury, The	1,000,000	200,000-	800,000	545,161	68.1%	221,726	323,435
New England IBM Employees Fed Crdt Union	800,000	0	800,000	443,898	55.4%	361,198	82,700
Northfield Savings Bank	2,000,000	500,000-	1,500,000	1,169,418	77.9%	769,968	399,450
Passumpsic Savings Bank	500,000	0	500,000	491,051	98.2%	318,244	172,807
Peoples Trust Company of St Albans	800,000	0	800,000	421,755	52.7%	0	421,755
Proctor Bank	1,500,000	600,000-	900,000	228,488	25.3%	25,588	202,900
Randolph National Bank	750,000	0	750,000	400,290	53.3%	37,365	362,925
Union Bank	600,000	250,000-	350,000	198,135	56.6%	34,970	163,165
Vermont Federal Bank, FSB	4,000,000	1,950,000	5,950,000	5,284,761	88.8%	3,333,155	1,951,606
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	1,116,868	111.6%	661,693	455,175
Vermont National Bank	1,500,000	0	1,500,000	981,500	65.4%	0	981,500
	40,000,000	0	40,000,000	27,914,027	69.7%	14,459,788	13,454,239
	==========	==========	==========	==========	=====	==========	==========

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 08/21/86

Total Number of Loans:	581
Total Loan Amount:	$27,914,027
Average Loan Amount:	$48,044

EXISTING:	$23,808,248	87.6%	509 Loans
NEW CONSTRUCTION:	$4,105,779	12.3%	72 Loans
NEW DETACHED HOUSING:	$3,593,767	87.5%	64 Loans
NEW CONDOMINIUM:	$512,012	12.4%	8 Loans

Total Insured or Guaranteed Loans:	554
Loans Guaranteed by VHMGB:	534

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$48,300	$57,916	$52,669
Avg. Loan Amount	$44,013	$52,884	$48,044
Avg. Borrower Income	$25,561	$27,710	$26,538
Avg. Housing Debt-Income Ratio	23.5%	25.9%	24.6%
Avg. Total Debt	$683.40	$770.06	$722.78
Avg. Total Debt-Income Ratio	32.2%	33.6%	32.8%
Total No. of Loans	317	264	581
First Time Homebuyers	85.8%	100.0%	92.2%
% Loans with 2 or more Wage Earners	62.1%	62.1%	62.1%
% of Total Loan Amount	50.0%	50.0%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	32	$1,571,444	5.6%	29,406	5.8%
Bennington	19	$883,737	3.2%	33,345	6.6%
Caledonia	33	$1,314,692	4.7%	25,808	5.1%
Chittenden	164	$9,279,815	33.2%	115,534	22.6%
Essex	2	$54,900	0.2%	6,313	1.0%
Franklin	46	$2,277,715	8.2%	34,788	6.8%
Grand Isle	2	$77,410	0.3%	4,613	0.9%
Lamoille	15	$669,690	2.4%	16,747	3.3%
Orange	32	$1,450,149	5.2%	22,739	4.5%
Orleans	32	$1,053,888	3.8%	23,440	4.6%
Rutland	72	$3,313,288	11.9%	58,347	11.4%
Washington	79	$3,555,654	12.7%	52,393	10.2%
Windham	6	$262,430	0.9%	36,933	7.2%
Windsor	47	$2,149,215	7.7%	51,030	10.0%
TOTAL	581	$27,914,027	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

1985 Series B Mortgage Purchase Program

Survey of Lenders

August 12, 1986

Lender	Loans In Process	Percent of Commitment	Pace
Bank of Vermont	$ 1,234,226	41.1%	increasing
Bennington Coop	435,975	87.2%	slow
Bradford Nat'l	295,620	73.9%	moderate
Caledonia	1,010,090	80.8%	steady
Chittenden	3,759,826	94.0%	increasing
ComFed	122,650	22.3%	slow
Commonwealth	537,200	53.7%	increasing
Community	534,784	106.9%	
Factory Point	252,137	33.6%	slow
First Brandon	180,075	60.0%	slow
First Twin	1,400,000	87.5%	steady
Franklin Lamoille	862,555	50.7%	increasing
Granite Savings	344,075	43.0%	slow
Howard Bank	4,079,050	81.6%	increasing
Lyndonville	208,700	83.5%	slow
Marble Bank	1,376,000	76.4%	slow
Merchants	1,790,284	59.7%	increasing
Middlebury	619,636	62.0%	moderate
IBM	443,948	55.5%	moderate
Northfield	1,272,900	63.7%	slow
Passumpsic	562,482	112.5%	
Peoples	427,545	53.4%	slow
Proctor Bank	244,550	27.2%	slow
Randolph	700,000	93.3%	increasing
Union Bank	262,655	75.0%	moderate
VT Federal	5,470,876	136.8%	moderate
VT Mortgage	1,068,870	106.9%	
VT National	1,106,000	73.7%	increasing
TOTAL	30,602,709	76.5%	

SURVEY OF LENDERS

August 21, 1986

	30 YEAR FIXED	
LENDER	RATE	POINTS
Bank of Vermont	10.250%	2
Chittenden Trust	10.250%	2
ComFed Mortgage	9.875%	2
Commonwealth Mortgage	9.750%	2
Howard Bank	10.250%	2
Vermont Federal	9.875%	2
Vermont National	10.125%	2

State Government Meetings

Week of Oct. 27

MONDAY

Nursing Home Administrators, 9 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Architectural Barrier Compliance Board, 10 a.m., Stanley Hall, State Office Complex, Waterbury.

Vermont Pesticide Advisory Council, 1 p.m., conference room, Agriculture Department, 116 State St., Montpelier.

Vermont Health Policy Corp. Project Review Committee, discussion on application by Mounir Khouri to establish medical laboratory and mobile X-ray and EKG service in the Burlington area, 1 p.m., State Office Complex, Waterbury.

Criminal Justice Training Council, 7 p.m., Logwood Inn, Edson Hill Road, Stowe.

District Environmental Commission, Herman G. Pohle, construction of motel in Brandon, 9 a.m.; Proctor-Pittsford Country Club Inc., addition of nine holes at Proctor-Pittsford Country Club, 1:30 p.m.; Fire Service Training Center Building, Furnace Brook Road, Pittsford.

TUESDAY

Criminal Justice Training Council, 8:30 a.m., Logwood Inn, Edson Hill Road, Stowe.

Real Estate Commission, 9 a.m. and public hearing on rules, 7 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Occupational Safety and Health Review Board, commissioner of labor and industry vs. Contractors Crane Service Inc., 9:30 a.m. and 1:30 p.m., board offices, 13 Baldwin St., Montpelier.

District Environmental Commission, Specialty Beverage Inc. Rent-A-Space, subdivision of industrial park into three additional lots and construction of warehouse for mini-storage complex in Brattleboro, 1:15 p.m., selectmen's meeting room, Town Office Building, Brattleboro.

WEDNESDAY

Public Service Board, Central Vermont Public Service Corp. rate increase request, 9 a.m.; Figaro's Pizzeria vs. Continental Telephone Company of Vermont Inc., 4 p.m.; board conference room, third floor, 120 State St., Montpelier.

Environmental Board, Louis Ferris, addition to building, 9 a.m., Charlmont Restaurant, Morristown.

Hospital Data Council, rescheduled meeting, 9:30 a.m., Skylight Conference Room, State Office Complex, Waterbury.

Community Development Board, 9:30 a.m., West Mountain Inn, Arlington.

Public Service Board, Newbury Hydroelectric Co. rate request, 10 a.m., conference room, Education Department, fifth floor, 120 State St., Montpelier.

Radiological Technicians, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Environmental Board, Charles Drown and A. Michael Richard, rescheduled hearing, 1 p.m.; Paul R. and Jane Choquette and Lawrence and Martha Royer, 3 p.m., City Council room, Municipal Building, Newport.

Water Resources Board, 1:30 p.m., board offices, fourth floor, 58 E. State St., Montpelier.

District Environmental Commission, White River Astro Bowl Association, construction of 32-lane bowling center in Hartford, 10 a.m., Town Offices, Hartford.

District Environmental Commission, Larry and Joan Westall, subdivision of 12 residential lots in Richmond, 2 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

THURSDAY

Public Service Board, Central Vermont Public Service Corp. rate increase request, 9 a.m.; David DuBrul rate request for Lone Shops hydroelectric project, 4 p.m.; board conference room, third floor, 120 State St., Montpelier.

Community Development Board, 9 a.m., West Mountain Inn, Arlington.

Public Service Board, Citizens Utilities Co. transmission facilities request, 10 a.m., conference room, town clerk's office, St. Albans.

Vermont Housing Finance Agency, 10 a.m., state treasurer's office, 133 State St., Montpelier.

Veterans' Home Barn and Bandstand Committee, 5:15 p.m., Veterans' Home, 325 North St., Bennington.

District Environmental Commission, Dean and Martha King and Roland and Bexie Devost, creation of 20-lot subdivision in Brighton, 9 a.m., Town Office Building, Island Pond.

District Environmental Commission, Gary Rogone, subdivision of 11 lots in Dorset, 9:30 a.m., Town Office, East Dorset.

FRIDAY

Environmental Board, Institute for Social Ecology and William and Mary Lloyd and Ottauquechee Land Trust, camping development in Rochester, 8:30 a.m.; Walker construction, Rowe Gravel Pit and Killington Ltd., 9:30 a.m.; second floor, 10 North Building, State Office Complex, Waterbury.

Vermont Mastitis Committee, 9 a.m., University of Vermont Dairy Barn, Spear Street, South Burlington.

Appeals Panel, hearings, 9:30 a.m. and 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Health Department, public hearing on Vermont Health Plan 1986-88, 1:30 p.m., department conference room, 60 Main St., Burlington.

Burlington Free Press
October 27, 1986
Monday

VERMONT HOUSING FINANCE AGENCY

October 23, 1986

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, Vermont 05602

Dear Jean:

The Vermont Housing Finance Agency will be holding its monthly Board meeting on Thursday, October 30, 1986, 10:00 a.m., at State Treasurer's Office, 133 State Street, Montpelier, Vermont.

If you have any questions, please call me.

Sincerely,

Pat Willis

Patricia Willis

PW/jgm

Thank you for accepting the above information over the telephone today. I really appreciated it.

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

STATE OF VERMONT

AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS

OFFICE OF THE SECRETARY (802) 828-3211

MONTPELIER, VERMONT 05602

DEPARTMENTS OF:
Economic Development 828-3221
Housing & Community Affairs 828-3217

DIVISIONS OF:
Administration 828-3231
Historic Preservation 828-3226
Vermont Travel Division 828-3236
Vermont Life Magazine 828-3241

APPOINTMENT

I, JAMES A. GUEST, Secretary of the Agency of Development and Community Affairs, pursuant to 10 V.S.A. Section 611(B), hereby appoint WALTER M. MORRIS, JR., Executive Assistant, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on October 30th, 1986. In this capacity, I specifically authorize Walter M. Morris, Jr. to act in my stead on all matters which may properly come before the Agency for disposition at said meeting.

Dated at Montpelier, Vermont this 28th day of October, 1986.

James A. Guest

James A. Guest, Secretary

VHFA
VERMONT HOUSING FINANCE AGENCY

November 10, 1986

On October 27, 1986, a Western Union Telegram was sent to the following people in regards to a Vermont Housing Finance Agency Board Meeting, to be held in Montpelier, Vermont, on Thuursday, October 30, 1986. All telegrams were hand delivered and received on Monday, October 27, 1986.

1. Benjamin Gardner, President, Hawk Corporate Offices, Route 4, Killington, Vermont 05751.

2. James A. Guest, Secretary of Development & Community Affairs, 109 State Street, Montpelier, Vermont 05602.

3. The Honorable Emory Hebard, State Treasurer, 133 State Street, Montpelier, Vermont 05602.

4. Thomas P. Menson, Commissioner of Banking and Insurance, Pavilion Building, Montpelier, Vermont 05602.

5. Horace Shaw, 20 North Williams Street, Burlington, Vermont 05401.

6. Richard Myette, Route#1, 1597 Spear Street, Shelburne, Vermont 05482.

7. Walter Morris, 109 State Street, Montpelier, Vermont 05602.

Allan S. Hunt
Executive Director and Secretary

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(802) 864-5743

AM SERVICE CENTER
DLETOWN, VA. 22645
OPM

Western Union Mailgram

1-009655C314 11/10/86 ICS IPMMOZO MTWN WJRA
00654 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-025835S300.

HONORABLE EMORY REBARD STATE TREASURER
133 STATE ST
MONTPELIER VT 05602

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:00 EST

MGMCOMP

AM SERVICE CENTER
DLETOWN, VA. 22645
OPM

Western Union Mailgram

1-009681C314 11/10/86 ICS IPMMOZO MTWN WJRA
00660 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-024240S300.

THOMAS P MENSON COMMISSIONER OF BANKING AND INSURANCE
STATE OFFICE BUILDING
MONTPELIER VT 05602

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:05 EST

MGMCOMP

AM SERVICE CENTER
DLETOWN, VA. 22645
OPM

Western Union Mailgram

1-009671C314 11/10/86 ICS IPMMOZO MTWN WJRA
00657 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-024626S300.

JAMES A GUEST SECRETARY OF DEVELOPMENT AND COMMUNITY AFFAIRS
109 STATE ST
MONTPELIER VT 05602

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:02 EST

MGMCOMP

RAM SERVICE CENTER
DDLETOWN, VA. 22645
10PM

1-009687C314 11/10/86 ICS IPMMOZO MTWN WJRA
00662 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27)

WALTER MORRIS
109 STATE ST
MONTPELIER VT 05602

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:07 EST

MGMCOMP

6241 (R 7/82)

ILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645
10PM

Western Union Mailgram

1-009683C314 11/10/86 ICS IPMMOZO MTWN WJRB
00661 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-024466S300.

HORACE SHAW
20 NORTH WILLIAMS ST
BURLINGTON VT 05401

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:07 EST

MGMCOMP

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645
10PM

Western Union Mailgram

1-009665C314 11/10/86 ICS IPMMOZO MTWN WJRB
00656 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-024848S300.

BENJAMIN GARDNER PRESIDENT HAWK CORP
RTE 4
KILLINGTON VT 05751

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:00 EST

MGMCOMP

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645
10PM

Western Union Mailgram

1-009675C314 11/10/86 ICS IPMMOZO MTWN WJRB
00658 MGM TDMT BURLINGTON VT 50 11-10 1000P EST

VERMONT HOUSING FINANCE AGENCY
ATTN PATTY
PO BOX 408
BURLINGTON VT 05401

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE
SENT ON 10-27 LEDGER 4-024390S300.

RICHARD MYETTE
RT 1, 1597 SPEAR ST
SHELBURNE VT 05482

VERMONT HOUSING FINANCE AGENCY BOARD MEETING WILL BE HELD
ON THURSDAY OCTOBER 30, 1986, STATE TREASURER'S OFFICE, MONTPELIER
AT 10:00 A.M. BOARD MAILING DELIVERED UNDER SEPARATE COVER.

ALLAN S HUNT EXECUTIVE DIRECTOR

22:03 EST

MGMCOMP

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
State Treasurer's Office, Montpelier, Vermont

10:00 AM, Thursday, October 30, 1986

1. Approval of August 28, 1986 Minutes

2. <u>Single Family</u>

    a. Status of 1985 Series B Program.

    b. Update on joint Farmers Home/VHFA Mortgage Loan Program.

    c. Discussion of possible program using Mortgage Credit Certificates.

3. <u>Energy</u>

    a. Status of VEIC/VHFA Demonstration Program.

    b. Status of Home Energy Efficiency Program. (EXXON)

4. <u>Multi-Family</u>

    a. Adoption of the Series Resolution - Multi-Family Mortgage Bonds, 1986 Series A. (South Meadow)

    b. Execution of Purchase Contract with Bank of Boston.

    c. Update and possible action on Ethan Allen Apartments.

5. Review of Financial Statements ending June 30, 1986.

6. Discussion and possible action on increasing Commissioners' Per Diem.

7. Any Other Old or New Business.

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, August 28, 1986

Present: Chairman Shaw, Commissioners Menson, Myette, Ms. Meyer (designee of Guest); Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mr. Richardson, VHFA Staff; Frank Kochman, Agency counsel.

Chairman Shaw called the meeting to order at 1:35 PM.

The minutes of the July 16, 1986 meeting were considered and upon motion duly made and seconded, were unanimously approved.

Mr. Hunt briefed the Board on the Conference Committee Agreement on tax reform, indicating that the following significant changes had occurred:

Single Family

- MRB Sunset extended until December 31, 1988.
- MRB purchase price limits were reduced but not significantly in Vermont.
- Income limits were adopted which would mean a reduction in Agency imposed income limits.

Multi-Family

- Greatly increased targeting requirements (20% of the units rented to people below 50% of area median) will mean very few new rental projects.
- A new 9% tax credit (4% if used with tax-exempts) to stimulate lower income housing.

Overall

- A decrease in overall state tax-exempt bonding authority ($150 million) and inclusion in that cap of most issues.

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(802) 864-5743

Next, upon a motion duly made and seconded, it was unanimously agreed to go into Executive Session to discuss a legal matter.

After emerging from Executive Session, a motion was made, seconded and unanimously approved to accept two prepayments of multi-family loans in order to refinance the defaulted Rockingham Canal House loan. (Resolution Enclosed)

Next, the Board was updated on the status of the South Meadow Housing Development. Although there remained a few unresolved issues, Mr. Hunt recommended adoption of a financing resolution including a provision to allow the Agency to advance up to $500,000 of Agency funds prior to the sale of bonds. A motion to approve the temporary advance was made, seconded and unanimously approved. (Resolution Enclosed)

Director Hunt briefed the Board on the Exxon Oil Overcharge Task Force deliberations and indicated that $150,000 had been allocated for the Agency to implement an energy efficient mortgage program. Mr. Hunt introduced Richard Faesy, who is doing work in this area for the Agency.

Next, Director Hunt discussed the work of the Vermont Energy Investment Company (VEIC) and indicated that staff felt it appropriate and timely to undertake an energy loan demonstration program using VEIC as its agent. It was recommended that $150,000 of Agency funds be used to fund such a program, with 60% being targeted to low/moderate income households. All loans made would be guaranteed by the VHMGB. A motion was made, seconded and approved to implement such a program.

Douglas Lothrop discussed the joint Farmers Home/Agency Mortgage Loan Program, indicating that much work had been done and a draft Memorandum of Understanding had been prepared. By combining Farmers Home funds and Agency funds, a mortgage loan with approximately 5% interest rate could be achieved. It is anticipated the initial program would receive $5,000,000 of Agency funds and $5,000,000 of Farmers Home funds.

Mr. Lothrop also expressed cautious optimism that the 1985 Series B program was going well, with 75% of the funds committed and nearly 90% "in process". Mr. Lothrop indicated that any funds not committed by mid-October would be recaptured and "pooled" on a first-come, first-served basis.

Mr. Hunt briefed the Board on the activities of Project Home, a nonprofit group which matches people to home share. Although they have been doing this since 1981, they are only now starting an education campaign about their services. Mr. Hunt indicated that the Agency should underwrite the costs of a brochure for

VERMONT HOUSING FINANCE AGENCY

Voted:

1. That in accordance with Section 407 of the Multi-Family Mortgage Bond Resolution adopted February 3, 1977 (the "1977 General Resolution") the Agency shall accept the Prepayment of the following Mortgage Loans outstanding in the following respective approximate aggregate balances (as such amounts are finally determined herein called the "Prepayments"):

Approximate Amount	Development	Series
$ 670,938	Castleton Meadows (the "Castleton Prepayment")	1977 Series B
$1,214,785	Riverview Apartments - Bellows Falls (the "Bellows Falls Prepayment")	1977 Series A

2. That in accordance with Section 503(C) of the 1977 General Resolution, the Agency shall direct the Trustee thereunder to deposit the Castleton Prepayment in the 1977 Series B Mortgage Loan Account and to deposit the Bellows Falls Prepayment in the 1977 Series A Mortgage Loan Account;

3. That the Agency approves a Mortgage Loan (the "Rockingham Mortgage Loan") under the 1977 General Resolution in the aggregate principal amount equal, as of the date of the Mortgage Loan, to the aggregate outstanding principal balance and all interest accrued but unpaid on the defaulted Mortgage Loan hereinafter described, to Rockingham Canal House Associates on such terms and conditions, consistent with the 1977 General Resolution, as the Executive Director shall determine, which Mortgage Loan shall be applied to refinance a defaulted Mortgage

Loan for the Rockingham Canal House Development now held, in participation with First Vermont Bank and Trust Company (the "Participant"), for the credit of the Agency's 1981 Series A Bonds (the "1981 Series A Bonds") dated September 15, 1981 issued pursuant to the Agency's Multi-Family Housing Bond Resolution adopted September 25, 1981 (the "1981 General Resolution");

4. That upon compliance with Section 402 of the 1977 General Resolution, the amounts aforesaid held in the 1977 Series B Mortgage Loan Account and the 1977 Series A Mortgage Loan Account, together with any other amounts required therefor available under the 1977 General Resolution or otherwise available in the Agency's General Fund, shall be applied to the Rockingham Mortgage Loan by transfer of such amounts, pro-rata, to the Participant and to the 1981 General Resolution as hereinafter provided, the Rockingham Mortgage Loan and the Participant's interest therein to be credited proportionately to such Mortgage Loan Accounts;

5. That in accordance with Section 506(D) of the 1981 General Resolution, all amounts transferred to the 1981 General Resolution upon refinancing of the Mortgage Loan held thereunder on the Rockingham Canal House Development shall be deposited in the 1981 Series A Special Redemption Account thereunder; provided that any portion of such amounts (as determined by the Executive Director) applicable to the portion of such Mortgage Loan financed from the Agency's General Fund shall be deposited in the Revenue Fund under the 1981 General Resolution;

6. That in accordance with Section 511 of the 1981 General Resolution and Section 202(B) of the First Supplemental Multi-Family Housing Bond Resolution thereunder adopted September

25, 1981 the Agency determines to call for redemption on the earliest practicable date for which the requisite notice of redemption can be given an aggregate principal amount of 1981 Series A Bonds equal to the amount deposited in the 1981 Series A Special Redemption Account as aforesaid plus any amounts available therefor due to any reduction in the Capital Reserve Fund and Loan Reserve Fund held under the 1981 General Resolution, the amount to be redeemed to be determined by the Executive Director in accordance with Section 511 of the 1981 General Resolution;

7. That the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency are each authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this vote.

8. That, upon acceptance by Rockingham Canal House Associates, subject only to the consent of its limited partners, of the Executive Director's offer to refinance herein authorized, the Executive Director is authorized to consent to an extension of the time for redemption allocated to Rockingham Canal House Associates in the pending foreclosure action in Windham Superior Court, the time limit for such extension to be determined by the Executive Director in accordance with his judgement as to a reasonable amount of time required for Rockingham Canal House Associates to solicit and obtain the consent of its limted partners and to close the transaction.

25, 1981 the Agency determines to call for redemption on the earliest practicable date for which the requisite notice of redemption can be given an aggregate principal amount of 1981 Series A Bonds equal to the amount deposited in the 1981 Series A Special Redemption Account as aforesaid plus any amounts available therefor due to any reduction in the Capital Reserve Fund and Loan Reserve Fund held under the 1981 General Resolution, the amount to be redeemed to be determined by the Executive Director in accordance with Section 511 of the 1981 General Resolution;

7. That the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency are each authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this vote.

8. That, upon acceptance by Rockingham Canal House Associates, subject only to the consent of its limited partners, of the Executive Director's offer to refinance herein authorized, the Executive Director is authorized to consent to an extension of the time for redemption allocated to Rockingham Canal House Associates in the pending foreclosure action in Windham Superior Court, the time limit for such extension to be determined by the Executive Director in accordance with his judgement as to a reasonable amount of time required for Rockingham Canal House Associates to solicit and obtain the consent of its limted partners and to close the transaction.

RESOLUTION AUTHORIZING TEMPORARY ADVANCE FOR SOUTH MEADOWS

"BE IT HEREBY RESOLVED AS FOLLOWS: Vermont Housing Finance Agency hereby determines that:

(1) South Meadows Housing, housing in Burlington, Vermont (the "Development") is primarily for occupancy by persons and families of low and moderate income;

(2) the construction costs incurred by the Sponsors are for housing development costs within the meaning of the Act;

(3) there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area of Burlington, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families:

(4) the Sponsor of the Development will increase the supply of well-planned, well-designed housing for persons and families of low and moderate income and such Sponsor is a financially responsible person;

(5) the Agency has received confirmation from Bank of Boston for a credit sufficient to finance its contemplated share of a Mortgage Loan for the construction and permanent financing of the Development, and anticipates making a Mortgage Loan subject to agreement on financing terms, but is not now in a position to issue its commitment for such Mortgage Loan.

(6) Construction of the Development is now underway, financed, in part, by a construction loan from The Merchants Bank (the "Temporary Construction Loan").

THEREFORE, upon his reasonable satisfaction that the terms of the Mortgage Loan are known and will be accepted by the Sponsor, and upon the determination that such temporary advance is necessary to preserve the ability of the Sponsor to construct the Development at the cost contemplated by the Construction Contract, the Executive Director, pursuant to 10 V.S.A. 624(a)(1) is authorized in his discretion to advance from the Agency's General Fund an amount not exceeding $ 500,000.00 in the form of the purchase of a participation interest in the Temporary Construction Loan.

VERMONT HOUSING FINANCE AGENCY

N O T I C E

TO: Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: Board Meeting

DATE: October 3, 1986

Just a quick memo to confirm that a board meeting will take place on Friday, October 10, 1986 at 1:30 p.m. in our offices, Third Floor, One Burlington Square, Burlington, Vermont.

The focus of the meeting will be on the sale of the 1986 Series A, Multi-Family Mortgage Bonds for the South Meadows project to the Bank of Boston.

Presented at the meeting will be an official statement and purchase contract to be signed by the Chairman and a Series Resolution that needs to be adopted by the Board.

If I can be of any assistance in discussing these documents or format with you prior to the Board meeting, feel free to call.

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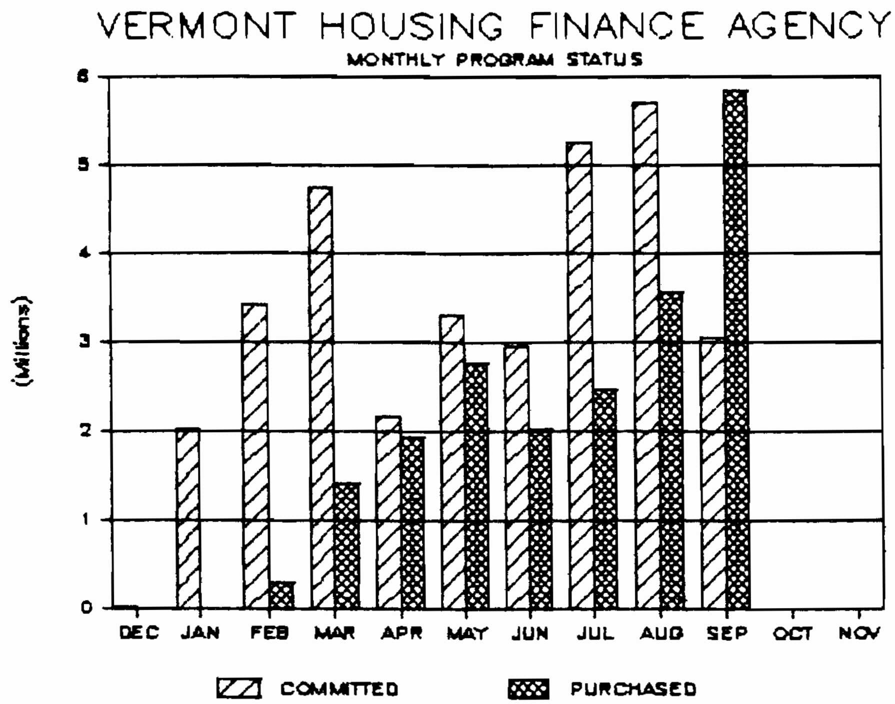
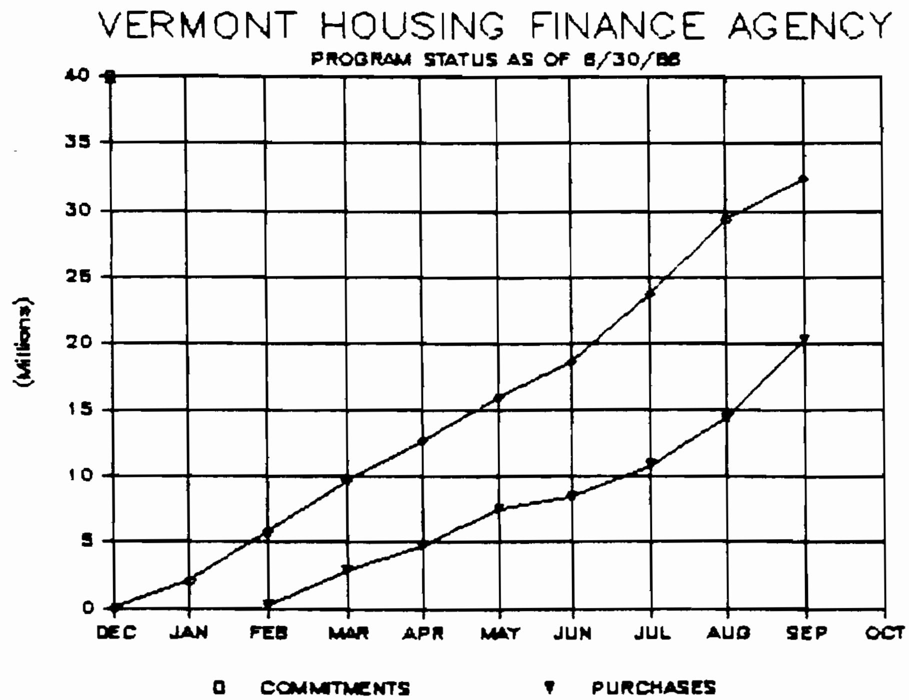
STATUS REPORTS 1985B PROGRAM

SURVEY OF LENDERS

October 27, 1986


VERMONT HOUSING FINANCE AGENCY
MONTHLY PROGRAM STATUS
(Millions)
0
1
2
3
4
5
6
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
COMMITTED
PURCHASED


VERMONT HOUSING FINANCE AGENCY
PROGRAM STATUS AS OF 6/30/86
(Millions)
0
5
10
15
20
25
30
35
40
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
COMMITMENTS
PURCHASES

REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
10/27/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
Bank of Vermont	3,000,000	1,000,000-	2,000,000	1,516,877	75.8%	1,089,261	427,616
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	431,550	86.3%	431,550	0
Bradford National Bank	400,000	0	400,000	316,969	79.2%	240,209	76,760
Caledonia National Bank of Danville, The	250,000	1,000,000	1,250,000	1,128,240	90.2%	371,570	756,670
Chittenden Trust Company	4,000,000	1,000,000	5,000,000	4,547,695	90.9%	2,049,622	2,498,073
Comfed Mortgage Co., Inc.	1,300,000	750,000-	550,000	122,555	22.2%	122,555	0
Commonwealth Mortgage Company, Inc	1,000,000	350,000-	650,000	682,657	105.0%	492,357	190,300
Community National Bank	500,000	0	500,000	534,532	106.9%	440,339	94,193
Factory Point National Bank, The	750,000	300,000-	450,000	252,137	56.0%	252,137	0
First Brandon National Bank	300,000	0	300,000	180,075	60.0%	0	180,075
First Twin-state Bank	1,000,000	600,000	1,600,000	1,571,812	98.2%	850,037	721,775
Franklin-Lamoille Bank	1,700,000	400,000-	1,300,000	836,150	64.3%	555,047	281,103
Granite Savings Bank and Trust Company	800,000	200,000-	600,000	394,160	65.6%	394,160	0
Howard Bank, National Assn, The	5,000,000	0	5,000,000	5,086,118	101.7%	3,744,273	1,341,845
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	244,223	97.6%	127,923	116,300
Marble Bank	1,800,000	0	1,800,000	1,792,637	99.5%	1,117,170	675,467
Merchants Bank, The	3,000,000	0	3,000,000	1,796,832	59.8%	839,828	957,004
National Bank of Middlebury, The	1,000,000	200,000-	800,000	617,830	77.2%	495,045	122,785
New England IBM Employees Fed Crdt Union	800,000	0	800,000	619,048	77.3%	361,198	257,850
Northfield Savings Bank	2,000,000	500,000-	1,500,000	1,418,800	94.5%	956,475	462,325
Passumpsic Savings Bank	500,000	0	500,000	549,901	109.9%	435,144	114,757
Peoples Trust Company of St Albans	800,000	0	800,000	470,946	58.8%	119,396	351,550
Proctor Bank	1,500,000	600,000-	900,000	440,638	48.9%	25,588	415,050
Randolph National Bank	750,000	0	750,000	521,415	69.5%	37,365	484,050
Union Bank	600,000	250,000-	350,000	322,759	92.2%	246,559	76,200
Vermont Federal Bank, FSB	4,000,000	1,950,000	5,950,000	5,605,447	94.2%	4,853,587	751,860
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	1,004,358	100.4%	887,733	116,625
Vermont National Bank	1,500,000	0	1,500,000	1,465,767	97.7%	0	1,465,767
	40,000,000	0	40,000,000	34,472,128	86.1%	21,536,128	12,936,000

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 10/27/86

Total Number of Loans:	718
Total Loan Amount:	$34,472,128
Average Loan Amount:	$48,011

EXISTING:	$29,585,173	88.0%	632 Loans
NEW CONSTRUCTION:	$4,886,955	11.9%	86 Loans
NEW DETACHED HOUSING:	$4,379,323	89.6%	78 Loans
NEW CONDOMINIUM:	$507,632	10.3%	8 Loans

Total Insured or Guaranteed Loans:	676
Loans Guaranteed by VHMGB:	655

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$49,180	$57,754	$52,965
Avg. Loan Amount	$44,215	$52,812	$48,011
Avg. Borrower Income	$25,682	$27,618	$26,537
Avg. Housing Debt-Income Ratio	23.5%	25.9%	24.6%
Avg. Total Debt	$681.84	$764.28	$718.24
Avg. Total Debt-Income Ratio	32.0%	33.4%	32.6%
Total No. of Loans	401	317	718
First Time Homebuyers	85.7%	100.0%	92.0%
% Loans with 2 or more Wage Earners	61.0%	63.7%	62.2%
% of Total Loan Amount	51.4%	48.6%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	42	$2,090,273	6.1%	29,406	5.8%
Bennington	21	$972,271	2.8%	33,345	6.6%
Caledonia	41	$1,605,361	4.7%	25,808	5.1%
Chittenden	191	$10,758,100	31.2%	115,534	22.6%
Essex	3	$88,150	0.3%	6,313	1.0%
Franklin	62	$3,030,070	8.8%	34,788	6.8%
Grand Isle	4	$170,360	0.5%	4,613	0.9%
Lamoille	25	$1,077,745	3.1%	16,747	3.3%
Orange	43	$1,909,164	5.5%	22,739	4.5%
Orleans	36	$1,181,775	3.4%	23,440	4.6%
Rutland	88	$4,122,554	12.0%	58,347	11.4%
Washington	96	$4,393,486	12.7%	52,393	10.2%
Windham	7	$322,294	0.9%	36,933	7.2%
Windsor	59	$2,750,525	8.0%	51,030	10.0%
TOTAL	718	$34,472,128	100.0%	511,456	100.0%

1980 Adjusted Census Data

1985 Series B Mortgage Purchase Program

Survey of Lenders

October 15, 1986

Lender	Total Applications	Percent of Commitment
Bank of Vermont	$ 1,561,527	78.0%
Bennington Coop	431,550	86.3%
Bradford	382,105	95.5%
Caledonia	1,325,835	106.0%
Chittenden	5,310,206	106.2%
ComFed	122,650	22.3%
Commonwealth	622,057	95.7%
Community	609,564	121.9%
Factory Point	252,137	56.0%
First Brandon	180,075	60.0%
First Twin	1,602,062	100.1%
Franklin Lamoille	937,583	72.1%
Granite Savings	394,160	65.6%
Howard Bank	5,446,850	108.9%
Lyndonville	244,223	97.6%
Marble Bank	1,987,683	110.4%
Merchants	2,078,584	69.2%
Middlebury	664,827	77.2%
IBM	619,108	77.3%
Northfield	1,451,500	96.7%
Passumpsic	549,901	109.8%
Peoples	470,946	58.8%
Proctor Bank	686,268	76.2%
Randolph	521,415	69.5%
Union Bank	322,759	92.2%
VT Federal	5,955,550	100.1%
VT Mortgage	1,004,355	100.4%
VT National	1,465,767	97.7%
TOTAL	37,201,247	93.0%

SURVEY OF LENDERS

October 24,1986

30 YEAR FIXED

LENDER	RATE	POINTS
Bank of Vermont	10.125	1 1/2
Chittenden Trust	10.125	2
ComFed Mortgage	9.875	2
Commonwealth Mortgage	9.875	2
Howard Bank	10.125	2
Vermont Federal	10.000	2
Vermont National	9.875	2

PAC/sr:110

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners
FROM: Michael Richardson
SUBJ: Ethan Allen Apartments
DATE: October 24, 1986

THE PROJECT

Lake Champlain Housing Development Corp., a local non-profit, has an option to purchase an existing 32 unit apartment building at Fort Ethan Allen. They intend to retro-fit it with a gas-fired heating system and do minor repairs. They may, after hearing from their architects, add extra bedrooms but will not increase total units. The project would be managed by the Winooski Housing Authority.

Most of the tenants are of lower income. (A survey is underway to determine income levels). They are paying relatively low rents but exhorbitant utility bills (electric resistance heat) and some are in crowded conditions.

The option must be exercised before year's end. LCHD has applied to the Department of Housing and Community Affairs for a grant and will hear by early November on that. The grant will go to Colchester which will lend it to the project on terms yet to be finalized. LCHD proposes to invest $75,000 of its own money in as differed debt and $12,000 as equity. They will submit a full application to the Agency for the balance in early November.

PROJECT FINANCIAL OUTLINE

SOURCES:

"Equity"	87,000
Grant	98,000
Loan	813,600
Total	998,600

USES:

Construction	140,000
Fees	21,200
Financing	12,400
Aquisition	825,000
Total	998,600

INCOME:

Net Rents	137,142
Laundry	2,500
EGR	139,642

20 1Br's @ $335
6 2Br's @ $385 to $420
4 3Br's @ $520 (with S.8 assistance)

EXPENSES:

Total 61,000. (159 P.U.M.)
Net Income 78,682.

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DEBT FINANCING

The Agency expects to receive approximately $500,000 in pre-payments of loans made in 1977 and 1980. A blend of these funds (at 7.70%/30 years) and an additional $320,000 at conventional rates could be carried by the project as currently proposed.

RECOMMENDATION:

The Agency, as proposed, meets the Project Selection Criteria as set forth by State Statutes and Agency Regulations. Therefore, it is recommended that the Executive Director be authorized to issue a Letter of Commitment to Finance pending:

1. The award to Colchester of a Rural Development Action Grant.
2. Satisfactory terms and conditions of Grant.
3. Final budget figures, plans and specifications.
4. Approval by Counsel and Palmer and Dodge.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners
FROM: Roger A. Schoenbeck, Director of Finance RAS
DATE: October 27, 1986
RE: June 30, 1986 Audited Financial Statements

The attached audited financial statements as certified by P.F. Jurgs and Company for the year ended June 30, 1986 and presented for your reference.

In a nutshell, the following financial information should be of most interest. The total assets of the Agency increased from 410 million to 439 million, the total bonds payable increased from 380 million to 405 million, the total fund balances increased from 24.7 million to 28.3 million, the general fund balance increased from 2.3 million to 2.8 million. Excess revenues for the year decreased from 4.7 million to 3.6 million.

Historical information for the past fiscal year is that we issued 47 million of single family bonds and $392,000 of multi-family bonds to finance the Enosburg project. Money market interest rates dropped from a high of 7.5% in July 1985 to 6.3% in June 1986. Payoffs of mortgage loans hit unprecedented levels during 1986 as interest rates continued to fall and amounted to 32.7 million dollars. Based on the prepayments received the Agency made bond special calls in the amount of 8 1/4 million dollars. In October of 1985 the Agency's first issue, the 1974 Loans to Lenders Program, was paid off in full.

The above information also points us to new issues to be faced in the future. In light of the fact that interest rates have fallen to levels not seen in many years it is starting to cost significant amounts to hold onto funds. The 1978/79 single family recycled program now has over 15 million accumulated to make new mortgage loans. The Home Mortgage Purchase Programs (single family issues since 1983) have accumulated a similar amount, although most of these funds have been received in the last few months. In the past, the hope was to reutilize these funds by relending, based on the fact that by holding these funds no real cost was being absorbed. It is now evident that this policy needs to be re-examined because of the associated real loss of earnings on invested funds.

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In conclusion, it is my understanding that the rating Agencies are satisfied with our financial progress and the Agency is meeting their criteria for performance. However, important decisions will have to be made considering placing accumulated funds into new programs or retiring debt in a timely manner so as to preserve accumulated earnings.

As always, if I can be of assistance in answering any questions, please feel free to contact me at your earliest convenience.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: Douglas R. Lothrop, Director, Single Family Programs DRL

SUBJECT: VHFA/FmHA Loan Participation Program Update

DATE: October 27, 1986

Program Update

VHFA and FmHA have had several discussions on this program to iron out details. Proposed documents were sent to FmHA on August 28, 1986 which incorporated the use of the leftover proceeds of the 85A Program. On October 6th, at a subsequent meeting, FmHA indicated that they would not be able to get approval from Washington for a program which necessitated the complicated documents required using Post Tax Bond Subsidy Act funds. We have prepared new documentation using recycled funds which is being reviewed by Frank, and should be ready shortly for submission to FmHA.

Major Areas of Concern at this time

1. Tax Escrow Part of FmHA's authorization for this pilot program is the collecting of escrow for taxes and insurance as a test for future FmHA programs. FmHA insists VHFA administer the escrow collection. This puts considerable more administrative burden on the Agency and subjects us to a considerable liability for late or non-payment of taxes. I have suggested alternatives which have not been accepted. I have contacted several possible servicers, who are not ready at this time to service tax escrows with the multiple systems used by towns in Vermont.

2. Construction Loans The Agency programs allow us to purchase completed dwellings only. FmHA would like to include, as part of the program, co-funding of the construction loan. We are attempting to work out a way to do this and not be in violation of our program requirements.

Initial Funding Sources

The initial funding of this program was approved by the Board in the amount of five million dollars, however, it is now anticipated that the first two million of funding will come from recycled funds from the 1979 Program and carry an interest rate of 8.25%

Program Start-up

This program should be ready for start-up 30 days after signing of necessary agreements.

VERMONT HOUSING FINANCE AGENCY

December 10, 1986

Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, December 18, 1986, at 2:00 p.m., at One Burlington Square, Burlington, Vermont.

If you have any questions, please call.

Sincerely,

Tricia

Patricia A. Scheffley
Executive Secretary

/pas.019

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State Government Meetings

Week of Dec. 15

MONDAY

State Board of Education, 9 a.m., Chittenden Community Correctional Center, South Burlington.

Apple Marketing Board, 9 a.m., commissioner's office, Agriculture Department, 116 State St., Montpelier.

Public Service Board, Vermont Electric Power Co. Inc. petition, 9 a.m., conference room, Chittenden County Regional Planning Commission, 66 Pearl St., Essex Junction.

Public Service Board, telephone matters, 9 a.m., board conference room, 120 State St., Montpelier.

Environmental Board, Budget Motor Inn, construction of office building in motel development in Colchester, 9 a.m., council chambers, City Hall, Winooski.

Architects Board, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Whey Pollution Abatement Authority, 5 p.m., room 201, Delahanty Hall, Trinity College, Burlington.

Vermont Health Policy Corp. Committee on Uncompensated Care, public hearing, 7 p.m., council chambers, City Hall, Barre.

TUESDAY

Public Service Board, telephone matters, 9 a.m., board conference room, 120 State St., Montpelier.

Motor Vehicle Arbitration Board, hearings, 9 a.m. to 2:30 p.m., Holiday Inn, White River Junction.

Appeals Panel, 9:30 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Claims Commission, 10 a.m., attorney general's office, Pavilion Office Building, 109 State St., Montpelier.

Board of Libraries, 10:30 a.m., state librarian's office, 111 State St., Montpelier.

Current Use Advisory Board, 1 p.m., V mont Mapping Program office, State fice Complex, Waterbury.

Transportation Agency and Chittend County Circumferential Highway Distr public hearing on project design, 7: p.m., Educational Center, Essex Junction.

Public Service Board, Rochester Electric Lig and Power Co. tariff request, 7:30 p.m Rochester High School auditorium, Roche ter.

District Environmental Commission, Nor east Hospitality Group, construction motel in Brattleboro, 1 p.m., selectmen meeting room, Town Office Building, Br tleboro.

WEDNESDAY

Public Service Board, 9 a.m., board confe ence room, 120 State St., Montpelier.

Veterinary Board, 9 a.m., room 20 Redstone Office Building, 26 Terrace St Montpelier.

SCHOOL

FOR WEEK OF DEC. 15 — DEC. 19

UNDERHILL I.D. SCHOOLS

MONDAY: Spaghetti, meat sauce, buttered wax beans, bread, peanut butter, fresh fruit, milk.

TUESDAY: Grilled frankfurter, roll, chips, cole slaw, applesauce, milk.

WEDNESDAY: Christmas Dinner: Virginia baked ham, roast Vermont turkey, fresh fruit salad, cottage cheese salad, hot rolls, butter, pickles, olives, baked sweet potatoes, buttered sweet peas, Christmas cookies, milk.

THURSDAY: Soup, assorted meat sandwiches, fresh vegetables, assorted desserts, milk.

FRIDAY: Surfburgers, bun, tartar sauce, pickles, chips, dessert, milk.

BURLINGTON ELEMENTARY AND SECONDARY SCHOOLS

TUESDAY: Chicken w butter and jelly sandw

WEDNESDAY: Pizza beans, peaches, milk.

THURSDAY: Hambur bun, potato puffs, frui

FRIDAY: Grilled che soup, MacApple, dess

MATER CHR

MONDAY: Birthday cheese sticks, cake an

TUESDAY: Chicken buttered corn, pineap

WEDNESDAY: Christ key, mashed potat peas, fruit ambrosi sweet pickles, milk.

THURSDAY: Meat g sliced pears, milk.

FRIDAY: Homemade

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, December 18, 1986 at 2:00 PM

1. Approval of October 30, 1986 Board Minutes

2. Multi-Family

   a) Consideration and approval of Canterbury Inn Bond Resolution (Richardson/Kochman)

   b) Update and possible action on loan request for Ethan Allen Apartments (Enclosure)

   c) Discussion of low income tax credits (Enclosure/Richardson)

3. Single Family

   a) Update and status of 1985 Series A (Enclosure/Lothrop)

   b) Update on Energy Loan Program (Lothrop)

   c) Update on Farmers Home/VHFA Loan Program (Lothrop)

   d) Discussion of possible builders set-aside program (Enclosure)

4. Research/Program Development

   a) Discussion of potential certain legislation (Enclosure/Torpy)

   b) Update and discussion on business plan (Torpy)

   c) Proposal to establish loan program for homeless shelters (Torpy)

5. Finance/Accounting

   a) Discussion of management letter (Enclosure/Schoenbeck)

6. Other old or new business to cover before the Board

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
State Treasurer's Office, 133 State Street
Montpelier, Vermont
October 30, 1986

Present: Chairman Shaw, Commissioners Gardner, Hebard, Menson, Mr. Morris (designee of Guest); Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Ms. Torpy, Mr. Richardson, VHFA Staff; Frank Kochman, Agency Counsel; Mr. Ingalls and Ms. Kade, Bank of Boston; Walter St. Onge, Palmer and Dodge; Bill Horne, Orrick, Herrington & Sutcliffe.

Chairman Shaw called the meeting to order at 10 a.m.

Upon a motion duly made and seconded, the minutes of the August 28, 1986 meeting were approved.

Mr. Lothrop briefed the Board on the status of the 1985 Series B Program and indicated that very little money remained uncommitted and the most pressing problem was in loan deliveries. Despite a contract with each Lender, deliveries were far behind schedule, causing a potential problem with cash flow. Based on a recommendation from Director Hunt, the Board agreed that assessing penalties for late delivery was appropriate and that a letter should be sent to the C.E.O.'s of each bank indicating that we are serious about enforcing such penalties.

Next, Mr. Lothrop updated the Board on the Farmers Home/VHFA Mortgage Loan Program, indicating it would be necessary to use recycled funds given Farmers Home reluctance to accept the further restrictions of post 1980 funds. The remaining troublesome issue, according to Lothrop, was a FmHA requirement of escrowing taxes and insurance, a responsibility they wish the Agency to assume. Mr. Lothrop indicated the problems and possible liability of doing so and indicated he was surveying banks to find someone to perform this task. Mr. Menson indicated his concern about the liability inherent in this process.

Director Hunt briefed the Board on the Mortgage Credit Certificate Program (MCC's) and the Governor's expressed interest in supporting a legislative effort to give the Agency authority to issue MCC's. Mr. Hunt indicated that he felt MCC's were an important tool and had indicated that he felt that approximately

$50 million out of the requested $115 million of state allocated tax-exempt bonding authority should be used for MCC's. Hunt noted it would be necessary to get legislative authorization to use MCC's.

Mr. Lothrop briefed the Board on the status of the VEIC/VHFA Demonstration Program, which he indicated was almost "on the street". The initial targeting was directed towards existing VHFA mortgagors. Mr. Lothrop indicated income limits of 110% of median income ($37,000) for the Burlington M.S.A. for loans at 7% and 140% of median income ($47,000) for loans made at 9.75% had been established for this pilot program.

The Home Energy Efficiency Program (HEEP) was discussed, with Doug indicating that a Memorandum of Understanding with the Public Service Department had been signed and staff was negotiating with Western Resources Institute (W.R.I.) of Seattle, Washington, to provide consulting assistance on incorporating energy efficiency in the home loan process. W.R.I. has established Energy Rated Homes of America, which is operating in two states and several cities and is recognized by FHLMC and FNMA.

Next, Mr. Schoenbeck answered questions regarding the June 30, 1986, audited Financial Statements of the Agency. A discussion ensued regarding the amount of fund balances that are actually unencumbered. Mr. Schoenbeck indicated that it would take a comprehensive review to determine an answer and that he would undertake such a review as time permitted.

Mr. Shaw indicated that an increase to $50.00 per day in the Commissioners' per diem was approved by the Legislature and was effective June 5, 1986. Upon a duly authorized motion and second, it was unanimously agreed to increase the Commissioners' per diem from $30.00 per day to $50.00 per day. Mr. Shaw also raised the possibility of expanding the Board to reduce the problem of achieving a quorum. Mr. Morris indicated he would look into the procedure to do that.

Mr. Hunt updated the Board on the Rockingham Canal House Project, indicating that the date for redemption had once again been extended to early December based on the time necessary to get the limited partner's acceptance of the restructured financing.

Mr. Ingalls from the Bank of Boston presented the terms of their offer to purchase $5.4 million in Multi-Family Mortgage Bonds, 1986 Series A. He indicated that approximately $570,000 remained unsold. Next, Mr. St. Onge presented the Series Resolution entitled Multi-Family Mortgage Bonds, 1986 Series A, indicating this Resolution authorized the signing of the purchase contract and ratifies the form of the Official Statement. Mr. St. Onge also indicated that this Series Resolution is part of the 1977 Multi-Family General Resolution and that as a result of including this, Moody's downgraded the rating from A1 to A, while Standard and Poor's maintained the rating at A. Upon a motion duly made and a second, the Series Resolution was unanimously approved.

Mr. Kochman then presented the form of the Agency's commitment letter pertaining to the Mortgage Loan intended to be financed with the proceeds of the Agency's Multi-Family Mortgage Bonds, 1986 Series A, as signed by the developer and delivered in escrow to the Agency. After discussion, upon a motion and a second, the following resolution was adopted by unanimous vote:

> "The commitment letter of October 28, 1986, pertaining to construction and permanent financing for South Meadow Housing Associates, in the form presented at this meeting and delivered in escrow by South Meadow Housing Associates, is hereby ratified and approved, and the Executive Director is authorized to execute and deliver the commitment letter and to execute and deliver, under the circumstances contemplated by the commitment letter, all other agreements, instruments and documents necessary or incidental to the consummation of the Construction Loan and the Permanent Loan described therein."

Next, Mr. Richardson updated the Board on Ethan Allen Apartments and indicated it would be appropriate to authorize the issuance of a Commitment Letter. Discussion ensued relative to accepting a prepayment on a Section 8 project as a way to provide financing for this project. After much discussion, it was agreed that requiring the developer to renew the HAP Contract for at least 5 years was important and using the loan payoff to finance additional housing was appropriate. Upon a motion duly made and seconded, the resolution authorizing the issuance of a Letter of Commitment was unanimously approved.

There being no additional business to come before the Board, a motion to adjourn was made, seconded and approved.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Executive Director

ASH:jgm/041

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Board of Commissioners

FROM: Michael Richardson

DATE: December 12, 1986

RE: Update/Ethan Allen Apartments

****

At the last meeting you authorized Allan to issue a commitment letter on this project pending additional financing from a private lender, additional information, and approvals of Counsel and Palmer & Dodge. We have received most of the needed information and expect formal approval from the Counsel and Palmer & Dodge. The necessary additional financing, however, is still lacking. The current owners have agreed to sell for $85,000 below appraised value because, through 1986 only, the difference will be treated as a charitable donation to the non-profit buyer (LCHD Corp).

As you will recall, we assumed that the Agency would finance up to $540,000 of the project's first mortgage debt from a Section 8 mortgage pre-payment with the balance, $287,000, coming from a private lender. Although several banks have indicated some interest, time is too short to close on a loan by the end of the year using a participation format.

Alternatively, the Agency could increase its share of the loan. This increased share, to be made at "market" rate and term, might be held for our own account or with a view toward participating it out at a later date. In return for doing this, the Agency would explore the possibility of obtaining additional security from LCHD through an assignment of other loans which it has made previously with HUD grant funds. We could also strengthen the long-term affordability aspect by requiring an option to purchase for the outstanding loan balance after a specific period of time. We will also explore the possibility of increased participation by the State through additional CDBG funds.

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Recommendation: That a Financing Resolution be approved authorizing the use of the Section 8 prepayments and up to $300,000 from the General Fund to make a first mortgage loan on the project with the expectation that the General Fund portion of the loan will be sold to a participating lender at a later date.

MMR/pas.183

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Michael Richardson

DATE: December 11, 1986

RE: Low Income Housing Tax Credits

****

Overview:

The Tax Reform Act of 1986 makes low income housing tax credits available (LIH credits) to qualified apartment projects. LIH criteria essentially track the tax-exempt bond criteria but go further in that the GROSS RENT paid by the tenant may not exceed 30 percent of income. There are two types of credits worth 9 percent and 4 percent of the low income apartments' basis annually. The higher credit is only available on new construction and substantial rehabilitation projects which do not utilize Federal subsidies or tax-exempt bond proceeds. The project must remain in compliance for a 15 year period.

There is a cap on the dollar amount of credits which any State "Credit Agency" may allocate in a year (exception for credits taken on tax-exempt financed projects). The cap is $1.25 per capita or $639,320 in Vermont for 1987. Because our enabling legislation never contemplated LIH tax credits and their allocation, Palmer & Dodge is preparing the requisite language to make VHFA the "Credit Agency" in Vermont.

The LIH credit sunsets after 1989. Between 1987 and the end of the century, the minimum credit potential in Vermont will be almost $20,000,000. ($639,320 x 3 years x 10 years). Several factors effect how many units might be covered by the State allocation, so the potential impact is not easy to gauge, but as many as 800 units per year might be possible.

Ten percent of the annual credit amount must be set aside for use by non-profits that have as one of their exempt purposes the fostering of low income housing. Unused annual credits cannot be carried over to the next year.

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Some Policy Implications:

* The allocating agency can reduce the size of the credit and, it appears, increase the non-profit set-aside. The bill thus permits the Agency to set priorities. This is an opportunity for the Agency to support continued affordability for currently assisted projects in danger of conversion to market rents or condominium ownership. The credits could also be aimed at supporting increased non-profit development, downtown rehabilitation, energy conservation rehab and the like.

* The bill requires that the Agency report annually to the Treasury. In effect, the Agency must create and monitor a new Multi-Family Housing "Program".

Current Status:

* Palmer & Dodge is drafting language which will designate VHFA as the state credit agency.

* Board input with respect to an allocating policy is requested so that a draft policy can be in place for review in January.

* Application forms have been drafted and can be finalized once Program policy is determined.

* Two national development firms have made inquiries regarding our policies and procedures, but there has been no local requests for information.

MR/pas.180

Vermont Housing Finance Agency

1985B Program Status Reports

Survey of Lenders

VERMONT HOUSING FINANCE AGENCY
1985 Series B Mortgage Purchase Program
Status Report (With percent of allocation approved)
12/11/86

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
Bank of Vermont	3,000,000	1,000,000-	2,000,000	1,572,739	78.6%	1,372,739	200,000
Bennington Coop Savings & Loan Assn Inc	500,000	0	500,000	431,550	86.3%	431,550	0
Bradford National Bank	400,000	0	400,000	459,114	114.7%	240,209	218,905
Caledonia National Bank of Danville, The	250,000	1,000,000	1,250,000	1,293,940	103.5%	371,570	922,370
Chittenden Trust Company	4,000,000	1,000,000	5,000,000	5,346,895	106.9%	3,378,766	1,968,129
Comfed Mortgage Co., Inc.	1,300,000	750,000-	550,000	122,555	22.2%	122,555	0
Commonwealth Mortgage Company, Inc	1,000,000	350,000-	650,000	620,107	95.4%	538,907	81,200
Community National Bank	500,000	0	500,000	625,850	125.1%	465,182	160,668
Factory Point National Bank, The	750,000	300,000-	450,000	252,137	56.0%	252,137	0
First Brandon National Bank	300,000	0	300,000	180,075	60.0%	0	180,075
First Twin-state Bank	1,000,000	600,000	1,600,000	1,611,750	100.7%	1,489,500	122,250
Franklin-Lamoille Bank	1,700,000	400,000-	1,300,000	932,243	71.7%	728,672	203,571
Granite Savings Bank and Trust Company	800,000	200,000-	600,000	394,160	65.6%	394,160	0
Howard Bank, National Assn, The	5,000,000	0	5,000,000	5,734,538	114.6%	4,631,398	1,103,140
Lyndonville Savings Bank & Trust Company	250,000	0	250,000	244,183	97.6%	190,183	54,000
Marble Bank	1,800,000	0	1,800,000	1,909,462	106.0%	1,181,370	728,092
Merchants Bank, The	3,000,000	0	3,000,000	1,950,065	65.0%	1,142,725	807,340
National Bank of Middlebury, The	1,000,000	200,000-	800,000	763,305	95.4%	528,020	235,285
New England IBM Employees Fed Crdt Union	800,000	0	800,000	662,738	82.8%	619,038	43,700
Northfield Savings Bank	2,000,000	500,000-	1,500,000	1,450,947	96.7%	1,348,347	102,600
Passumpsic Savings Bank	500,000	0	500,000	592,651	118.5%	495,751	96,900
Peoples Trust Company of St Albans	800,000	0	800,000	547,848	68.4%	240,813	307,035
Proctor Bank	1,500,000	600,000-	900,000	531,488	59.0%	25,588	505,900
Randolph National Bank	750,000	0	750,000	571,415	76.1%	37,365	534,050
Union Bank	600,000	250,000-	350,000	359,459	102.7%	301,559	57,900
Vermont Federal Bank, FSB	4,000,000	1,950,000	5,950,000	5,909,022	99.3%	5,330,232	578,790
Vermont Mortgage Group, Inc	1,000,000	0	1,000,000	935,136	93.5%	935,136	0
Vermont National Bank	1,500,000	0	1,500,000	1,465,767	97.7%	0	1,465,767
	40,000,000	0	40,000,000	37,471,139	93.6%	26,793,472	10,677,667

Pending Applications	1,191,630	
Total	38,662,769	96.6%

PENDING APPLICATIONS BY LENDER

12-11-86

Lender	
Bank of Vermont	$ 131,480
Caledonia National Bank	139,500
Chittenden Trust	195,075
Franklin Lamoille	136,800
Howard Bank	312,800
Marble Bank	54,000
National Bank of Middlebury	54,000
Peoples Trust	77,425
Proctor Bank	30,600
Union Bank	21,000
Vermont Federal Bank	38,950
TOTAL	$1,191,630

STATISTICAL REPORT BONDSERIES 85B
SINGLE FAMILY DATABASE
EFFECTIVE: 12/11/86

Total Number of Loans:	784
Total Loan Amount:	$37,471,139
Average Loan Amount:	$47,794

EXISTING:	$32,240,538	88.2%	692 Loans
NEW CONSTRUCTION:	$5,175,501	11.6%	91 Loans
NEW DETACHED HOUSING:	$4,667,869	90.1%	83 Loans
NEW CONDOMINIUM:	$507,632	9.8%	8 Loans

Total Insured or Guaranteed Loans:	738
Loans Guaranteed by VHMGB:	717

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$48,930	$57,620	$52,710
Avg. Loan Amount	$44,072	$52,630	$47,794
Avg. Borrower Income	$25,665	$27,490	$26,459
Avg. Housing Debt-Income Ratio	23.5%	26.0%	24.5%
Avg. Total Debt	$679.23	$759.10	$713.97
Avg. Total Debt-Income Ratio	31.9%	33.3%	32.5%
Total No. of Loans	443	341	784
First Time Homebuyers	86.0%	100.0%	92.0%
% Loans with 2 or more Wage Earners	61.1%	63.6%	62.2%
% of Total Loan Amount	52.1%	47.9%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	48	$2,376,686	6.3%	29,406	5.8%
Bennington	20	$937,699	2.5%	33,345	6.6%
Caledonia	46	$1,813,811	4.8%	25,808	5.1%
Chittenden	205	$11,519,543	30.7%	115,534	22.6%
Essex	3	$88,150	0.2%	6,313	1.0%
Franklin	70	$3,424,390	9.1%	34,788	6.8%
Grand Isle	5	$208,360	0.6%	4,613	0.9%
Lamoille	28	$1,180,538	3.2%	16,747	.3.3%
Orange	47	$2,101,102	5.6%	22,739	4.5%
Orleans	41	$1,333,424	3.6%	23,440	4.6%
Rutland	101	$4,737,612	12.6%	58,347	11.4%
Washington	99	$4,487,735	12.0%	52,393	10.2%
Windham	8	$357,494	1.0%	36,933	7.2%
Windsor	63	$2,904,595	7.8%	51,030	10.0%
TOTAL	784	$37,471,139	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

Survey of Lenders

December 11, 1986

30 YEAR FIXED

LENDER	RATE	POINTS
Bank of Vermont	9.750%	1.5
Chittenden Trust	9.625%	2
ComFed Mortgage	8.875%	2
Commonwealth Mtg.	8.875%	2
Howard Bank	9.750%	2
Vermont Federal	9.500%	2
Vermont National	9.375%	2

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

DL PAC ARF BT

FROM: Doug Lothrop, Pat Crady, Richard Faesy and Brenda Torpy

DATE: December 12, 1986

RE: Energy Efficient New Homes Program

****

Agency staff has been working on an Energy Efficient New Homes Program using recycled proceeds of the 1978A Mortgage Purchase Program. The 1978 Program funds have an interest rate of 7 3/4%. This New Homes Program would be sized after a survey of Vermont Builders and Lenders. Plans at this time also include the use to 1979A Programs funds that might be available at a rate of 8.25%. The lower rate (7.75%) would be used to encourage more affordable construction.

Funds would be made available, on a reservation basis to individual applicants at the time of loan application. Builders and Developers would also be able to reserve funds, to be made available to prospective buyers, by paying a refundable commitment fee of 1.00%. An individual Builder would be limited to a maximum reservation of $500,000.

To help the builders build affordably, we hope to put together an informational package using the experience of other builders through-out Vermont and the nation, who have refined the techniques necessary to deliver homes at an affordable price. Some of these techniques include high density construction and shared water and sewer systems.

The purchase price limits for this Program were established using data from real estate appraisers, builders, and the Vermont Housing Needs Analysis.

Critical to the success of this Program will be the ability to apply liberal underwriting guidelines and housing ratios of 35% including energy costs. The goal of the Program is to reach individuals whose only home ownership opportunity at the present time is existing housing and qualify them for an energy efficient new home (see Schedule A). To do this it will be necessary to renegotiate our present pool insurance policy with MGIC or find an alternative to pool insurance.

The proposed program guidelines are as follows:

Eligible Property

Newly constructed single family detached, single family attached, individual condominium units and manufactured housing are eligible. Foundation must be constructed after the commencement date of this program. All property must be constructed to meet the Agency's Energy Conservation Standards.

Income Limits

Market Area #1 $32,890
Bennington County
Burlington MSA (including Burlington, Charlotte, Colchester, Essex, Georgia (Franklin County), Grand Isle (Grand Isle County), Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, South Hero (Grand Isle County), Williston and Winooski.
Chittenden County
Rutland County
Windham County
Windsor County

Market Area #2 $25,850
Addison County
Caledonia County
Essex County
Franklin County
Grand Isle County
Lamoille County
Orange County
Orleans County
Washington County

Purchase Price Limits

Market Area #1	$78,000
Market Area #2	$72,600

*Market Areas were derived based on Agency statistics and a preliminary review of the Vermont Housing Needs Analysis. Final determination of the Market Areas will be based on further study.

Loan Term

Fixed rate, 25 years

Interest Rates

7.75%
8.25% (subject to availability of funds)

Target Date for Implementation

April 1, 1987

Eligible Applicants

Individuals and families who, as of the loan closing date, have no ownership interest in a Primary Residence.

Fees

1.5 points (.25 to the Agency at the time of purchase, 1.25 to the Lender)

Eligible Participants

Any Vermont Lender eligible to participate in Agency Programs.

Action Requested by the Board

Approval of the guidelines of the above described New Homes Program and authorization for the Executive Director and/or Director, Single Family Programs to investigate alternatives to the present Mortgage Pool Insurance including renegotiating the policy with MGIC, and working with Bond Counsel on other alternatives.

SCHEDULE A

EXISTING HOUSING PROGRAM

	AVG INCOME 85B PROGRAM	EXSISTING PURCHASE AMOUNT	RATIOS HOUSING/INCOME DEBT/INCOME
ACED	$25,664	$71,770	28%/36%
NON ACED	$27,490	$76,876	"
STATE	$26,460	$73,996	"

ENERGY EFFICIENT NEW HOMES PROGRAM

	AVG INCOME 85B PROGRAM	NEW HOME AMOUNT	RATIOS HOUSING INCOME DEBT/INCOME
ACED	$25,664	$78,686	35%/45%
NON ACED	$27,490	$85,069	"
STATE	$26,460	$81,468	"

COMPARISONS AT CERTAIN INCOMES

INCOME	NEW HOME AMOUNT	EXISTING PURCHASE AMOUNT
$15,000	$41,408	$41,948
$17,500	$50,147	$48,939
$20,000	$58,886	$55,930

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Allan S. Hunt ASH

DATE: December 10, 1986

RE: Research/Program Development Items

****

Brenda will make oral presentations on the following items:

1. Assistance to the Homeless

   She will be recommending a $100,000 grant to fund well thought-out and supported projects to assist homeless families. These funds will require a match dollar for dollar, as well as institutional support from such agencies as the Department of Social Welfare. A one-page program description will be available at the meeting.

2. Business Plan

   She will present an overview of the planning process that she has developed and present a one-page overview to the Board for their information.

3. Interstate Banking

   She will address the Board regarding the impact of interstate banking on access to mortgage credit and bank participation in VHFA programs.

4. Housing and Conservation Trust Fund
   -proposed legislation.

   Staff wishes to alert the Board to our concerns about the proposal. The coalition of conservationists, agriculture representatives, and housing advocates propose creating a new entity to administer the trust funded through a property transfer tax increase. We are concerned that it does not address housing needs adequately or efficiently. I may siphon off a potential revenue source for housing.

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Legislative Initiatives

1. VHFA Financing of Limited Equity Housing Cooperatives.

   A growing number of community housing programs, agencies, and private non-profits around the State are creating limited equity housing cooperatives to meet the need for affordable housing. The Department of Housing and Community Affairs is drafting comprehensive housing cooperative enabling legislation. In cooperation with them, VHFA is drafting a section to amend our statutory authority to allow us to finance housing cooperative shares. We are also researching the new tax code implications of financing limited equity housing cooperatives through multi-family bonds.

2. Financing of Mobile Homes

   VHFA will also seek the authority to finance mobile homes and to treat them as real property. Mobile homes are a significant and growing proportion of affordable rural housing. As such, they should not be excluded from our programs. Further, the mobile home industry today is producing a very safe and decent product which presents another alternative to lower income Vermonters.

3. Authorization to do Mortgage Credit Certificates

   This includes researching if we can be a direct lender if we need to be.

4. Authority to acquire multi-family buildings that do not require rehab. We have an opinion from our Bond Counsel for this as well as processed legislation.

ASH:bt/pas.003

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

DATE: December 12, 1986

RE: Management Letter

****

Enclosed is the management letter received from our audit firm, PF Jurgs & Co., at the conclusion of their audit for the fiscal year ended June 30, 1986. I believe the management letter is self-explanatory, and I have no serious problems with the substance of the report.

As the Board should be aware, the finance/accounting department has been growing in size annually because of additional programs and added government regulations. In the last three months, we have added Helen Fleeson to our staff which increases the department to five full-time employees. In addition, Jean Lorraine who has 10 years experience with the Howard Bank will be starting after the first of the year replacing Heather Mumford who left in October to go to the Vermont Federal Bank. The department is still in the midst of reorganizing duties and responsibilities. This is due to the addition of the new employees, more involved financing plans and alternatives as well as the changing general economic conditions requiring additional in-depth analysis. When these steps are completed, we will address the auditor's concern regarding the formalization of the accounting procedures manual.

If I can answer any questions regarding the management letter, please contact me at your earliest convenience.

Board Action Required:

1. Acceptance of letter

2. Any other action as may be directed

RS:pas.122

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VERMONT HOUSING FINANCE AGENCY

Management Letter

June 30, 1986

P.F. Jurgs
P.F. JURGS
AND COMPANY

Certified Public Accountants

Burlington and Rutland, Vermont
and Lebanon, New Hampshire

Commissioners
Vermont Housing Finance Agency
Burlington, Vermont

Commissioners:

We have examined the financial statements of Vermont Housing Finance Agency for the year ended June 30, 1986 and have issued our report thereon dated September 22, 1986. As part of our examination, we reviewed the system of internal accounting control, significant accounting policies and procedures, and certain business, financial and administrative practices of the Agency.

Our review was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Accordingly, we do not express such an opinion. Because of its limited nature, our review would not necessarily disclose all material weaknesses or other conditions requiring attention in the system of internal accounting control.

Our review disclosed no condition that we believe to be a material weakness and we were generally pleased with the way the Agency was functioning yet we would like to take this opportunity to make a few observations.

I. FORMALIZATION OF ACCOUNTING PROCEDURES MANUAL

The Agency needs to establish a manual with formally documented accounting procedures. Each of the computerized accounting functions and many of the manual functions have been properly documented over the past years, but there is still a need to document the remaining manual procedures and to assemble an integrated accounting manual. As the Agency, and therefore the accounting department continues to grow, the necessity of knowing where to find the how, why, and when of operations becomes increasingly important to maintain efficiency and minimize disruption in the event of turnover or illness. Director of Finance, Roger Schoenbeck recognizes the importance of this accounting procedures manual and concurs with this suggestion.

II. ROLE OF THE CONTROLLER

This July Tim Gutchell was promoted to the position of Controller. We are pleased to note that his transition into this role in the accounting department was very smooth. This year the Agency has expanded the accounting department with the addition of another bookkeeper. With this addition, Tim is able to delegate more of his duties and is able to utilize his capabilities as Controller. This expansion has allowed Roger to delegate more routine work to staff and spend more time on executive level issues.

III. TRUSTEE STATEMENTS

The Agency is aware of the importance of accurate record keeping and keeps excellent records of all the transactions between each of the programs and informs the different Trustees of errors. During our audit of intrafund transfers we noticed numerous errors made by the Trustees over the last three years. If an error was to go undetected by the Agency in their review of the monthly Trustee statements, which seldom occurs due to the good documentation of all transactions, it would cause incorrect balances at year end and many hours of investigation to find the error. Although the number of errors are immaterial in comparison to the total number of transactions, we suggest the Agency continue its close monitoring of Trustee's transactions.

* * * * * * * * * *

The management of Vermont Housing Finance Agency is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

This letter is intended solely for the use of the Commissioners, management, and counsel and should not be used for any other purpose.

The matters discussed in this letter do not affect our report on the Agency's financial statements dated September 22, 1986.

We would be pleased to discuss this letter or to respond to any questions, at your convenience. It has been a pleasure to be of continuing service to the Vermont Housing Finance Agency.

P. F. Jungs and Company

Burlington, Vermont
October 31, 1986

LOSS ON LATE DELIVERY OF MORTGAGE PURCHASES

HOME MORTGAGE PURCHASE PROGRAM – 1985 B ISSUE

FROM INCEPTION THRU 12/15/86

PREPARED BY DATE

	ESTIMATED CUMULATIVE DRAW	ACTUAL CUMULATIVE DRAW	INTEREST COST (9.62 – 7.76)
3/1/86	2120000	832000	998.00
3/15/86	3320000	1755000	1213.00
4/1/86	5080000	3055000	1569.00
4/15/86	7520000	3655000	2995.00
5/1/86	11160000	5105000	4693.00
5/15/86	14720000	6430000	6425.00
6/1/86	19160000	7530000	9013.00
6/15/86	22800000	8430000	11137.00
7/1/86	27600000	9430000	14082.00
7/15/86	31000000	10930000	15554.00
8/1/86	33880000	12730000	16391.00
8/15/86	35680000	14530000	16391.00
9/1/86	36880000	16330000	15926.00
9/15/86	38000000	18080000	15438.00
10/1/86	38600000	20330000	14159.00
10/15/86	39200000	21580000	13656.00
11/1/86	40000000	23880000	12493.00
11/15/86	40000000	25380000	11331.00
12/1/86	40000000	26830000	10207.00
12/15/86	40000000	29830000	7882.00
TOTAL LOSS ON MORTGAGE PURCHASES THRU 12/15/86			201553.00

IN LIGHT OF THE FACT THAT THE INVESTMENT CONTRACT EXPIRED ON 12/15/86 AND THE REDUCED RATE ON REINVESTED UNEXPENDED MORTGAGE PROCEEDS, THE COST TO THE AGENCY FOR EACH MILLION DOLLARS NOT PLACED IS $3000 PER MONTH, OR BASED ON THE TEN MILLION WE ARE NOW HOLDING $30,000 PER MONTH.

December 22, 1986

Mr. James A. Guest
Secretary of Development and
  Community Affairs
109 State Street
Montpelier, VT 05602

Dear Jim:

The purpose of this letter is to follow up yesterday's meeting, which raised a number of issues:

1) Process. I would hope that we could discuss any concerns you might have relative to staff proposals for new programs, initiatives, etc. in advance of the actual Board meetings. This would allow us to discuss in-depth our reasons for proposing something (i.e., builders' set-asides) and would enable us to better respond to any concerns you might have. Given the length of our meetings, this pre-discussion might be useful.

2) Tax Credits. Yesterday was the first time I had any indication your agency might be interested in this program. We mentioned our interest to your staff a number of times and, to be quite frank, felt the program would probably only work when coupled with tax-exempt financing. From what I have read, virtually every other state has made their housing finance agency the administrative agency.

   I think we should have a meeting as soon as possible to make some decisions on this issue.

3) New Construction Set-Asides. Again, it would have been helpful if we had discussed this prior to the Board meeting. We have concluded that the recycled funds, aside from the Farmers Home program, can be practically only used on relatively straightforward "clean" loans such as for new construction. Any creative options are really not possible with MGIC in the picture.

Please let me know of a convenient time that we might get together to discuss these issues.

Sincerely,

Allan S. Hunt
Executive Director

ASH/pas.072

December 22, 1986

The Honorable Emory Hebard
State Treasurer
133 State Street
Montpelier, Vermont 05602

Dear Emory:

At last Thursday's Board meeting, you proposed the idea of utilizing VHMGB as a substitute for MGIC's pool insurance. As you know, our older Bond Issues require that we carry "pool insurance" which pays any losses not covered by the primary insurer. MGIC currently provides this pool insurance and, as you know, it has become impossible to get them to insure anything but "perfect" loans.

This has had the practical effect of preventing us from effectively using approximately $15 million in funds received as a result of heavy loan prepayments. It has made implementing the Farmers Home program and a new construction program nearly impossible.

Your idea seemed to be the possibility of using VHMGB as a "pool insurer", thus giving us far more flexibility in using recycled funds than what exists using MGIC. To do this would require a change in the VHMGB Statute, as well as a rating for the Board by Moody's and/or Standard and Poor's. I would like the VHMGB Commissioners to consider the possibility of an amendment to the Statute to permit the Board to write "pool insurance."

I would appreciate your thoughts on this matter.

Sincerely,

Allan S. Hunt
Executive Director

ASH/pas.071

cc: Thomas Menson, Chairman, VHMGB
James Guest, Commisioner, VHMGB
Gayle Blood, Supervisor, VHMGB

Burlington
Free Press
Legal Notices
Friday, December 26, 1986

SPECIAL
VERMONT
HOUSING
FINANCE
AGENCY

BOARD MEETING

Monday, December 29, 1986

State Treasurer's Office

Montpelier, VT

9:30 a.m.

December 26, 1986

State Government Meetings

Week of Dec. 29

MONDAY

Agriculture Department, public hearing on licensing various companies to buy and/or sell dairy products in Vermont, 9 a.m., Franklin County UVM Extension Service Office, 48 Lower Newton St., St. Albans.

Vermont Housing Finance Agency, special board meeting, 9:30 a.m., State Treasurer's Office, Montpelier.

Appeals Panel, hearings, 9:30 a.m. and 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Housing Finance Agency, 9:30 a.m., State Treasurer's Office, 133 State St., Montpelier.

Public Service Board, petition of Vermont Public Power Supply Authority for authority to issue refunding obligations on McNeil Project, 1 p.m., board conference room, Montpelier.

Architectural Barrier Compliance Board, 1:30 p.m., Stanley Hall, State Office Complex, Waterbury.

District Environmental Commission, J. Graham Goldsmith, subdivision into 14 residential lots off Spear Street Extension in Charlotte, site visit 3 p.m., hearing 4 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

TUESDAY

Public Service Board, application of Charles Minkema requesting approval of a certificate of public good to offer customer-owned, coin-operated telephone service in Barre, 9 a.m., board conference room, Montpelier.

Funeral Service Board, 10 a.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

Agriculture Department, public hearings on licensing various companies to buy and/or sell dairy products in Vermont, 10 a.m., department conference room, third floor, 116 State St., Montpelier.

Transportation Board, hearing on Lake Champlain Transportation Co. petition for approval of merger with Lake Realty Inc. and Lake Industries Inc., 11 a.m., fourth-floor conference room, 133 State St., Montpelier.

Optometry Board, 1 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

District Environmental Commission, Lane Press and Semicon Components Inc., addition to electronics manufacturing facility in South Burlington, 5:15 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

FRIDAY

Appeals Panel, hearing, 1:30 p.m., room 209, Redstone Office Building, 26 Terrace St., Montpelier.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

DATE: December 19, 1986

RE: **NOTICE OF SPECIAL BOARD MEETING**

****

You are hereby notified that there will be a special meeting of the Vermont Housing Finance Agency to be held at the State Treasurer's office, 133 State Street, Montpelier, Vermont on Monday, December 29, 1986, at 9:30 a.m.

ASH:pas.070

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

VERMONT HOUSING FINANCE AGENCY

AGENDA

Special VHFA Board Meeting
State Treasurer's Office
133 State Street
Montpelier, Vermont

Monday, December 29, 1986 at 9:30 a.m.

1. Consideration and adoption of Canterbury Inn Bond Resolution (sent in previous Board mailing).

2. Consideration and adoption of a Resolution approving carry forward of $19 million of unused cap for residential rental projects and balance for qualified mortgage bonds. (Enclosure)

3. Consideration and adoption of Resolution authorizing mortgage loan to Lake Champlain Housing Development Corporation for Ethan Allen Apartments. (Enclosure)

4. Other old or new business to come before Board.

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(802) 864-5743

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
Burlington, Vermont
December 18, 1986

Present: Chairman Shaw; Commissioners Hebard, Guest, Myette (by speaker phone), Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mr. Richardson, Ms. Torpy, Ms. Hope, Ms. Gregory, Ms. Crady, VHFA staff; Mr. Kochman, Agency counsel; Mr. Sassorossi and Ms. Goodrich, Lake Champlain Development Corporation.

The meeting was called to order by Chairman Shaw at 2:00 p.m.

Upon a motion duly made and seconded, the Minutes of the October ~~28~~ 30, 1986 Meeting were approved.

Mr. Richardson presented the Canterbury Inn Bond Resolution for the Board's consideration. A discussion ensued regarding the ability of the Board to act given the fact that Mr. Myette was on the speaker phone. It was decided by Mr. Nagle of Palmer and Dodge that, for the purposes of this vote, we did not have a quorum, thus no action was taken.

Mr. Richardson then presented a loan request to finance Ethan Allen Apartments, a 32-unit development in Colchester. After considerable discussion, a motion was made, seconded and unanimously approved to provide up to $840,000 to finance this project and to approve the attached resolution.

Next Mr. Richardson briefed the Board on low income housing tax credits provided for by the 1986 Tax Reform Act, indicating that a legislative change in our Statute would be necessary if the Agency was to be the authorized issuer of these credits. Mr. Guest indicated that his agency should perhaps play a role in this area and that it was premature for the Agency to seek legislative authorization. It was agreed that Secretary Guest and Executive Director Hunt should meet and discuss this issue in greater detail.

Mr. Lothrop reported the 1986 Series B was reaching completion, with the reservation system working well and less than $500,000 remaining. Loan purchases remained somewhat slow.

Next, Mr. Lothrop indicated that the Energy Loan Program was "on the street" through VEIC, our agent. VHFA existing mortgagors had been given notice of the program by letter and a more general advertising campaign would soon begin. Response was slow.

The Farmers Home/VHFA Joint Program was discussed, with Mr. Lothrop indicating a draft agreement had been sent to Farmers Home and most of the significant issues had been resolved.

Mr. Lothrop next presented staff recommendations on a builders set-aside program using recycled funds to encourage more affordable housing, citing the recently released statewide housing survey. The program would be made affordable to lower income Vermonters by utilizing higher debt to income ratios allowed for by energy efficient new construction. Following extensive discussion, the outline of the program was unanimously approved following a duly made motion and second.

Ms. Torpy next addressed the Board on potential legislation that would affect the Agency. On the matter of Interstate Banking, preliminary research indicated that it might lead to loss of local control and negatively impact the banks' use of our programs. The Board felt that staff should continue to evaluate the issue and express its concerns when appropriate. The Housing and Construction Trust Fund proposal was also discussed and the Board indicated further study was appropriate.

Next, Ms. Torpy indicated that it would be desirable for the Agency to seek legislative changes in the following areas: Financing of limited equity housing cooperations, financing of mobile homes, authorization of mortgage credit certificates and authority to acquire existing multi-family buildings. The Board indicated that these initiatives were good ideas.

Lastly, Ms. Torpy presented an outline of a deferred loan program to provide shelter to homeless families. This would be a pilot program utilizing $100,000 of Agency funds. After some discussion, a motion was made, seconded and unanimously approved to proceed with this program.

Mr. Schoenbeck presented the Management Letter prepared by the Agency accountants, P.F. Jurgs. A motion was made, seconded and unanimously approved to accept the Management Letter with recognition to the Accounting Department for a job well done.

Mr. Hunt updated the Board on Rockingham Canal House, indicating that a final resolution was close and a tentative closing was set for mid-January.

Next, Chairman Shaw indicated he had received a proposal from Erma Syarto, a video producer, to do a 15-20 minute video about the Agency and its role in housing, for a fee of $1,500. Following some discussion about the content of the video, the Board agreed to proceed subject to refining the subject matter.

Lastly, Mr. Hunt indicated that he had retained an architect to make recommendations on changes in the floor plans to better utilize the existing space. The next step would be to secure cost estimates.

Being no further business to come before the Board, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY
BOND RESERVE REQUIREMENT ANALYSIS
12/31/85

	Initials	Date
Prepared by	RJS	1/21/86
Approved by		

* = MORAL OBLIGATION ISSUES		* 1974 LOANS TO LENDERS	2 1972-79 LOANS TO LENDERS	* 1976-77 SHAWMUT INS. MTG PUR	4 1978-80 HOWARD MTG PURCHASE	5 1982 HOWARD MTG PURCHASE	6 1983 A HOWARD HOME MTG PUR	7 1983B HOWARD HOME MTG PUR	8 1984 HOWARD HOME MTG PUR	* 1977-79 HOWARD MULTI-FAMILY	10 1981-83 CONN NAT'L MULTI-FAMILY	11 1985A HOWARD HOME MTG PUR	12 1985B HOWARD HOME MTG PUR
Short-Term Investments (@amortized cost)													
	Cash & equivalents		-	54	-	-	-	-	-	45	359	-	-
	Short term trust accounts		290818	2300	334010	242737	1357	1377	44123	55821	117000	787	-
	Certificates of deposit				8135000								
	Short term investments			10047	500000								
Long-Term Investments (@amortized cost)													
1.4	FNMA 7.9% 9/10/86		1401259										
1.2	FNMA 9.3% 4/12/89		1203422										
1.170	FNMA 7.9 9/10/86			1171047									
1.655	FHLB 7.6 8/25/87			1654135									
1.9	FNMA 7.05 6/10/92				1775696								
5.0	UST Bonds 10.0 5/15/10				4905888								
1.737	UST Bonds 15.75 11/15/01					1936832							
1.355	FHLB 10.18 4/25/88						1325634						
2.710	UST Bonds 11.125 8/15/03						2619278						
1.250	FNMA 10.45 4/11/88							1226847					
2.790	UST Bonds 11.125 8/15/03							2639812					
1.640	FHLB 10.15 5/25/88								1537118				
5.025	UST Bonds 12.75 11/15/10								4792040				
.980	FHLB 11.3 11/25/86									983880			
1.889	TFLB 7.25 1/20/97									1799934			
.720	UST Bonds 11.125 8/15/03									679639			
.716	FFCB 10.6 10/21/91										717835		
1.95	UST Bonds 13.375 8/15/01										1816561		
.980	UST Bonds 12.75 11/15/10										949431		
2.255	UST Bonds 10.0 5/15/10											1982912	
1.570	UST Bonds 14.0 5/15/11											1792593	
1.5	UST Notes 11.375 5/15/90											1526660	
3.575	UST Bonds 10.375 11/15/12												3902553
1.7	UST Notes 9.625 11/15/90												1731556
	Accrued interest		31791	72794	504685	35790	138325	143426	97093	107060	128160	76189	23353
	TOTAL VALUATION	0	2927290	2910377	16155274	2215269	4084594	4011432	6470374	3626379	3729346	5379141	5657462
	RESERVE REQUIREMENT	0	2665000	1995000	15035000	2078000	3952137	3963848	6396569	3443265	3541562	5311396	5634570
	EXCESS > REQUIREMENT	-0-	262290	915377	1120274	137269	132457	47584	73805	183114	187784	67745	22892
		BONDS MATURED 10/1/85											

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY PERTAINING TO FINANCING LIMITATIONS FOR RESIDENCES IN PLANNED RESIDENTIAL DEVELOPMENTS

RESOLVED: The Program Director is hereby authorized and instructed to amend the Agency's 1985 Home Mortgage Purchase Program Procedural Guide as follows:

I. By adding the following definitions to an appropriate section of the Procedural Guide:

"Common Elements" means any land, structure, or other tangible facility including, without limitation, party walls, roads, and facilities for the provision of potable water and the dispoal of wastewater, owned in common by the owners of residences and other buildings constituting a Planned Residential Development or an association of such owners.

"Planned Residential Development" or "PRD" means an area of land, controlled by a landowner, developed or to be developed as a single entity for a number of residences, and commercial and industrial uses, if any, and which is not a condominium.

"Eligible PRD" means a PRD which is built, organized, and operated in such fashion that:

(1) each owner of a residence also owns the undivided fee interest in the land upon which the residence is built; and,

(2) there is no limit or restriction on occupancy of any residence according to race, sex, nationality, religion, creed, age, or handicap; and,

(3) in the judgment of the Agency, in its capacity as an underwriter of residential mortgage loans,

(A) no non-residential use included or planned to be included in the PRD materially impairs the saleability of reside-nces in the PRD, and

(B) no charter, bylaw, covenant, or other document or agreement peretaining to the PRD materially impairs the saleabi-lity of residences in the PRD.

"De minimis PRD" means an Eligible PRD which includes no common walls or party walls between residences and which includes no Common Elements necessary to the beneficial use of all of the residences in the PRD except roads, lighting for roads, and facilities for the provision of potable water and the disposal of wastewater. (The inclusion of Common Elements which are mere amenities, e.g., open area, tennis court, swimming pool, not essential to the beneficial use of a residence, will not prevent classification as a de minimis PRD.)

II. By adding the following to an appropriate section of the Procedural Guide:

1. No residence in a PRD shall be eligible for financing by the Agency unless the PRD has first been approved by the Agency as an Eligible PRD.

2. No residence in an Eligible PRD shall be approved for financing by the Agency unless at least 60% of the construction of the Common Elements and public components pertaining to the PRD have been completed.

3. In the case of a deminimis PRD as to which 100% of the construction of the Common Elements and public components pertaining to the PRD have been completed at the time of approval of the application by the Agency, 100% of the residences in the PRD shall be eligible for financing.

4. In the case of a de minimis PRD as to which less than 100% of the construction of the Common Elements and public components pertaining to the PRD have been completed at the time of aproval of the application by the Agency, not more than 30% of the residences shall be initially eligible for financing; however, the developer may make not more than one subsequent application (prior to 100% completion) showing progress toward completion of the Common Elements and public components, on the basis of which the Agency may increase, in its discretion, the percentage of residences eligible for financing. Upon presentation of proof satisfactory to the Agency of 100% completion of the Common Elements and public components, 100% of the residences in the PRD shall be eligible for financing.

5. In the case of any Eligible PRD which is not a de minimis PRD, and which includes no party walls or common walls between residences, not more than 80% of the residences in the PRD shall be eligible for financing by the Agency. Otherwise, the same rules apply to such an Eligible PRD as apply to a de minimis PRD.

6. In the case of any Eligible PRD which is not a de minimis PRD and which does include any party wall or common wall between residences, not more than 50% of the residences in the PRD shall be eligible for financing by the Agency. Otherwise, the same rules apply to such an Eligible PRD as apply to a de minimis PRD.

III. By amending the Procedural Guide in such other respects as may be necessary to conform to the foregoing.

interest in that unit may be conveyed, until the declaration is recorded and the unit is substantially completed, as evidenced by a recorded certificate of substantial completion executed by an independent architect, professional surveyor or engineer, or by issuance of a certificate of occupancy authorized by law.

§ 1603. CONVERSION BUILDINGS

(a) A declarant of a conversion building shall give each of the residential tenants and any residential subtenant in possession of a portion of a conversion building notice of the conversion no later than 120 days before the declarant will require the tenants and any subtenant in possession to vacate. The notice must set forth generally the rights of tenants and subtenants under this section and shall be hand-delivered to the unit or mailed by prepaid United States mail to the tenant and subtenant at the address of the unit or any other mailing address provided by a tenant. No tenant or subtenant may be required by the declarant to vacate upon less than 120 days' notice, except by reason of nonpayment of rent, waste, or conduct that disturbs other tenants' peaceful enjoyment of the premises, and the terms of the tenancy may not be altered during that period. Failure of a declarant to give notice as required by this section is a defense to an action for possession.

(b) For 60 days after delivery or mailing of the notice described in subsection (a), the declarant shall offer to convey each unit or proposed unit occupied for residential use to the tenant who leases that unit. If a tenant fails to contract for the unit during that 60-day period, the declarant may not offer to dispose of an interest in that unit during the following 90 days at a price or on terms more favorable to the offeree than the price or terms offered to the tenant. This subsection does not apply to any unit in a conversion building if that unit will be restricted exclusively to nonresidential use or the boundaries of the converted unit do not substantially conform to the dimensions of the residential unit before conversion.

(c) If a declarant, in violation of subsection (b), conveys a unit to a purchaser for value who has no knowledge of the violation, recordation of the deed conveying the unit, or in a cooperative, the conveyance of a unit, extinguishes any right a tenant may have under subsection (b) to purchase that unit if the deed states that the seller has complied with subsection (b), but does not affect the right of a tenant to recover damages from the declarant for violation of subsection (b).

(d) If a notice of conversion specifies a date by which a unit or proposed unit must be vacated, the notice also constitutes a notice to vacate specified by chapter 169 of Title 12.

(e) Nothing in this section permits termination of a lease by a declarant in violation of its terms.