STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
239 South Union Street
Burlington, Vermont

4:00 PM, Friday, January 18, 1985

A. Approval of November 29, 1984 Minutes

B. Single Family

1. Program Update -- 1984 Series A Program

2. Legislation
   a. Agency Bill
   b. Batten Proposal

3. Excess Prepayments (discussion of potential uses)

4. New Regulations Affecting Issuance of Mortgage Revenue Bonds

5. Semi-Detached Housing (discussion of suitability for financing)

C. Multi-Family

1. Discussion of Multi-Family General Fund Loans

2. Proposed Loan to Weathervane United, Inc.

D. Any Other Old or New Business

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
239 South Union Street, Burlington, Vermont
November 29, 1984

Present: Chairman Ledbetter, Commissioners Hebard, Eaton, Myette, Gardner, Babcock; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Kochman, Kochman & Smith; Mr. Hochman, Rockingham Canal House Associates; Mr. Stewart, Hutchins & Wheeler

Chairman Ledbetter called the meeting to order at 1:55 PM. Gretchen Babcock, Acting Commissioner of Banking and Insurance, was welcomed onto the Board.

The Minutes of the October 18, 1984 meeting were unanimously adopted on motion duly made and seconded.

Chairman Ledbetter then initiated a discussion on general mortgage market conditions and its effect on the 1984 Single Family Program. It was noted that approximately 65% of the lendable proceeds had been applied for and that the staff has made special efforts in advertising the availability of the remaining funds. It was further noted that the staff would encourage those banks who are already fully committed to take on an additional allotment of funds when the initial six-month commitment period expires in January.

Mr. Ledbetter also disseminated his written response to a recent letter from Representative Valsangiacomo.

Mr. Brisson then recapped the disposition of the Burnham versus VHFA and Randolph National Bank case. After a discussion, a motion was made to send a letter of appreciation on behalf of the Board and staff to the President of the Bank. The motion was seconded and unanimously adopted.

The Board then reviewed Mr. Brisson's draft of the proposed bill to amend the Agency Act. No changes were made although Mr. Brisson informed the Board that changes to the language adding §621(19) authorizing the issuance of mortgage credit certificates was still under consideration by bond counsel.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

Mr. Frazier next presented the Board with a written summary of a proposed sale of the 32-unit elderly housing project known as Beth-El Court and located in St. Albans. The proposed purchase price is $668,000 including the assumption of the VHFA mortgage currently outstanding in the amount of $498,000. After a brief discussion a motion was made and seconded to approve the attached Resolution authorizing the issuance of a conditional approval letter. The resolution was unanimously adopted.

Mr. Frazier then informed the Board the Agency had recently hired Tim Gutschell as an Assistant to the Controller and Meg Pond as a Multi-Family Management Coordinator to fill vacancies in those positions. He also noted that the Agency would be looking for a Single Family Program Coordinator in a few weeks due to that position also becoming vacant.

The final draft of the audited financial statements and the auditors' management review letter were then reviewed by Mr. Schoenbeck. Discussion focused on computerization progress and the Board noted it hoped to see more progress made on the accounting policy manual. Upon motion duly made and seconded, the Board unanimously accepted the audited financial statements, the management review letter, and Mr. Schoenbeck's written responses to the same.

The last agenda item discussed was the Rockingham Canal House project. Mr. Frazier and Mr. Kochman reviewed the problems surrounding the project and the actions that had transpired to date. Mr. Frazier noted that he and Mr. Kochman had met this morning with Mr. Hochman and his attorney, Mr. Stewart and have come to final terms for an Agreement of Assignment and Forbearance, a draft of which was being typed. At this point, Mr. Hochman and Mr. Stewart were invited into the Board meeting. Mr. Kochman reviewed the major points of the Agreement to which Mr. Hochman verbally concurred. Mr. Hochman then spoke for several minutes after which he and his attorney left. After further discussion, a motion was made and seconded requiring the Agreement of Assignment and Forbearance to be completed in final form, executed and delivered to the Agency with a cashier's check attached in the requisite amount no later than 5:00 PM on Thursday, December 4, 1984. The motion was unanimously adopted.

The meeting was adjourned at 3:40 PM.

Respectfully Submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary

WSF:pw/76

RESOLUTION AUTHORIZING ISSUANCE OF
CONDITIONAL APPROVAL LETTER FOR AGENCY CONSENT FOR
SALE OF BETH-EL COURT, ST. ALBANS MULTI-FAMILY DEVELOPMENT

The Executive Director is hereby authorized to proceed with negotiations and issue a conditional approval letter for the sale of the Beth-El Court, St. Albans multi-family development. Said commitment letter shall contain the following conditions:

1. Preliminary approval of Richard H. Carr as general partner of a limited partnership.

2. HUD and VSHA approvals where necessary.

3. An application fee of $1,000 for preliminary approvals, review of key documents, project inspection, and credit report.

4. A mortgage assumption fee of 1% payable at closing.

5. Appraisal fee to be paid by Richard Carr, if an appraisal is deemed necessary by the Executive Director or Director of Programs.

6. Adequate escrows for necessary repairs and maintenance pursuant to a physical inspection of the development at the discretion of the Executive Director.

7. All project accounts and interest earned thereon to be transferred as part of the sale.

8. Any other letters of credit or acceptable security for working capital or warranty workmanship in the discretion of the Executive Director.

9. Opinions of counsel for the buyer, the seller, and the syndicator and such other assurances as to assumption of liabilities, project use, and the Agency's security as the Executive Director may deem necessary or desirable.

10. Character of the note obligation may be changed from recourse to non-recourse upon assumption in order to accommodate syndication needs of buyer.

11. Deed of conveyance to contain additional provisions necessary or desirable in the opinion of counsel of the Agency to protect the Agency's interest under Section 103(b)(4) of the Internal Revenue Code.

STEWART M. LEDBETTER, 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 TPB

RE: Weathervane United, Inc.

DATE: January 11, 1985

Attached for your reference is a copy of the Executive Summary regarding the proposed Lincoln project.

Also included is a copy of a letter recently sent to Bill Norton.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

STEWART M. LEDBETTER, 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: T.P. Brisson and M.M. Richardson

PROJECT: 6 Elderly Apartments, Lincoln, VT

DATE: October 10, 1984

PROJECT FINANCING ANALYSIS EXECUTIVE SUMMARY

Lincoln

PROJECT DESCRIPTION

Weathervane United, a nonprofit corporation in Lincoln, Vermont is in the process rehabilitating 2 single family homes into 6 elderly apartments, each dwelling to contain 3 units. They have been able to acquire both properties and nearly complete work on one house using a Community Development Block Grant of $110,000 and their own resources ($3,500 in cash contributions and volunteer labor for demolition, painting and other jobs requiring unskilled labor). Construction is supervised by a paid local contractor and all licensed work (plumbing, wiring, etc.) is being accomplished through subcontractors. The properties share a common boundary along one side and will be linked by a sidewalk. The unfinished property is on the National Register and its exterior will be restored per Federal Standards. Weathervane United will operate a small crafts shop in the front room of this house. They originally planned to complete their financing package with a permanent first mortgage loan from the Chittenden Bank, but increased construction costs will not permit them to do this. Instead they have arranged for interim financing from the Chittenden and have applied for a permanent loan from the Agency. Five Section 8 Existing rent subsidies have been reserved for this project through the Department of Housing & Community Affairs.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

OCCUPANCY RESTRICTIONS

Weathervane intends to rent the 6th unit to a tenant above the Section 8 income limit who will pay the full fair Market Rent. Assuming that Weathervane rents the remaining 5 apartments to subsidized tenants the Agency's occupancy requirements will be exceeded. (All Section 8 recipients must have an income of 50% of median or less.)

DEVELOPMENT GROUP

Weathervane United is a nonprofit corporation (tax exemption status pending) founded by members of the United Church of Lincoln Vermont to provide housing for low income, elderly or handicapped persons without regard to religious affiliation. Its Board of Directors have professional experience in accounting and contracting. The corporation will be responsible for management. It has received architectural assistance (floor plans, specification and costing) from a designer employed by Breadloaf Construction.

DEVELOPMENT COSTS

	TILLEY HOUSE	KEESE HOUSE	
Site	$ 47,500	$ 12,000	
Building Construction	52,500	100,000	
Fees	4,150	4,150	
Financing & Carrying Charges	1,532	6,168	
Total Development Cost	105,682	122,318	
TOTAL PROJECT DEVELOPMENT COST			$228,000
Proposed Equity:	$ 12,000		
Community Development Grant:	110,000		
Loan Request:	106,000		

Comments:

As of October 1, 1984, Weathervane had acquired both properties and almost finished work on the Tilley House. They used $84,000 in grant proceeds, $3,500 in corporation funds and some volunteer labor. They intend to use interim financing from the Chittenden Bank to complete the work and will cost-certify their permanent loan request to the Agency. On September 21 Agency staff visited the site and found both workmanship and materials to be satisfactory. Construction of the Keese House has been held up pending a state water quality permit but is expected to begin shortly.

OPERATING BUDGET

Effective Gross Rents	25,343
Expenses	14,066
Debt Service	11,559
Cash on Cash Return	(281)

See attached proposed operating budget for details.

Comments:

A vacancy rate of only 2% has been assumed by Weathervane. The above budget has been adjusted to 5.5% vacancy assuming 2 units each vacant 2 months per year. Operating costs balance out but are either over or under what should be expected for some items.

MARKET ANALYSIS

Comments:

The operating budget assumes that 5 one-bedroom units will rent at $359 and 1 two-bedroom unit will rent at $418. These are the maximum Fair Market rents (they include utilities) permitted under the Section 8 Existing program. Unlike the Agency's previous Section 8 program these subsidies are not tied to the project. Thus, in order to maintain the projected rents Weathervane must lease to tenants holding rent certificates or, consistent with the Agency's occupancy restrictions, find unsubsidized tenants. Prevailing market rates for comparable apartments are in the $300 to $325 range. There are currently 11 people on the waiting list.

UNDERWRITING

Credit: The assets of the Weathervane consist solely of this project. As of October 1, the group had raised $3,657 in cash contributions.

Collateral: Both properties are offered as collateral. There is presently a mortgage on both in favor of the Town. Weathervane's contract with the Town requires the Town to subordinate to an Agency loan and to discharge the mortgage if a close out audit of the Block Grant is satisfactory.

Comments:

The key risk is the ability of the project to sustain sufficient income over the life of the loan. The subsidies as mentioned above, belong to individual tenants and new subsidies would not necessarily be available should a tenant move. HUD's initial commitment for these subsidies is five years with no renewal guarantee. The offsetting factors are relatively strong demand for the units, an attractive project and an apparently very strong commitment by the nonprofit. First year revenue shortfall between subsidized and unsubsidized rents is approximately $4350. The cash on cash analysis on the last page assumes a 4% annual increase in revenues and a 6% annual increase in operating expenses.

DISCUSSION

Since the Agency will be in a sole first mortgage position our security interests would be adequately protected should we go forward with the loan. Perfecting our security interests should the need arise, however, will be a little delicate given the nature of the mortgagor. From an operating perspective the project as presented is at a breakeven level. There appears to be little risk however that revenues (assuming the subsidy availability), or the operating expenses, will vary significantly from budgeted amounts.

The on ground situation is that Weathervane has proceeded to the point where the first building should be available for occupancy by November with renovation of the second building stalled until suitable permanent financing can be arranged. Grant funds are almost exhausted. With project financing problems solved construction on the second building could move forward with completion expected in June 1985.

RECOMMENDATIONS

Though I am not normally a proponent of general fund project lending I feel it is perhaps appropriate in this case for the following reasons:

1. No other source of Agency funds reasonably available.

2. Loan request is relatively small and will not materially affect general fund liquidity.

3. Loan security is adequate. Probability of repayment is reasonable.

4. This nonprofit does need help from someplace. The project provides six quality units of housing for elderly in a small community.

It is recommended that the Board authorize the Executive Director or the Director of Programs to issue a letter of commitment and intent to finance which will include the following terms and conditions.

LOAN AMOUNT

The lesser of $110,000 or the amount necessary to complete the project according to accepted plans and specifications.

OTHER LOAN TERMS

Monthly payments of principal and interest based on a 25 year amortization term and 10% interest with a full balloon payment in 10 years.

FEES AND CHARGES

Loan origination fee equal to 1% of the mortgage amount recognizable in TDC (no other fees or charges).

FINANCIAL ANALYSIS FORM

Project: WEATHERVANE Processed: 08-Oct-84
Developer: DITTO
Gross Square Footage: 3693.00
Application Date: 10/1/84
Number of Units: 6.00

]][[

SCHEDULE A: Estimated Development Cost and Mortgage Amount

CONSTRUCTION COST	per square foot		
1.Residential	$35.54	$131,240	
2.Non-Dwelling Construction	$0.00	$0	
3.Commercial	$1.34	$4,960	
4.Demolition	$0.54	$2,000	
5.Common Areas	$0.00	$0	
6.Sitework	$3.93	$14,500	per d.u.
*Construction Hard Cost Subtotal**	$41.35	$152,700	$25,450
7.Overhead & Profit	$0.00	$0	
8.Bond Premium	$0.00	$0	
9.Contingency	$0.00	$0	
10.Personal Property	$0.00	$0	
11.Other	0.00	$0	66.91%
Construction Subtotal	41.35	$152,700	$25,450
FEES	per Dwelling Unit		@ofCONSTR.
1.Arch. & Eng. Design Fee	416.67	$2,500	1.64%
2.Arch.& Eng. Supervision Fee	0.00	$0	0.00%
3.Legal	250.00	$1,500	
4.Title and Recording Costs	83.33	$500	
5.Agent Fee(Non-profits only)	0.00	$0	
6.Marketing	0.00	$0	
7.Surveys and Soil Borings	250.00	$1,500	
8.Plan Review and Insp. Fee	0.00	$0	
9.Appraisal	83.33	$500	
10.Other(specify)	300.00	$1,800	@ of T.D.C.
Fees Subtotal	1383.33	$8,300	3.64%
FINANCING AND CARRYING CHARGES			
1.Construction Loan Interest	772.67	$4,636	
2.Construction Loan Fee	0.00	$0	
3.Taxes During Construction	166.67	$1,000	
4.Insurance Premium	344.00	$2,064	
5.Other	0.00	$0	@ of T.D.C.
Finan.& Carry. Chrg. Subtotal	1283.33	$7,700	3.37%
AQUISITION			
1.Land; Land/Existing Blding(s)	9916.67	$59,500	
2.Tap-on-Fees/Spec.Asses.etc.	0.00	$0	
3.Carrying Charges	0.00	$0	@ of T.D.C.
Aquisition Subtotal	9916.67	$59,500	26.07%
******TOTAL DEVELOPMENT COST******	38033.33	$228,200	
			@ of T.D.C.
PROPOSED EQUITY CONTRIBUTION	2033.33	$12,200	5.35%
MORTGAGE LOAN REQUEST	36000.00	$216,000	94.65%
PLUS (MINUS) RDAG	-18333.33	($110,000)	
******TOTAL MRTGE LOAN REQUEST******	17666.67	$106,000	

****

1 BR @		MONTH	YEAR
	5	$359.00	$21,540
	0	$300.00	$0
	0	$0.00	$0
	0	$0.00	$0
2 BR @			
	1	$418.00	$5,016
	0	$0.00	$0
	0	$0.00	$0
	0	$0.00	$0
3 BR @			
	0	$0.00	$0
	0	$0.00	$0
	0	$0.00	$0
	0	$0.00	$0
TOTAL ANNUAL RENTS			$26,556
Vac.Rate		5.50%	$25,095
Other Income			$248
EGR			$25,343

gotoA56

HEDULE B/Estimated Annual Income/Expense/Profit
(for rents goto E1)

INCOME			P.U.M
1. Total Apartment Rents		$26,556	$368.83
2. Vacancy Adjustment		5.50%	$.00
3. Tot. Rent Collections		$1,461	$20.29
4. Other Income		$248	$3.44
5. *****TOTAL INCOME*****		$25,343	$351.99
EXPENSE	per Dwelling Unit		
1. Administrative			
a.Management Fee	$216.83	$1,301	$18.07
b.Marketing	$0.00	$0	$0.00
c.Audit	$83.33	$500	$6.94
d.Other	$0.00	$0	$0.00
Administrative Subtotal	$300.17	$1,801	$25.01
2.Utilities (Paid by Mngmnt)			
a.Water	$0.00	$0	$0.00
b.Sewer	$0.00	$0	$0.00
c.Electric	500.00	$3,000	$41.67
d.Heat	$480.00	$2,880	$40.00
e.Other	$0.00	$0	$0.00
Utilities Subtotal	$980.00	$5,880	$81.67
3. Maintenance			
a.Janitorial Payroll	$0.00	$0	$0.00
b.Janitorial Supplies	$0.00	$0	$0.00
c.Trash Removal	$58.33	$350	$4.86
d.Snow Removal/Grounds Maint.	$50.00	$300	$4.17
e.Repairs	$83.33	$500	$6.94
f.Painting & Decorating	$33.33	$200	$2.78
g.Contract Maintenance	$33.33	$200	$2.78
h.Other	$0.00	$0	$0.00
Maintenance Subtotal	$258.33	$1,550	$21.53
4. General Expenses			
a.Real Estate Taxes	$495.83	$2,975	$41.32
b.Prop./Liab/Rent Loss Ins.	$143.33	$860	$11.94
c.Reserve for Replacement	$166.67	$1,000	$13.89
d.Other	$0.00	$0	$0.00
General Expense Subtotal	$805.83	$4,835	$67.15
*****TOTAL OPERATING EXPENSES*****	$2,344.33	$14,066	$195.36

FOR AGENCY USE ONLY			
Provision for Debt Service:			
1. NET OPERATING INCOME	$1,879.57	$11,277	$156.63
2. LESS DEBT SERVICE	$1,926.45	$11,559	$160.54
3. CASH SURPLUS (DEFICIT)	($46.88)	($281)	($3.91)
Adjustment for Taxes:			
4. PLUS PRINCIPAL	$167.31	$1,004	$13.94
5. LESS DEPRECIATION	$3,280.09	$19,681	$273.34
6. TAXABLE INCOME	($3,159.66)	($18,958)	($263.30)
7. TAX SAVINGS	$1,579.83	$9,479	$131.65
OTHER	$0.00	$0	$0.00
9. NET	$1,579.83	$9,479	$131.65

****

Principal	$106,000	Years	25
Interest	10.00%	Mo. Paymnt	$963
		Annual Paym	$11,559

YEAR	BEGIN BAL.	END BAL.	PRINC.	INT	TOT. PAID
1	$106,000	$104,996	$1,004	$10,555	$11,559
2	$104,996	$103,887	$1,109	$10,450	$11,559
3	$103,887	$102,662	$1,225	$10,334	$11,559
4	$102,662	$101,309	$1,353	$10,205	$11,559
5	$101,309	$99,814	$1,495	$10,064	$11,559
6	$99,814	$98,162	$1,652	$9,907	$11,559
7	$98,162	$96,337	$1,825	$9,734	$11,559
8	$96,337	$94,322	$2,016	$9,543	$11,559
9	$94,322	$92,095	$2,227	$9,332	$11,559
10	$92,095	$89,635	$2,460	$9,099	$11,559
11	$89,635	$86,918	$2,717	$8,841	$11,559
12	$86,918	$83,916	$3,002	$8,557	$11,559
13	$83,916	$80,599	$3,316	$8,242	$11,559
14	$80,599	$76,935	$3,664	$7,895	$11,559
15	$76,935	$72,888	$4,047	$7,511	$11,559
16	$72,888	$68,417	$4,471	$7,088	$11,559
17	$68,417	$63,478	$4,939	$6,619	$11,559
18	$63,478	$58,021	$5,456	$6,102	$11,559
19	$58,021	$51,993	$6,028	$5,531	$11,559
20	$51,993	$45,334	$6,659	$4,900	$11,559
21	$45,334	$37,978	$7,356	$4,202	$11,559
22	$37,978	$29,851	$8,127	$3,432	$11,559
23	$29,851	$20,874	$8,978	$2,581	$11,559
24	$20,874	$10,956	$9,918	$1,641	$11,559
25	$10,956	$0	$10,956	$602	$11,559
TOTAL	104%	106%	$106,000	$182,967	$288,967

YR	EGR	-OP.XPNS	=N.O.I.	-D/S	=CASH
1	$25,343	$14,066	$11,277	$11,559	($281)
2	$26,357	$14,910	$11,447	$11,559	($111)
3	$27,411	$15,805	$11,607	$11,559	$48
4	$28,508	$16,753	$11,755	$11,559	$196
5	$29,648	$17,758	$11,890	$11,559	$332
6	$30,834	$18,823	$12,011	$11,559	$452
7	$32,068	$19,953	$12,115	$11,559	$556
8	$33,350	$21,150	$12,200	$11,559	$641
9	$34,684	$22,419	$12,265	$11,559	$706
10	$36,072	$23,764	$12,307	$11,559	$749
	$304,276	$185,401	$118,875	$115,587	$3,288

STEWART M. LEDBETTER, Chairman
W SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Multi-Family General Fund Loans

DATE: January 11, 1985

At the last Board meeting, I brought to your attention the necessity of rewriting the terms of the General Fund mortgage loans made on 11 multi-family projects due to the lack of sufficient cash flow generated from these projects. Attached is a listing of the projects affected.

Background

The loans were authorized in August 1981 but prior to that we had already financed the construction under an $8 million line of credit with Connecticut National Bank. The $8 million had been used up and rather than extend and expand the line of credit we decided to proceed forward with a bond issue to finance other projects in the pipeline and pay off the short-term notes. All projects were underwritten at 12% but bond rates were on the rise then to 14% despite everyone's prediction they would fall. To get the Bond issue off the ground and pay off the short-term notes that were soon to expire the following actions were taken:

- The Owners required equity in the projects was increased to 10% from 6%, and

- To cover the remaining difference at the 14% level, we authorized the transfer of up to $1.5 million from the General Fund into the bond funds for the purposes of making subordinate loans.

Original Assumptions

In making the determination of what the terms of the loans should be staff developed a computer model for running cash flow scenarios. The general assumptions used were:

Total Rental Income (Including HAP subsidy and tenants share)	7% increase per year
Utilities	15% increase per year
Property Taxes	10% increase per year
All Other Variable Expenses	10% increase per year

Looking at the financial status of the projects now it is clear that the predominant reason the projects haven't developed the cash surpluses we thought they would 3 years ago is the total rental income hasn't increased 7% per year. In addition but to a lesser extent each project has its own history of expenses and where they have deviated from projected levels.

Recommendation

Our alternatives here are to force payment under the original terms in which case unless the owners start pumping in a good deal of money we will probably have to declare a default on a number of projects in 1985, or to rewrite the terms of the loans.

My recommendation is to rewrite the terms of loans to coincide with the maturity of the bond proceed loan and thereby reduce the monthly payment. The attached schedule shows the effect for each project. In most cases based on the budgets submitted on these projects, this action will still require some infusion of cash from the owners but at a reduced and more manageable level. I anticipate receiving some heat from some owners.

The reasons for going this route are threefold:

First, the payment of the General Fund loans in no way affects the cash flow of paying the bonds. The bond issue was structured originally not to rely on the payment of these loans. Concurrently, the General Fund budget of excess revenues transferred from this bond issue hasn't included, yet, the receipt of any payments on these loans.

Secondly, the terms of the loans provide for a prepayment of 50% of the annual cash suplus generated in each project. Reducing the monthly payment by extending the term may translate into a better chance of getting a prepayment at the end of the year.

Thirdly, I want to avoid restructuring each loan for each project at this time, which can become very subjective, relative to one deal being better than another.

Action Needed

By motion of the Board adopt the attached Resolution at the Board meeting.

STEWART M. LEDBETTER, 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, Director of Programs TPB

DATE: January 10, 1984

SUBJECT: New Reporting Requirements - Mortgagors under Single Family Bond Programs

Please read the highlighted portions of the attached temporary regulations published pursuant to the Tax Reform Act of 1984.

As you can see the feds once again have outdone themselves. This information will now be required on all borrowers under our single family mortgage purchase program.

There is a significant question as to what is meant by subsection 12 of the requirements (adjusted income) since 1.167(k)-3(b)(3) of the Internal Revenue Code additionally refers to the United States Housing Act of 1937 and HUD regulations.

TPB/sam:64

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

26 CFR Part 6a

[T.D. 7995]

Income Tax; Temporary Regulations Under Title II of the Omnibus Reconciliation Act of 1980; Mortgage Subsidy Bonds

AGENCY: Internal Revenue Service, Treasury

ACTION: Temporary regulations.

SUMMARY: This document contains temporary income tax regulations relating to the tax exempt status of interest on mortgage subsidy bonds. This action is necessary because of changes to the applicable tax law made by the Tax Reform Act of 1984. These regulations affect all purchasers and governmental issuers of mortgage subsidy bonds.

DATES: The temporary regulations relating to qualified mortgage bonds are effective for governmental obligations issued after December 31, 1984, except that the amendments to the regulations in § 6a.103A-2(a)(2) are effective for obligations issued after December 31, 1983. The temporary regulations relating to qualified veterans' mortgage bonds (including the requirement that qualified veterans' mortgage bonds satisfy the requirements of section 103A(j)(3)) are effective for obligations issued after July 18, 1984, except that the volume limitation provided in § 6a.103A-3(g) applies to obligations issued after June 22, 1984.

FOR FURTHER INFORMATION CONTACT: Mitchell H. Rapaport of the Legislation and Regulations Division, Office of Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, D.C. 20224 (Attention: CC:LR:T) (202-566-3740).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the temporary regulations relating to mortgage subsidy bonds under section 103A of the Internal Revenue Code of 1954 as amended by section 611 of the Tax Reform Act of 1984 ("the Act") (Pub L. 98-369; 98 Stat. 901). The temporary regulations provided by this document will remain in effect until superseded by final regulations on this subject.

Explanation of Provisions

Section 103A of the Internal Revenue Code provides that a mortgage subsidy bond shall be treated as an obligation not described in section 103(a). Thus, the interest on a mortgage subsidy bond is not excludable from gross income However, qualified mortgage bonds and qualified veterans' mortgage bonds are not treated as mortgage subsidy bonds.

Section 611 of the Act amended section 103A in several respects. The amendments made by this document conform the temporary regulations to those amendments and provide guidance to issuers and purchasers of qualified mortgage bonds and qualified veterans' mortgage bonds.

Section 6a.103A-2(a)(2) is amended to provide that the term "qualified mortgage bond" does not include obligations issued after December 31, 1987.

The Act added three new requirements that must be met by any issue in order to be treated as an issue of qualified mortgage bonds. Section 6a.103A-2(k) provides that an obligation is not a qualified mortgage bond unless the issue of which the obligation is a part complies with the information reporting requirement. Generally, this requirement will be met if the issuer submits on Form 8038 the information required therein and files an annual report containing information regarding the extent to which the proceeds of an issue have been made available to low-income individuals. For any issue, the Form 8038 must be filed not later than the 15th day of the 2nd calendar month after the close of the calendar quarter in which the obligations are issued. The annual report regarding the use of proceeds is to be filed not later than February 15 of each year.

Section 6a.103A-2(l) provides that an issue of obligations will not constitute qualified mortgage bonds unless the applicable elected representative of the governmental unit publishes, after a public hearing following reasonable public notice, an annual policy statement. The policy statement must include a statement of the policies with respect to housing, development, and low-income housing assistance which such governmental unit is to follow in issuing qualified mortgage bonds and mortgage credit certificates and an assessment of the governmental unit's compliance with (i) the statement of the governmental unit's policies as set forth in its previous policy statement (if any) and (ii) the intent of Congress that State and local governments are expected to use their authority under section 103A and section 25, relating to mortgage credit certificates, to the greatest extent feasible to assist lower income families before assisting higher income families. Section 6a.103A-2(l) (4) through (8) provides the requirements with respect to the public hearing that must be held prior to the publication of a policy statement

Section 6a.103A-2(m) provides that in order for an issue to meet the requirements of § 6a.103A-2 the applicable State official must certify that the issue meets the requirements of § 6a.103A-2(g), relating to the limitation on the aggregate amount of qualified mortgage bonds issued during any calendar year. The temporary regulations provide procedures for certifying officials to follow in making certifications. In order to prevent unreasonable delays in the issuance of qualified mortgage bonds, § 6a.103A-2(m)(3) provides that if the certification is not provided within 30 days of the date that the issuing authority files a request for certification the issuing authority may, instead, submit an affidavit stating that the issue meets the requirements of § 6a.103A-2(g) and that the State did not provide the requested certification. The certification does not ensure that the issue meets the requirements of § 6a.103A-2(g).

Although the requirements of § 6a.103A-2 (k), (l), and (m) also apply to qualified mortgage credit certificate programs under section 25, these regulations do not provide specific rules relating to mortgage credit certificates. Regulations to be issued under section 25 will contain such rules.

Section 6a.103A-3 has been amended to reflect the changes made by the Act to the requirements applicable to qualified veterans' mortgage bonds. Section 6a.103A-3(b) provides that substantially all of the proceeds of a qualified veterans' mortgage bond must be used to provide financing for qualified veterans. The term "qualified veteran" is defined in § 6a.103A-3(c).

Section 103A(c)(3) requires that qualified veterans' mortgage bonds issued after July 18, 1984, satisfy the information reporting requirement of section 103A(j)(3). With respect to obligations issued prior to January 1, 1985, § 6a.103A-2(k)(3)(iv) provides issuers with additional time to file Form 8038; in addition, the annual report concerning use of the proceeds need not be filed with respect to such issues.

Section 6a.103A-3(g) places a limit on the aggregate amount of qualified veterans' mortgage bonds that a State may issue in a calendar year. A State's limit is determined by dividing the aggregate amount of bonds that it issued during the period January 1, 1979, through June 22, 1984 (not including the amount of qualified veterans' mortgage bonds issued during the calendar year or applicable portion of 1984 for which the amount of bonds was the lowest), by the number of years (not to exceed five) that the State issued bonds during that period. The regulations provide that the year in which the amount of bonds was the lowest may be a year in which the State did not issue qualified veterans' mortgage bonds. A State that did not issue qualified veterans' mortgage bonds during the period January 1, 1979, through June 22, 1984, may not issue qualified veterans' mortgage bonds after June 22, 1984.

Finally, § 6a.103A-3(h) provides good faith compliance rules for qualified veterans' mortgage bonds. These rules are similar to those provided in § 6a.103A-2(c).

Non-Applicability of Executive Order 12291

The Commissioner of Internal Revenue has determined that this temporary rule is not a major rule as defined in Executive Order 12291 and that a regulatory impact analysis is not required.

Regulatory Flexibility Act

A general notice of proposed rulemaking is not required by 5 U.S.C. 553 for temporary regulations. Accordingly, the temporary regulations do not constitute regulations subject to the Regulatory Flexibility Act (5 U.S.C. Chapter 6).

Paperwork Reduction Act

The collection of information requirements contained in these regulations has been submitted to the Office of Management and Budget in accordance with the requirements of the Paperwork Reduction Act of 1980. These requirements have been approved by OMB under control number 1545-0720.

Drafting Information

The principal author of these temporary regulations is Mitchell H. Rapaport of the Legislation and Regulations Division of the Office of Chief Counsel, Internal Revenue Service. However, personnel from other offices of the Internal Revenue Service and Treasury Department participated in developing the regulations, on matters of both substance and style.

List of Subjects in 26 CFR Part 6a

Bonds, Income taxes, Mortgages, Veterans, Foreign investment in United States real property interests.

Amendments to the Regulations

Sections 6a.103A-2 and 6a.103A-3 of Part 6a of Title 26 of the Code of Federal Regulations are amended as follows:

PART 6a—[AMENDED]

Paragraph 1. Section 6a.103-2 is amended by revising paragraph (a)(2) and by adding new paragraphs (k), (l), and (m). These revised and added provisions read as follows:

§ 6a.103A-2 Qualified mortgage bond.

(a) *In general.* * * *

(2) *Termination date.* No obligation issued after December 31, 1987, shall be treated as part of a qualified mortgage bond issue.

* * * * *

(k) *Information reporting requirement*—(1) *In general.* An issue meets the requirements of this paragraph only if the issuer substantially satisfies the information reporting requirement of this paragraph with respect to the issue. Except as otherwise provided in paragraph (k)(3)(iv), the requirements of this paragraph apply to qualified veterans' mortgage bonds issued after July 18, 1984, and to qualified mortgage bonds issued after December 31, 1984.

(2) *Information required.* (i) The issuer must, based on information and reasonable expectations determined as of the date of issue, submit on Form 8038 the information required therein, including—

(A) The name, address, and employer identification number of the issuer.

(B) The date of issue.

(C) The face amount of each obligation which is part of the issue.

(D) The total purchase price of the issue.

(E) The amount allocated to a reasonably required reserve or replacement fund.

(F) The amount of lendable proceeds.

(G) The stated interest rate of each maturity.

(H) The term of each maturity.

(I) In the case of an issue of qualified mortgage bonds, whether the issuer has elected under § 6a.103A-2(i)(4)(v) to pay arbitrage to the United States.

(J) In the case of an issue of qualified mortgage bonds, the issuer's market limitation (as defined in § 6a.103A-2(g)), the amount of qualified mortgage bonds that the issuer has elected not to issue under section 25(c)(2) and the regulations thereunder, and the aggregate amount of qualified mortgage bonds issued by the issuer during the calendar year and prior to the date of issue of the issue for which the Form 8038 is being submitted, and

(K) In the case of an issue of qualified veterans' mortgage bonds, the issuer's State veterans limit (as defined in section 103A(o)(3)(B) and § 6a.103A-3(g)) and the aggregate amount of qualified veterans' mortgage bonds issued by the issuer during the calendar year and prior to the date of issue of the issue for which the Form 8038 is being submitted.

(ii) The issuer must submit a report compiled on a calendar year basis containing information on the beneficiaries of the proceeds of the issue. The report must be filed for each year in which the proceeds of the issue are used to provide mortgages. The information must be submitted in the format prescribed by the Internal Revenue Service. The information required to be submitted shall be submitted on magnetic media in accordance with applicable revenue procedures. The consent of the Commissioner (or other authorized officer or employee of the Internal Revenue Service) to the magnetic medium on which the issuer intends to submit the information shall be obtained prior to submitting such information on magnetic media. An application for consent shall be in writing and must be filed with the Magnetic Media Coordinator of the Internal Revenue Service Center at which the report is required to be filed at least 90 days before the due date of the first report for which consent is requested. If an issuer reasonably expects to submit information with respect to fewer than 50 beneficiaries for a calendar year, then the issuer may submit such information for that calendar year on machine-readable paper instead of magnetic media if the applicable revenue procedures provide a machine-readable paper form. If no such machine-readable paper form is provided, the issuer may submit such information on paper form that is not machine readable. The Commissioner may waive the requirement that information be submitted on magnetic media if hardship is shown on the issuer's application. The report must include the following information:

(A) For each issue of qualified mortgage bonds and qualified veterans' mortgage bonds—

(*1*) The name, address, and TIN of the issuer,

(*2*) The date of issue, and

(*3*) The face amount of the issue; and

(B) For each beneficiary of the proceeds of the issue (*i.e.*, each recipient of a mortgage provided with the proceeds of the issue)—

(*1*) The name and TIN of the beneficiary,

(*2*) The date, amount, and term of the mortgage,

(*3*) The effective interest rate of the mortgage (as defined in § 6a.103A-2(i)(2)(ii)),

(*4*) Whether the mortgage is a qualified home improvement loan or a qualified rehabilitation loan (as defined in § 6a.103A-2(b) (9) and (10)),

(*5*) Whether the residence being financed is a previously occupied residence,

(*6*) Whether the residence being financed is a targeted area residence (as defined in § 6a.103A-2(b)(3)),

(*7*) Whether the residence being financed is a one-, two-, three-, or four-family residence,

(*8*) The acquisition cost (as defined in § 6a.103A-2(b)(8)) of the residence being financed,

(*9*) The average area purchase price applicable to such residence (as defined in § 6a.103A-2(f)(3) without adjustments for the number of residences),

(*10*) Whether the mortgagor had a present ownership interest in a principal residence at any time during the 3-year period prior to the date on which the mortgage is executed,

(*11*) The number of the mortgagor's family members that occupy the residence being financed,

(*12*) The adjusted income (as defined in § 1.167 (k)-3 (b)(3)) of the mortgagor's family for the previous calendar year, and

(*13*) The adjusted income of the mortgagor's family for the previous calendar year as a percentage of the median income for the area, as determined under section 8 of the United States Housing Act of 1937, as amended, with adjustments for smaller and larger families (or, in the event programs under section 8(f) of the Housing Act of 1937, as amended, are terminated, the applicable method of determining adjusted income and median income in effect immediately prior to the date of such termination).

(3) *Time for filing.* (i) The statement required by subparagraph (2)(i) of this paragraph shall be filed not later than the 15th day of the 2nd calendar month after the close of the calendar quarter in which the obligation is issued. The statement may be filed at any time before such date but must be complete based on facts and reasonable expectations as of the date of issue. The statement need not be amended to report information learned subsequent to the date of issue.

(ii) The report required by subparagraph (2)(ii) of this paragraph (relating to use of proceeds) shall be filed by February 15th of the year following the calendar year to which the report relates.

(iii) The Commissioner may grant an extension of time for the filing of a report required by subparagraph (2) if there is reasonable cause for the failure to file such report in a timely fashion.

(iv) An issue of qualified veterans' mortgage bonds issued after July 18, 1984, and prior to January 1, 1985, will be treated as satisfying the information reporting requirement of this paragraph if a Form 8038 with respect to the issue is properly filed not later than February 15, 1985; the report described in paragraph (k)(2)(ii) need not be filed with respect to such issues.

(4) *Place for filing.* Form 8038 and the report required by paragraph (k)(2)(ii) are to be filed at the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

(5) *Definitions.* (i) See the regulations under section 103(l) for the definitions of the terms "date of issue", "maturity", and "term of an issue".

(ii) The term "family" means two or more persons related by blood, marriage, or operation of law.

(l) *Policy statement*—(1) *In general.* (i) For obligations issued after December 31, 1984, an issue meets the requirements of this paragraph only if the applicable elected representative of the governmental unit which is the issuer (or on behalf of which the issuing authority is empowered to issue qualified mortgage bonds) has published (after a public hearing following reasonable public notice) the report described in paragraph (l)(3) by the last day of the year preceding the year in which such issue is issued and a copy of such report has been submitted to the Commissioner on or before such last day. The Commissioner may grant an extension of time for publishing and filing the report if there is reasonable cause for the failure to publish and file such report in a timely fashion. The requirements of this paragraph will be treated as met if the issuer substantially satisfies such requirements.

(ii) With respect to reports required by paragraph (l)(1)(i) to be published and submitted to the Commissioner not later than December 31, 1984, the Commissioner has determined that there is reasonable cause for the failure to publish and file such reports in a timely fashion; such a report will be considered published and filed in a timely fashion if, not later than March 11, 1985, the report is published (after a public hearing following reasonable public notice) and a copy is submitted to the Commissioner.

(2) *Definitions and special rules.* (i) In the case of an issuer that issues qualified mortgage bonds on behalf of two or more governmental units, a single report may be filed provided that such report is signed (A) by the applicable elected representative of each governmental unit on whose behalf

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Thomas P. Brisson, Director of Programs TPB

DATE: January 10, 1985

RE: Proposed legislation regarding selection of outside legal counsel.

Attached is the committee approved language for the bill regarding selection of outside legal counsel. Except for sections 4105 and 4106 it is similar to the bill provided to you earlier. Section 4105 previously contained special rules for the University of Vermont and Vermont State Colleges. Section 4106 of the attached contains new language.

According to Janet Ancel of the legislative counsel's office, the bill will be introduced in both the House and Senate.

TPB/sam:63

Attachment

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

COMMITTEE TO STUDY PRIVATE ATTORNEYS' FEES

Committee Member	Senator / Representative	Party Affiliation
Anne Batten	Representative	Republican
Robert Bloomer	Senator	Republican
Francis Brooks	Representative	Democrat
Robert Graf	Representative	Republican
Philip Hoff	Senator	Democrat
Vincent Illuzzi	Senator	Republican
George Little	Senator	Republican
Walter Pyle	Representative	Republican

Introduced by

Referred to Committee on

Subject: Executive branch; outside counsel; use and selection

Statement of purpose: This bill proposes that guidelines be established governing the use and selection of outside counsel.

Own Vote				Legislative Vote					
Yes	No		Date	Senate	House	Yes	No	Date	Comments
		1st Reading							
		Com. Report							
		2nd Reading							
		3rd Reading							
		Amend.-Calendar							
		Amended-Journal							
		Amended-Journal							
		Committed							
		Recommitted							
		Ordered to Lie							
		Called up							
		Passed							
		Messaged							
		Com. of Conf.							
		Withdrawn							
		Sign.by Governor							

AN ACT RELATING TO THE USE AND SELECTION OF OUTSIDE COUNSEL

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 3 V.S.A. chapter 67 is added to read:

CHAPTER 67. CONTRACTS FOR LEGAL COUNSEL

§ 4101. DEFINITION; SCOPE

(a) "Entity of the state" includes but is not limited to any state agency, officer, department, division, authority, board, commission or committee. It does not include the legislative or judicial branches, the University of Vermont or the Vermont State Colleges.

(b) "Outside counsel" means any attorney licensed to practice law in this or any other state who is retained to provide legal services by an entity of the state and who does not occupy a permanent or limited service employee position established by law.

(c) No entity of the state shall retain outside counsel except under rules adopted under this chapter, unless representation is provided by an insurance carrier.

§ 4102. REPRESENTATION BY ATTORNEY GENERAL

Every entity of the state, except the office of the defender general and the mental health department when it retains attorneys to represent persons in mental health or mental retardation proceedings, shall use the attorney general as legal advisor and counsel unless the attorney general is disqualified for ethical reasons under the Code of Professional Conduct or unless the use of outside counsel would be economically advantageous to the state.

§ 4103. SECRETARY OF ADMINISTRATION; HIRING OF OUTSIDE COUNSEL

(a) The secretary of administration shall adopt rules applicable to entities of the state which establish procedures and standards for selecting outside counsel.

(b) The rules adopted under this section shall include standards for the selection of outside counsel, recognizing that cost, experience and capability are major factors to be considered. The rules shall also provide that when qualifications and cost are approximately equal, preference shall be given to attorneys practicing within the state.

(c) The secretary may adopt different rules for different entities of the state, recognizing special needs and requirements.

(d) The secretary shall submit rules proposed under this section to the legislative committee on judicial rules for review under section 4106. This chapter prescribes an adoption and review procedure in lieu of chapter 25 of Title 3.

§ 4104. JUDICIAL BRANCH; SPECIAL RULES

(a) The supreme court shall adopt rules applicable to the judicial branch establishing procedures and standards for the selection of outside counsel. The rules shall provide that cost, experience and capability are major factors to be considered and shall also provide that when qualifications and cost are approximately equal, preference shall be given to attorneys practicing within the state.

(b) The supreme court shall submit rules proposed under this section to the legislative committee on judical rules for review under section 4106.

§ 4105. LEGISLATIVE REVIEW; JOINT COMMITTEE ON JUDICIAL RULES

The legislative committee on judicial rules shall review rules and amendments thereto proposed under this chapter in the same manner as it reviews judicial rules under sections 2, 3 and 4 of Title 12.

§ 4106. CONTRACTS OVER $25,000.00; APPROVAL OF GENERAL ASSEMBLY

No contract for outside counsel which exceeds or is projected to exceed $25,000.00 shall be executed without the approval of the general assembly or the joint fiscal committee if the general assembly is not in session.

Sec. [illegible]. EFFECTIVE DATE; APPLICATION

This act shall take effect July 1, 1985 and shall apply to contracts for outside counsel executed on or after that date.

Introduced by Senator Morse of Caledonia County

Referred to Committee on

Subject: Housing finance agency; qualified mortgage bonds

Statement of purpose: This bill would allow the Vermont housing finance agency to issue qualified mortgage credit certificates to assist low and moderate income persons obtain housing and housing improvements, increase the agency's borrowing authority, and allocate authority under the federal Internal Revenue Code relating to qualified mortgage bonds.

Own Vote			Legislative Vote						
Yes	No		Date	Senate	House	Yes	No	Date	Comments
		1st Reading							
		Com. Report							
		2nd Reading							
		3rd Reading							
		Amend.-Calendar							
		Amended-Journal							
		Amended-Journal							
		Committed							
		Recommitted							
		Ordered to Lie							
		Called up							
		Passed							
		Messaged							
		Com. of Conf.							
		Withdrawn							
		Sign.by Governor							

AN ACT RELATING TO THE ISSUANCE OF MORTGAGE CREDIT CERTIFICATES BY THE VERMONT HOUSING FINANCE AGENCY

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 10 V.S.A. § 628 is added to read:

§ 628. MORTGAGE CREDIT CERTIFICATES

(a) In addition to other powers granted in this chapter, the agency shall have the power to issue mortgage credit certificates as provided in this section. Before engaging in any such activity, the agency shall determine that to do so will effectuate the purposes of this chapter. Having made that determination, the agency shall have the power to take all appropriate actions for such purposes, including electing not to issue bonds or notes and making all necessary reports and filings.

(b) Mortgage credit certificates shall be issued with respect to indebtedness incurred by persons and families of low and moderate income, as defined in this chapter:

(1) to acquire their principal residence;

(2) as a qualified home improvement loan; or

(3) as a qualified rehabilitation loan;

all as defined in or by reference in section 25 of the federal Internal Revenue Code (the "Code").

(c) In issuing mortgage credit certificates:

(1) the agency shall comply with and be subject to the provisions of said section 25 of the Code and regulations thereunder as in effect from time to time; and

(2) the agency need not comply with requirements of this chapter applicable to mortgage loans, rehabilitation loans or other loans with respect to which the agency issues bonds or notes.

Sec. 2. 10 V.S.A. § 631(a)(1) is amended to read:

(a)(1) The agency may issue its negotiable notes and bonds in such principal amount as the agency determines to be necessary to provide sufficient funds for achieving any of its corporate purposes, including the payment of interest on notes and bonds of the agency, establishment of reserves to secure the notes and bonds including the reserve funds created under section 632 of this title, and all other expenditures of the agency incident to and necessary or convenient to carry out its corporate purposes and powers. However, the bonds or notes of the agency outstanding at any one time shall not exceed *[$400,000,000.00]* $500,000,000.00.

Sec. 3. FEDERAL AGGREGATE LIMITS

Pursuant to section 103A(g)(6) of the federal Internal Revenue Code, the authority to issue qualified mortgage bonds within the limits of the state ceiling for any calendar year is hereby allocated seventy-five percent to the Vermont housing finance agency.

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA
VERMONT HOUSING FINANCE AGENCY

December 27, 1984

Mr. William Norton
Treasurer, Weathervane United, Inc.
c/o Office of the Auditor of Accounts
132 State Street
Montpelier, Vermont 05602

Dear Bill:

With the Tilley House now complete and occupied it would be helpful to review the occupancy projections for your project. Initially we understood that eleven people were interested in the apartments. Subsequently four were interviewed by the Vermont State Housing Authority Field Representative. It is my understanding that after the interviews one person was found eligible for (and has received) a Section 8 rent certificate; that one other person may also be eligible but has not completed the necessary paperwork in order to receive a certificate, and that the other two people are ineligible.

Because the project is predicated on achieving the Section 8 Fair Market Rents but must lease 5 of the 6 units to low and moderate income people there is a possibility that either a rent short fall or a vacancy problem could develop. As you know, the pro forma cash flows indicate a breakeven NOI at HUD Fair Market Rents. In light of this, would you please write either me or Michael regarding what the current incomes of the Tilley House occupants are and what they are paying for rent. Also, please let us know whether you feel at this point that you will be able to find Section 8 eligible tenants for the Keese house or other income-qualified tenants who will be able to pay the full Fair Market rents from your current waiting list.

I remain reasonably confident that Weathervane will be able to fill the units with eligible tenants and at the full rents, but if it is only possible to do this through renewed marketing of the project that should probably take place soon. Thank you for your attention in this matter.

Sincerely,

Tom

Thomas P. Brisson
Director of Programs

TB:MR/ns49

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA

VERMONT HOUSING FINANCE AGENCY

TO: Lenders Participating in the VHFA 1984 Series A Mortgage Purchase Program

FROM: Thomas P. Brisson, Director of Programs

SUBJECT: Extension of Commitment Period

DATE: December 14, 1984

According to our most recent survey numerous lenders have not committed all of their allocated proceeds to eligible borrowers and in all likelihood will not be able to within the prescribed contract commitment period which ends January 19, 1985. A generally lackluster residential real estate market during the fall months appears to be the main culprit.

Since a shortfall in expected commitment levels is the case with the majority of participating lenders, the Agency has decided to provide an extension of the commitment period as defined in Section IV (C) of the Mortgage Loan Application and Commitment Agreement by three months. The new final date for loan commitments to eligible borrowers is April 19, 1985. This extension should give all lenders sufficient time to meet their contract obligations. We strongly encourage you to continue to advertise and otherwise promote this program which even with recent interest rate declines still provides eligible homebuyers with the best mortgage loan terms in the marketplace.

This memo as noted above is going to all participating lenders even those who have fulfilled their commitments under the program. If you would like an additional allocation of funds to help meet customer demands please contact either Ann-Marie Plank or myself to make arrangements. We are endeavoring to keep an adequate supply of funds available in all areas of the state.

Thank you for your participation.

TB/sam:51

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

VERMONT HOUSING FINANCE AGENCY

UPDATE INFORMATION

1984 SERIES A

MORTGAGE PURCHASE PROGRAM

JANUARY 10, 1985

12/21/84

VERMONT HOUSING FINANCE AGENCY
1984 SERIES A
SINGLE FAMILY MORTGAGE PURCHASE PROGRAM
ACTIVITY REPORT

VHFA

	Loans in Process or Closed	% of Alloc.	Pace	Probable Use of Allocation
Bank of Vermont	$1,552,220	78%	slow	Not within contract period
Bennington Co-op Savings & Loan Assoc.	570,400	76%	slow	Not within contract period
Bradford National Bank	332,145	66%	none	Possibly by April, 1985
The Caledonia National Bank of Danville	646,225	86%	slow	By April, 1985
Chittenden Trust Company	2,778,665	74%	slow	Possibly by April, 1985
CUMFED Mortgage Co., Inc.	1,041,050	28%	slow	Possibly by April, 1985
Community National Bank	521,523	104%	N/A	All reserved
The Factory Point National Bank	372,150	74%	none	Possibly by April, 1985
First Twin-state Bank	622,050	62%	slow	Possibly by April, 1985
First Vt. Bank & Trust Co.	1,056,325	100%	N/A	All Reserved
Franklin-Lamoille Bank	1,094,096	46%	slow	Not within contract period
Granite Savings Bank and Trust Company	524,150	105%	N/A	All Reserved
Green Mountain Bank	91,000	46%	slow	Possibly by April, 1985
The Howard Bank, N.A.	4,314,850	86%	slow	By April, 1985
The Lomas & Nettleton Co.	907,250	45%	none	Possibly by April, 1985
Lyndonville Savings Bank & Trust Company	285,270	57%	slow	Not within contract period
Marble Bank	739,450	99%	N/A	All Reserved
The Merchants Bank	1,701,476	97%	N/A	All Reserved
The National Bank of Middlebury	292,580	59%	none	Not within contract period
New England IBM Employees Federal Credit Union	739,910	99%	N/A	All Reserved
Passumpsic Savings Bank	722,350	96%	N/A	By April, 1985
Peoples Trust Company of St. Albans	680,135	91%	N/A	By April, 1985
Proctor Bank	596,287	30%	slow	Not within contract period
Randolph National Bank	223,619	30%	slow	Not within contract period
Union Bank	277,619	93%	slow	Possibly by April, 1985
Vermont Federal Bank, FSB	3,256,000	81%	slow	By April, 1985
Vermont National Bank	1,887,000	94%	slow	By April, 1985
Total	$27,727,605	69%		

VERMONT HOUSING FINANCE AGENCY
1984 Series A Mortgage Purchase Program
Status Report (with percent of allocation approved)
01/07/85

Lender	Initial Contract Allocation	Additional Allocation or Recapture	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased	Net Applic. Fee Received
Bank of Vermont	2,000,000	0	2,000,000	1,278,749	63.9%	773,594	505,155	10,000.00
Bennington Coop Savings & Loan Assn Inc	750,000	0	750,000	472,950	63.0%	283,100	189,850	3,750.00
Bradford National Bank	500,000	0	500,000	305,120	61.0%	184,470	120,650	2,500.00
Caledonia National Bank of Danville, The	750,000	0	750,000	692,625	92.3%	379,975	312,650	3,750.00
Chittenden Trust Company	3,750,000	0	3,750,000	2,717,006	72.4%	1,421,971	1,295,035	18,750.00
Comfed Mortgage Co., Inc	3,750,000	0	3,750,000	1,084,609	28.9%	718,959	365,650	18,750.00
Community National Bank	500,000	0	500,000	516,865	103.3%	309,451	207,414	2,500.00
Factory Point National Bank, The	500,000	0	500,000	381,764	76.3%	95,914	285,850	2,500.00
First Twin-state Bank	1,000,000	0	1,000,000	550,317	55.0%	169,171	381,146	5,000.00
First Vermont Bank and Trust Company	1,000,000	0	1,000,000	880,188	88.0%	565,963	314,225	5,000.00
Franklin-Lamoille Bank	3,070,348	0	3,070,348	811,406	26.4%	730,656	80,750	15,351.74
Granite Savings Bank and Trust Company	500,000	0	500,000	468,784	93.7%	330,109	138,675	2,500.00
Green Mountain Bank	200,000	0	200,000	91,000	45.5%	0	91,000	1,000.00
Howard Bank, National Assn, The	5,000,000	0	5,000,000	4,163,479	83.2%	1,568,759	2,594,720	25,000.00
Lomas & Nettleton Company, The	2,000,000	0	2,000,000	906,272	45.3%	697,822	208,450	10,000.00
Lyndonville Savings Bank & Trust Company	500,000	0	500,000	285,184	57.0%	119,188	165,996	2,500.00
Marble Bank	750,000	0	750,000	737,625	98.3%	698,375	39,250	3,750.00
Merchants Bank, The	1,750,000	0	1,750,000	1,655,306	94.5%	1,312,906	342,400	8,750.00
National Bank of Middlebury, The	500,000	0	500,000	292,294	58.4%	209,644	82,650	2,500.00
New England IBM Employees Fed Crdt Union	750,000	0	750,000	689,680	91.9%	559,580	130,100	3,750.00
Passumpsic Savings Bank	750,000	0	750,000	740,562	98.7%	653,562	37,000	3,750.00
Peoples Trust Company of St Albans	750,000	0	750,000	552,494	73.6%	243,344	309,150	3,750.00
Proctor Bank	2,000,000	0	2,000,000	581,613	29.0%	303,726	277,887	10,000.00
Randolph National Bank	750,000	0	750,000	371,101	49.4%	231,430	139,671	3,750.00
Union Bank	300,000	0	300,000	223,619	74.5%	177,525	46,094	1,500.00
Vermont Federal Bank, FSB	4,000,000	0	4,000,000	3,372,605	84.3%	2,586,285	786,320	20,000.00
Vermont National Bank	2,000,000	0	2,000,000	2,104,609	105.2%	171,814	1,932,795	10,000.00
	40,070,348	0	40,070,348	26,927,826	67.2%	14,897,293	12,030,533	200,351.74

STATISTICAL REPORT BONDSERIES 84A
SINGLE FAMILY DATABASE
EFFECTIVE: 01/09/85

Total Number of Loans:	640
Total Loan Amount:	$27,312,931
Average Loan Amount:	$42,676

EXISTING:	$22,911,517	85.6%	548 Loans
NEW CONSTRUCTION:	$4,401,414	14.3%	92 Loans
NEW DETACHED HOUSING:	$2,977,384	67.6%	63 Loans
NEW CONDOMINIUM:	$1,424,030	32.3%	29 Loans

Total Insured or Guaranteed Loans:	566
Loans Guaranteed by VHMGB:	550

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$43,978	$52,656	$48,371
Avg. Loan Amount	$38,826	$46,430	$42,676
Avg. Borrower Income	$24,542	$27,242	$25,909
Avg. Housing Debt-Income Ratio	24.4%	26.0%	25.2%
Total No. of Loans	316	324	640
First Time Homebuyers	84.1%	99.6%	92.0%
% Loans with 2 or more Wage Earners	58.2%	60.1%	59.2%
% of Total Loan Amount	44.9%	55.1%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	36	$1,423,130	5.2%	29,406	5.8%
Bennington	28	$1,142,200	4.2%	33,345	6.6%
Caledonia	35	$1,199,550	4.4%	25,808	5.1%
Chittenden	227	$11,108,035	40.7%	115,534	22.6%
Essex	10	$297,725	1.1%	6,313	1.0%
Franklin	58	$2,333,765	8.5%	34,788	6.8%
Grand Isle	1	$38,250	0.1%	4,613	0.9%
Lamoille	8	$323,706	1.2%	16,747	3.3%
Orange	21	$802,801	2.9%	22,739	4.5%
Orleans	21	$709,377	2.6%	23,440	4.6%
Rutland	85	$3,380,319	12.4%	58,347	11.4%
Washington	66	$2,650,565	9.7%	52,393	10.2%
Windham	12	$571,500	2.1%	36,933	7.2%
Windsor	32	$1,332,008	4.9%	51,030	10.0%
TOTAL	640	$27,312,931	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

VERMONT HOUSING FINANCE AGENCY

1984 SERIES A

HOME MORTGAGE PURCHASE PROGRAM

STATUS - FIRST 700 LOANS RECEIVED

APPROVED:	626
NON-COMPLIANCE:	11
REJECTED:	40
WITHDRAWN:	23

1/10/85

SELECTED RATES

	Early July '84	Early Jan. '85	Net Change
Revenue Bond Index (Bond Buyer)	11.10	10.31	(.79)
Housing Bond Index (30 years)	11.42	10.57	(.85)
Prime Rate	13.00	10.75	(2.25)
5 Year Treasury	13.65	11.31	(2.34)
3 Year Treasury	13.47	11.74	(1.73)
VT Conventional Fixed Rate Loans (Best-adjusted for pt. difference)	15.30	12.75	(2.55)
VT Adjustable Loans (Best 1 year-adjusted for pt. difference)	12.60	11.13	(1.47)
FHLMC Net Yield (10 day delivery, 30 year fixed)	14.36	13.01	(1.35)

NOTICE OF BOARD MEETING

1:30 PM

THURSDAY, MARCH 14, 1985

EM HEBARD'S OFFICE
133 STATE STREET
MONTPELIER, VERMONT

VERMONT HOUSING FINANCE AGENCY

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

BOARD MEETING AGENDA

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

1:30 PM, Thursday, March 14, 1985

A. Approve January 18, 1985 Board Minutes

B. Multi-Family

1. Vergennes: Exchange of Land
2. Ratification Beth-El Court Sale
3. Modification to Resolution Defining Low and Moderate Income
4. Financing Resolution: Enosburg Level III Group Home
5. Discussion of Modifications to Multi-Family Rules

C. Single Family

1. Update on Current Mortgage Program
2. Continued Discussion of the Intended Use of Excess Pre-payments from the 1978, 1979 Bond Issues
3. Discussion of Meeting with Morgan Stanley
4. Reporting Requirements
5. Semi-Detached Housing
6. Lender Approval Procedure - Single Family Program

D. Administrative

1. Budget Update: Discussion if Needed
2. Status of Move
3. Report on S. 20
4. Discussion of H. 372

E. Any Other Old or New Business

WSF:pw/95

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VHFA VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
239 South Union Street, Burlington, VT
January 18, 1985

Present: Chairman Ledbetter, Vice-Chairman Shaw, Commissioners Hebard, Gardner, Babcock, Myette (speaker phone); Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Bard, newly appointed Commissioner of Banking and Insurance; Mr. Kochman, Kochman & Smith; Mr. Gurley, Morgan Stanley & Co.; Mr. Ingalls, Palmer & Dodge

Chairman Ledbetter called the meeting to order at 4:00 PM.

Upon motion duly made and seconded, the minutes of the November 29, 1984 Board meeting were unanimously adopted.

A general discussion relative to the 1984 Mortgage Purchase Program began. Mr. Brisson noted that included in the Board mailing was a copy of a memorandum he had sent to <u>all</u> lenders participating in the 1984 Program extending the commitment period to April 19, 1985 and further encouraging those banks who have fulfilled their commitments and where customer demand warrants, to contact the Agency for an additional allocation of funds.

Mr. Brisson then updated the Commissioners on the status of the Agency bill, S. 20. Mr. Brisson mentioned that Senator Gerald Morse had agreed to sponsor the bill and that he had also discussed the bill with various members of the Senate Finance Committee.

A brief discussion on the Illuzzi/Batten proposal, now bill number H. 108, ensued. Upon motion duly made and seconded, the Commissioners unanimously went on record opposing the bill.

Mr. Brisson and Mr. Frazier then initiated a discussion of potential uses of excess prepayments. It was noted by Mr. Schoenbeck that prepayments from the 1978 and 1979 Mortgage Purchase Programs have increased dramatically over the last 12-18 months. The discussion centered around the possibility of using prepayments to purchase bonds out of a new program. It was noted that staff has consulted bond counsel and would report back to the Board with their findings at a later date.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

Next Mr. Brisson highlighted the new reporting requirements under the mortgage purchase program pursuant to the Tax Reform Act of 1984. It was noted that (1) the regulations impose a significant additional reporting burden on the Agency under our single family mortgage purchase program, and (2) certain sections of the regulations especially as they pertain to "adjusted income" are unclear.

Mr. Brisson then brought up a discussion of the suitability for financing of certain semi-detached housing which shared various common elements. After a brief discussion, upon motion duly made and seconded, the Board unanimously tabled the issue and instructed the staff to come back to the next Board meeting with more information.

Mr. Frazier then introduced the topic of multi-family General Fund loans. A discussion ensued after which upon motion duly made and seconded, the attached Resolution was adopted by a majority vote. Chairman Ledbetter voted against.

The last topic that was discussed was a proposed loan to Weathervane United, Inc. for the purpose of providing a portion of the financing to rehabilitate 2 single family homes into 6 elderly apartments in Lincoln. After some discussion, upon a motion duly made and seconded, the loan origination fee was reduced to $550 by a majority vote. Commissioner Gardner voted against.

There being no further business before the Board, the meeting was adjourned at 5:30 PM.

Respectfully Submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary

WSF:pw/91

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Thomas P. Brisson TPB

RE: H. 372

DATE: March 7, 1985

This bill is a high-level initiative of the Administration.

TB:pw/79

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

M E M O R A N D U M

TO: VHFA Commissioners

FROM: W. Scott Frazier

RE: Multi-Family General Fund Loans

DATE: March 5, 1985

At the last Board meeting, I brought to your attention the necessity of rewriting the terms of the General Fund mortgage loans made on 11 multi-family projects due to the lack of sufficient cash flow generated from these projects. Attached is a listing of the projects affected.

Background

The loans were authorized in August 1981 but prior to that we had already financed the construction under an $8 million line of credit with Connecticut National Bank. The $8 million had been used up and rather than extend and expand the line of credit we decided to proceed forward with a bond issue to finance other projects in the pipeline and pay off the short-term notes. All projects were underwritten at 12% but bond rates were on the rise then to 14% despite everyone's prediction they would fall. To get the Bond issue off the ground and pay off the short-term notes that were soon to expire the following actions were taken:

- The Owners required equity in the projects was increased to 10% from 6%, and

- To cover the remaining difference at the 14% level, we authorized the transfer of up to $1.5 million from the General Fund into the bond funds for the purposes of making subordinate loans.

Original Assumptions

In making the determination of what the terms of the loans should be staff developed a computer model for running cash flow scenarios. The general assumptions used were:

Total Rental Income (Including HAP subsidy and tenants share)	7% increase per year
Utilities	15% increase per year
Property Taxes	10% increase per year
All Other Variable Expenses	10% increase per year

Looking at the financial status of the projects now it is clear that the predominant reason the projects haven't developed the cash surpluses we thought they would 3 years ago is the total rental income hasn't increased 7% per year. In addition but to a lesser extent each project has its own history of expenses and where they have deviated from projected levels.

Recommendation

Our alternatives here are to force payment under the original terms in which case unless the owners start pumping in a good deal of money we will probably have to declare a default on a number of projects in 1985, or to rewrite the terms of the loans.

My recommendation is to rewrite the terms of loans to coincide with the maturity of the bond proceed loan and thereby reduce the monthly payment. The attached schedule shows the effect for each project. In most cases based on the budgets submitted on these projects, this action will still require some infusion of cash from the owners but at a reduced and more manageable level. I anticipate receiving some heat from some owners.

The reasons for going this route are threefold:

First, the payment of the General Fund loans in no way affects the cash flow of paying the bonds. The bond issue was structured originally not to rely on the payment of these loans. Concurrently, the General Fund budget of excess revenues transferred from this bond issue hasn't included, yet, the receipt of any payments on these loans.

Secondly, the terms of the loans provide for a prepayment of 50% of the annual cash suplus generated in each project. Reducing the monthly payment by extending the term may translate into a better chance of getting a prepayment at the end of the year.

Thirdly, I want to avoid restructuring each loan for each project at this time, which can become very subjective, relative to one deal being better than another.

Action Needed

By motion of the Board adopt the attached Resolution at the Board meeting.

RESOLUTION WITH RESPECT TO
ALTERATION OF TERMS OF CERTAIN
PROMISSORY NOTES

RESOLVED, that pursuant to certain projections it appears likely that the Multi-Family projects identified in the attached schedule entitled "Multi-Family Projects with General Fund Loans", will be unable to generate sufficient cash revenues to meet the respective terms of the "Additional Balance" as originally contemplated and incorporated in the respective promissory notes securing the Mortgage Loans made for those projects, the Executive Director, in his discretion and on a case-by-case basis, is hereby authorized to alter the terms of the "Additional Balance" to provide for a maturity date coinciding with the maturity date of the "Primary Balance" and to reduce the required monthly payment accordingly, all other terms and conditions of the respective promissory notes to remain the same. The form of the changes to the promissory notes shall be acceptable to counsel.

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
January 18, 1985

Multi-Family Projects
with General Fund Loans

Project/Owner	Amount	Current Term* (Years)	Current Monthly Payment	New Payment
Colchester Cliff Dubie	$ 21,704	7	$ 338	$ 164
King St., Burlington Becky Kaiser & Father	24,574	10	298	185
Holy Angels Berezin and Ziner	182,507	10	2,214	1,377
North Troy Gaylord Gallup	40,186	7	626	303
Middlebury Charles Brush	65,530	9	853	494
Alburg Jim Lamphere	78,161	10	948	590
Swanton Abernaki Indians	83,453	9	1,086	629
St. Johnsbury (Canterbury) NCIC	72,592	10	881	548
Church and Pine Burlington Karl Ashline	146,480	10	1,777	1,105
Rockingham Mark Hochman	387,809	20	3,244	2,925
Bobbin Mill Jim Pizzagalli	95,432	13	986	720

* All loans were 8% interest rate, payments deferred for 3 years, 3 years at 8% interest straight-line capitalized, then fully amortized over the above period.

WSF:pw/78

STEWART M. LEDBETTER, 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: Roger A. Schoenbeck RAS

RE: Budget Update

DATE: March 7, 1985

To inform new members and bring existing members up-to-date, please find attached a budget performance report as of December 31, 1984. Since our fiscal year runs July 1, 1984 to June 30, 1985, this update represents 50% of the yearly operations.

As you can see, the income and expense categories compare very favorably to the 50% expected levels at this point.

I do foresee a couple of areas where we will need to amend the budget before the fiscal year end, especially relating to the office move, but would like to focus on that at the next meeting.

I am available to answer any questions you may have on the budget in general, or on specific line items.

RS:pw/34

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

BUDGET PERFORMANCE REPORT
Vermont Housing Finance Agency
For the Six Months Ended December 31, 1984

	Original Approved Budget	Actual Thru 12/31/84	Percentage Approved Budget
INCOME			
VHMGB	$ 64,500	$ 32,968	51.1
Single Family Fees	341,500	192,801	56.5
Multi-Family Fees	40,000	4,375	10.9
Interest Income	216,000	112,350	52.0
Miscellaneous	7,500	2,598	34.6
Total Income	$ 669,500	$345,092	51.5
FUND BALANCE TRANSFERS			
Loans to Lenders	$ 180,000	$180,000	100.0
Shawmut Mortgage Purchase	100,000	50,000	50.0
Howard Mortgage Purchase	660,000	160,000	24.2
Howard Multi-Family	400,000	400,000	100.0
Connecticut Nat'l Multi-Family	60,000	60,000	100.0
Howard Home Mortgage Purchase	(701,000)	(701,055)	100.0
Howard Home Mortgage Purchase	140,000	87,245	62.3
Total Transfers	$ 839,000	$236,190	28.1
Total Income and Transfers	$1,508,500	$581,282	38.5
EXPENSES			
Advertising	$ 3,000	$ 2,358	78.6
Audit	16,500	16,500	100.0
Annual Report	7,500	447	6.0
Commissioners Expenses	2,500	634	25.4
Consulting Fees	15,000	484	3.2
Dues and Subscriptions	8,000	4,179	52.2
Insurance	38,500	20,175	52.4
Interest	11,400	5,569	48.9
Legal	37,000	25,658	69.3
Miscellaneous	7,500	647	8.6
Office	10,000	6,628	66.3
Pension	18,000	8,926	49.6
Postage	5,600	3,021	53.9
Rent	35,000	16,560	47.3
Repairs and Maintenance	27,500	12,853	46.7
Salaries and Wages	493,000	241,545	49.0
Staff Travel and Training	25,000	9,745	39.0
Taxes - Payroll	34,500	15,635	45.3
Telephone	18,000	8,468	47.0
Trustee and Assignee	115,000	42,974	37.4
Utilities	7,500	3,089	41.2
Depreciation	30,000	13,954	46.5
Total Expenses	$ 966,000	$460,049	47.6
INCREASE(DECREASE) TO FUND BALANCE	$ 542,500	$121,233	22.0

STEWART M. LEDBETTER, 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: Status of Move

DATE: March 7, 1985

The following is a synopsis to bring everyone up-to-date on the status of our office move. For the benefit of the new Commissioners I've recapped the provisions of the lease and have indicated what provisions were made in last year's budget to accommodate our move.

Tentative Timetable

December ?, 1984	New Lease Signed
February 28, 1985	Specs and Drawings Bidded Out
March 6	Bids Received
March 8	Final Adjustments to Contract
March 11	Construction Start
*April 19	Construction End
*April 26,27	Agency Moves
June 30	Our Current Lease Expires
August 1	Lease Payments Start at New Location

* These dates are subject to change due to potential construction delays not only to our space but also from landlord's upgrading of building; i.e., it appears they are going ahead with changing all the exterior windows on the building, which everyone is in agreement should be completed on our space before we move in.

Provisions of Lease

Landlord: FM Burlington

New Location: One Burlington Square (corner of College and St. Paul Streets, next door to the Chittenden Trust Company)

Term: 5 years with option to renew for 5 more

Rent:	8/1/85-86	$8.00 per sq. ft. =	$5,306 per month
	86-87	$8.50 per sq. ft. =	$5,638 per month
	87-88	$9.00 per sq. ft. =	$5,970 per month
	88-89	$9.00 per sq. ft. =	$5,970 per month
	89-90	$9.50 per sq. ft. =	$6,302

Included in rent: utilities, janitorial services, and 15 parking spaces.

Escalation Clause: Pursuant to annual audited financial statements we pay our pro rata share of incremental operating expenses above first year.

Retrofit Costs: Landlord pays first $40,000 to retrofit space to our needs.

Costs Incurred and Anticipated

Architect: Joe Zachowski - $4,400. This was budgeted for under consulting fees. I was hoping that the contract would come in less than $40,000 so that this cost would be picked up by Landlord; however, as you can see below this didn't happen. At any rate we were prepared to pick up this cost.

Contractor: Low bidder was Potvin Construction who incidentally is the contractor to the landlord who will be changing the windows and upgrading the common areas on our floor. His bid was $51,900. Adam and I met with the architect, builder and landlord on Thursday afternoon to discuss potential savings. Carpet seems to be the likely place to find some. I think our best effort will get contract down to $47,000 - $48,000 area. Any cost above $40,000 will need a budgetary amendment.

Furniture: Copytek was selected. That order came to $27,109 for employees and $3,670 for new Board chairs. Any used furniture we don't sell ourselves, Copytek must pick up. This will reduce the cost of the new furniture by approximately $3,000. We included in our budget under depreciation, $30,000 for capital expenditures this year.

Phone System: We'll be getting a new system. Final decision will be made by Board meeting day and it appears the "Eagle System" by Twin-State is the best choice. Our current system is AT&T "COMKEY" system which they don't manufacture anymore. Any changes to this system has to be done through used parts. Upfront cost to reinstall existing system is $3250, new system $0. Incremental monthly cost should be around $200. Very little if any budgetary impact this year. We're currently exploring the possibility of dropping one of the two WATTS lines we're carrying. Potential savings here would be approximately $250 per month.

Moving: Cost of the physical move five years ago was $2000. We have budgeted for this cost under miscellaneous.

Summary of Budgetary Concerns

Although, we are unprepared to offer any budgetary amendments at this Board meeting it appears that with potential savings in some categories which will be switched around to compensate for overages in others, we may need, in total, an additional $10,000 to our budget for items relating to the move.

WSF:pw/98

STEWART M. LEDBETTER, 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 TPB

RE: Application Procedure for New Lenders Wishing to Participate in Agency Mortgage Loan Programs

DATE: March 6, 1985

As many of you know, there has been a significant increase recently in the number of licensed lenders in the State. With this increase will come requests by new licensees to participate in the Agency's residential mortgage loan programs.

The attached application form has been prepared so that staff can get a reasonably clear picture of the applicant's lending volume and experience, track record, loan portfolio condition and financial condition.

Though it is not necessary for the Board to concern itself with detailed elements of the application form, the approval process does need some Board consideration. From a procedural perspective, I suggest that either the Executive Director or the Program Director be given authority to approve new lenders but that the authority to reject a lender be retained by the Board. Additionally, I recommend that as a threshold requirement a lender must have been licensed to lend and have actually operated in the State as a mortgage lender for at least 12 months prior to applying to the Agency. A requirement of this nature will afford us some opportunity at least to access a lender's performance in and commitment to the Vermont market.

TB:pw/77

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

VERMONT HOUSING FINANCE AGENCY
APPLICATION FOR LENDER APPROVAL
(RESIDENTIAL MORTGAGE PURCHASE PROGRAM)

1. Name of lender: ______________________________

   Principal place: ______________________________
   of business: (street)

   ____
   (city) (state) (zip)

   Mailing Address: ______________________________
   (street)

   ____
   (city) (state) (zip)

2. Contact person(s) for
   this application: ______________________________
   (name) (title)

   ____
   (name) (title)

   Telephone No: ______________________________

3. Vermont lending offices and lending area: (attach separate listing if necessary)

   ____
   (city) (area/county)

   ____
   (city) (area/county)

4. Lending offices located outside of Vermont: (attach separate listing if necessary)

   ____
   (city) (state) (zip)

   ____
   (city) (state) (zip)

5. Currently approved as seller/servicer by:

   ☐ FHLMC ☐ FNMA ☐ Other (specify)

6. Date first licensed as a lender in the State of Vermont:

   ____
   (month) (day) (year)

7. Date of oldest presently effective license in any state: (specify state)

   ____
   (state) (month/day/year)

8. Total residential mortgage loans originated during the past calendar year:

   #________ $____________

9. Total residential mortgage loans originated in Vermont during the past calendar year: #_______ $__________

PROVIDE THE MOST RECENT DATA FOR THE FOLLOWING:

10. Total residential mortgage loans serviced as of ______________, 19___ #_______ $__________

11. Total residential mortgage loans serviced in Vermont as of ________________, 19____ #_______ $__________

12. The status of all residential mortgage loans serviced as of ________________, 19_____ is:

current	_______%
30 days	_______%
60 days	_______%
90+ days	_______%
in foreclosure	_______%
REO	_______%

13. **CHECK IF APPLICABLE:**

☐ Servicing will be released to:

____

____

____

Business organizational relationship with servicer listed above:

____

14. ☐ Applicant is a wholely owned subsidiary of:

____

____

____

LENDER

Dated:________________ **By:**_____________________________
Its Duly Authorized Agent

LIST OF ATTACHMENTS FOR VHFA LENDER APPROVAL APPLICATION

ADDITIONAL DOCUMENTATION REQUIRED WITH THIS APPLICATION

ATTACH THE FOLLOWING:

- Current audited financial statements (if a subsidiary include statements of parent company as well).
- A copy of your current procedures for servicing residential mortgage loans.
- A copy of your current mortgage loan underwriting guidelines and practices.
- A list of other state Housing Finance Agency's which you are currently under contract for the origination and servicing of loans.

STEWART M. LEDBETTER, 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

RE: "Semi-Detached" Housing

DATE: February 28, 1985

After additional staff research and legal consultation, in light of the Board's concern that housing of this type be financed to the extent it can be without undue impairment of the Agency's security, I am able to recommend that we undertake to provide such financing in any case where a form of common wall agreement that counsel has prepared for us is executed by the owners of both units involved (i.e., the unit being considered for financing and the unit it adjoins).

In summary, the agreement does the following:

1. Firmly establishes the common wall as a "party wall", which means, at a minimum, that the properties enjoy reciprocal rights of physical support.

2. Assures that either property, if accidentally destroyed, can be rebuilt and that party wall rights will continue.

3. Establishes cross-rights of access to water, sewage disposal, and electricity elements, and fairly allocates the cost of maintenance and repair for those elements.

4. Provides that the agreement runs with the land and includes "mortgagees" as expressly having the benefit and burden of the agreement.

I continue to be unable to recommend financing any unit of this type which does not have the benefit of such an agreement and the elements contained herein.

Also, the Board should be aware that the <u>form</u> of agreement can only go so far, and it is probable if not inevitable that each transaction will have to be specially reviewed by staff and counsel, at substantial cost in time and money over a normal transaction (although the existence of a standardized form of agreement will help control that cost).

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

Finally, the following risks remain notwithstanding the agreement, with no predictable remedy except the hope that on-the-ground problems will be picked up by somebody in the review process (e.g., loan officer, appraiser, title searcher) and dealt with.

A. Assurance of access to public highway.

B. Decreased value as a result of damage to or destruction of adjoining building and/or lack of proper maintenance.

C. Difficulty in establishing reliable appraised value based on lack of comparables.

TB:pw/73

Agreement Establishing Party Wall

Agreement made ________________, 19____, between ____________ ______________________ ("First Party"), and __________________ ___________ ("Second Party"), both of the City of ___________, County of ________________, State of Vermont.

RECITALS

A. First Party is the owner of the premises in the City of ___________, County of _____________, State of Vermont, described as shown on Schedule A attached hereto and incorporated herein by reference, and hereinafter called "First Property".

B. Second Party is the owner of the premises in the City of ________________, County of ________________, State of Vermont, described as shown on Schedule B attached hereto and incorporated herein by reference, immediately adjoining First Property to the ___________ and hereinafter called Second Property.

C. The ________________________ vertical wall of the building
[northerly][southerly][easterly][westerly]
located on First Property and the ______________________ vertical
[northerly][southerly][easterly][westerly]
wall of the building located on Second Property form a common wall and approximate boundary between First Property and Second Property, and is the only property owned or leased in common as between the parties hereto.

D. Such facilities for the passage of sewage and water and for the provision of electricity to the respective properties as are identified in Schedule A and/or Schedule B, if any, pass through or are located in said common wall.

E. The parties desire to settle all questions relating to the ownership and use of such common wall, facilities for water, sewage, and electricity, and all differences between them relating to such boundary. For the reasons set forth above, and in consideration of the mutual covenants and promises set forth herein, the parties agree as follows:

SECTION ONE
PARTY WALL DECLARATION

The wall shall be a party wall, and the parties have the right to use it jointly.

SECTION TWO
EXTENSION OF WALL

Either party, or his heirs or assigns, may, in connection with extension of his respective building, extend the height of the wall up to the maximum height permitted by local ordinances and any applicable private covenants, so long as the extension is the same width as the existing wall and does not impair its strength or injure the foundations of the buildings.

The other party shall have the right to use the extended part of the wall and to join it by paying the constructing party the cost of such part of the wall as he shall use. Any extension of the wall shall be a party wall and part of the existing wall.

SECTION THREE
REPAIRING OR REBUILDING

If it becomes necessary or desirable to repair or rebuild the whole or any part of the wall because of accidental damage or destruction or ordinary wear and tear, the repairing or rebuilding expense shall be borne equally by the parties, or by their heirs and assigns who shall at the time of the repair or rebuilding be using it, in proportion to the extent of their use. Any repairing or rebuilding of the wall shall be on the same location, and of the same size, as the original wall or portion thereof and of the same or similar material of the same quality as that used in the original wall or portion thereof.

SECTION FOUR
RESPONSIBILITY AND EASEMENTS FOR ACCESS TO UTILITIES

Each party shall be entitled to open the wall for the purpose of replacing, repairing, or improving fixtures and devices located therein for the purpose of providing water, sewage disposal, or electricity to the property of the party responsible for the opening, and such party shall be responsible for restoring the wall as nearly as practicable to its condition prior to the opening, all at the expense of the opening party. As to any pipe or other fixture necessary for the provision of water, sewage disposal, or electricity to both properties, but located exclusively on one of the properties, the expense of maintenance and repair shall be borne equally between the parties, and each party shall have an easement of access to the property of the other party for the purpose and to the extent necessary to effect such maintenance or repair; PROVIDED HOWEVER, that any damage to the wall or any pipe or other device necessary for the provision of water, electricity, or sewage disposal to both properties caused by the act or neglect of only one of the parties, or that party's family, guests, or invitees, shall be repaired promptly at the sole expense of that party.

SECTION FIVE
BINDING EFFECT

The benefits and burdens of the covenants herein shall run with the land herein described so long as the wall or any extension thereof continues to exist, and shall bind and inure to the benefit of the respective parties hereto, their heirs, legal representatives, mortgagees and assigns.

In witness whereof, the parties have executed this agreement at ______________________ the day and year first above written.

In the Presence of:

________________________ ____________________________

________________________ ____________________________

________________________ ____________________________

________________________ ____________________________

ACKNOWLEDGMENTS

STATE OF VERMONT
COUNTY OF _______________, SS.

At ________________ in said County this ____ day of ________, 198__, ____________________________________ personally appeared and acknowledged the foregoing instrument as and for ___ act and deed. Before me,

____
Notary Public

STATE OF VERMONT
COUNTY OF _______________, SS.

At ________________ in said County this ____ day of ________, 198__, ____________________________________ personally appeared and acknowledged the foregoing instrument as and for ___ act and deed. Before me,

____
Notary Public

NOTE: BE SURE TO ATTACH SCHEDULES A & B AS REQUIRED

FK:pw/71

RESOLUTION

Concerning Semi-Detached Housing

RESOLVED, for purposes of the Agency's Mortgage Purchase Programs, an owner-occupied dwelling which does not form part of a condominium, a planned unit development or planned residential development, but which is joined by a common vertical wall to not more than one other property, separately owned, shall be deemed to be a "Residence" for purposes of the Agency's Programs and Procedural Guides if:

1. The common wall is the subject of a party wall agreement in a form acceptable to the Agency.

2. The common wall is the only element of the involved properties owned or otherwise held jointly or in common.

No other dwelling attached in any manner to property of a stranger to the relevant mortgage loan shall be deemed to be a Residence unless it forms part of an approved condominium, planned unit development or planned residential development.

W. Scott Frazier
Executive Director and
Secretary
March 14, 1985

TB:pw/73

STEWART M. LEDBETTER, 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 TPB

RE: 1984 Series A Program

DATE: March 7, 1985

Attached are reports and other information relating to the current mortgage loan program. The lender survey for the March Activity Report will not be made until after the Board Meeting.

Many lenders particularly those in Chittenden County have experienced some increase in activity during the past week. Both Vermont Federal and Howard have requested additional funds. Even with this increase in activity, though, it is apparent that some bond proceeds will be remaining at the end of the commitment period (April 19), perhaps $5 to $7 million.

TB:pw/76

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

VERMONT HOUSING FINANCE AGENCY

UPDATE INFORMATION

1984 SERIES A

MORTGAGE PURCHASE PROGRAM

MARCH 7, 1985

2/15/85

VERMONT HOUSING FINANCE AGENCY
1984 SERIES A
SINGLE FAMILY MORTGAGE PURCHASE PROGRAM
ACTIVITY REPORT

	VHFA Loans in Process or Closed	% of Alloc.	Pace
Bank of Vermont	$1,976,500	98%	N/A
Bennington Co-op Savings & Loan Assoc.	470,100	63%	slow
Bradford National Bank	332,145	66%	slow
The Caledonia National Bank of Danville	636,650	85%	slow
Chittenden Trust Company	3,750,000	100%	N/A
COMFED Mortgage Co., Inc.	1,295,750	32%	slow
Community National Bank	519,292	104%	N/A
The Factory Point National Bank	400,000	80%	slow
First Twin-state Bank	709,575	71%	steady
First Vt. Bank & Trust Co.	1,056,325	106%	N/A
Franklin-Lamoille Bank	1,140,231	44%	steady
Granite Savings Bank and Trust Company	503,984	101%	N/A
Green Mountain Bank	91,000	46%	slow
The Howard Bank, N.A.	5,613,400	102%	N/A
The Lomas & Nettleton Co.	1,033,150	52%	steady
Lyndonville Savings Bank & Trust Company	300,000	60%	slow
Marble Bank	739,450	99%	N/A
The Merchants Bank	1,750,450	100%	N/A
The National Bank of Middlebury	331,530	66%	slow
New England IBM Employees Federal Credit Union	708,580	94%	slow
Passumpsic Savings Bank	722,350	96%	N/A
Peoples Trust Company of St. Albans	691,835	92%	N/A
Proctor Bank	806,819	40%	slow
Randolph National Bank	370,000	49%	slow
Union Bank	277,619	93%	slow
Vermont Federal Bank, FSB	3,800,000	95%	N/A
Vermont National Bank	2,146,456	107%	slow
Total	$32,173,576	81%	

REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1984 Series A Mortgage Purchase Program
Status Report (With percent of allocation approved)
03/04/85

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased	Net Applic. Fee Received
======	==========	===========	==========	========	=======	=========	=========	========
Bank of Vermont	2,000,000	0	2,000,000	1,672,650	83.6%	1,011,495	661,155	10,000.00
Bennington Coop Savings & Loan Assn Inc	750,000	0	750,000	509,950	67.9%	349,600	160,350	3,750.00
Bradford National Bank	500,000	0	500,000	335,291	67.0%	304,796	30,495	2,500.00
Caledonia National Bank of Danville, The	750,000	0	750,000	692,629	92.3%	379,979	312,650	3,750.00
Chittenden Trust Company	3,750,000	0	3,750,000	3,149,906	83.9%	1,993,826	1,156,080	18,750.00
Comfed Mortgage Co., Inc.	3,750,000	1,000,000-	2,750,000	1,290,200	46.9%	977,800	312,400	18,750.00
Community National Bank	500,000	0	500,000	519,067	103.8%	386,467	132,600	2,500.00
Factory Point National Bank, The	500,000	0	500,000	381,696	76.3%	128,846	252,850	2,500.00
First Twin-state Bank	1,000,000	0	1,000,000	714,872	71.4%	425,076	289,796	5,000.00
First Vermont Bank and Trust Company	1,000,000	0	1,000,000	1,016,526	101.6%	795,626	220,900	5,000.00
Franklin-Lamoille Bank	3,070,348	1,000,000-	2,070,348	989,106	47.7%	824,006	165,100	15,351.74
Granite Savings Bank and Trust Company	500,000	0	500,000	468,984	93.7%	437,634	31,350	2,500.00
Green Mountain Bank	200,000	0	200,000	91,000	45.5%	45,000	46,000	1,000.00
Howard Bank, National Assn, The	5,000,000	1,000,000	6,000,000	4,920,583	82.0%	3,173,713	1,746,870	25,000.00
Lomas & Nettleton Company, The	2,000,000	0	2,000,000	1,053,379	52.6%	697,829	355,550	10,000.00
Lyndonville Savings Bank & Trust Company	500,000	0	500,000	317,966	63.5%	217,770	100,196	2,500.00
Marble Bank	750,000	0	750,000	737,625	98.3%	698,375	39,250	3,750.00
Merchants Bank, The	1,750,000	0	1,750,000	1,750,835	100.0%	1,627,315	123,520	8,750.00
National Bank of Middlebury, The	500,000	0	500,000	332,275	66.4%	292,275	40,000	2,500.00
New England IBM Employees Fed Crdt Union	750,000	0	750,000	708,580	94.4%	708,580	0	3,750.00
Passumpsic Savings Bank	750,000	0	750,000	740,566	98.7%	653,566	87,000	3,750.00
Peoples Trust Company of St Albans	750,000	0	750,000	568,120	75.7%	243,345	324,775	3,750.00
Proctor Bank	2,000,000	0	2,000,000	733,230	36.6%	498,686	234,544	10,000.00
Randolph National Bank	750,000	0	750,000	370,772	49.4%	370,772	0	3,750.00
Union Bank	300,000	0	300,000	325,119	108.3%	225,025	100,094	1,500.00
Vermont Federal Bank, FSB	4,000,000	1,000,000	5,000,000	3,909,692	78.1%	3,351,205	558,487	20,000.00
Vermont National Bank	2,000,000	0	2,000,000	2,143,245	107.1%	1,129,450	1,013,795	10,000.00
	40,070,348	0	40,070,348	30,443,865	75.9%	21,948,058	8,495,807	200,351.74
	==========	==========	==========	==========	=====	==========	==========	==========

VERMONT HOUSING FINANCE AGENCY

STATISTICAL REPORT BONDSERIES 84A
SINGLE FAMILY DATABASE
EFFECTIVE: 03/07/85

Total Number of Loans:	721
Total Loan Amount:	$30,991,472
Average Loan Amount:	$42,984

EXISTING:	$25,917,399	85.2%	615 Loans
NEW CONSTRUCTION:	$5,074,073	14.7%	106 Loans
NEW DETACHED HOUSING:	$3,498,818	68.9%	74 Loans
NEW CONDOMINIUM:	$1,575,255	31.0%	32 Loans

Total Insured or Guaranteed Loans:	638
Loans Guaranteed by VHMGB:	616

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$44,448	$52,697	$48,727
Avg. Loan Amount	$39,289	$46,411	$42,984
Avg. Borrower Income	$24,739	$27,166	$25,998
Avg. Housing Debt-Income Ratio	24.5%	26.1%	25.3%
Total No. of Loans	347	374	721
First Time Homebuyers	83.8%	99.7%	92.0%
% Loans with 2 or more Wage Earners	58.5%	60.6%	59.6%
% of Total Loan Amount	44.0%	56.0%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	38	$1,515,230	4.9%	29,406	5.8%
Bennington	30	$1,212,400	3.9%	33,345	6.6%
Caledonia	35	$1,199,550	3.9%	25,808	5.1%
Chittenden	269	$13,106,610	42.3%	115,534	22.6%
Essex	10	$296,825	1.0%	6,313	1.0%
Franklin	61	$2,493,540	8.0%	34,788	6.8%
Grand Isle	1	$38,250	0.1%	4,613	0.9%
Lamoille	11	$456,468	1.5%	16,747	3.3%
Orange	28	$1,104,766	3.6%	22,739	5.0%
Orleans	22	$745,366	2.4%	23,440	4.6%
Rutland	92	$3,686,619	11.9%	58,347	11.4%
Washington	74	$2,986,090	9.6%	52,393	10.2%
Windham	14	$664,250	2.1%	36,933	7.7%
Windsor	36	$1,485,508	4.8%	51,030	10.0%
TOTAL	721	$30,991,472	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

VERMONT HOUSING FINANCE AGENCY

1984 SERIES A

HOME MORTGAGE PURCHASE PROGRAM

STATUS - FIRST 800 LOANS RECEIVED

APPROVED:	720
NON-COMPLIANCE:	12
REJECTED:	43
WITHDRAWN:	25

3/5/85

SELECTED RATES

	Early July '84	Early Mar. '85	Net Change
Revenue Bond Index (Bond Buyer)	11.10	10.24	(.86)
Housing Bond Index (30 years)	11.42	10.10	(1.32)
Prime Rate	13.00	10.50	(2.50)
5 Year Treasury	13.65	10.43	(3.22)
3 Year Treasury	13.47	10.93	(2.54)
VT. Conventional Fixed Rate Loans (Best-adjusted for pt. difference)	15.30	13.29	(2.01)
VT. Adjustable Loans (Best 1 year-adjusted for pt. difference)	12.60	11.12	(1.48)
FHLMC Net Yield (10 day delivery, 30 year fixed)	14.36	13.39	(.97)

VERMONT HOUSING FINANCE AGENCY

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Thomas P. Brisson

RE: Revisions to Multi-Family Rules

DATE: March 4, 1985

Attached are revised rules for the Agency's multi-family housing program.

All text within bold brackets and asterisks are deletions; whereas, all underlined text are additions.

Existing rules contemplate Section 8 rent subsidies and therefore require some modifications to reflect the current program structure. Rule changes will be made in accordance with requirements under the Administrative Procedures Act.

The most significant change deals with controls and limits placed on sponsor profit.

TB:pw/75

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

[SUBCHAPTERS] VERMONT HOUSING FINANCE AGENCY
LOANS TO MULTI-FAMILY HOUSING SPONSORS
RULES
CHAPTER ONE
SCOPE AND DEFINITIONS

1. **Scope**

These rules are made and published pursuant to section 621(12) and 624(b) of subchapter 3 of the Vermont Housing Finance Agency Act of 1974, ("Act") and relate to the providing of mortgage loans to qualified housing sponsors for construction and rehabilitation of housing projects for occupancy by persons and families of low and moderate income.

2. **Purpose**

It is the basic purpose of VHFA loans to sponsors to expand the supply of funds available for mortgages on multi-family residential housing and to encourage an adequate supply of safe and decent multi-family housing at reasonable cost.

3. **Definitions**

The following words and terms, unless the context clearly indicates a different meaning, shall have the following meaning:

(1) "Agency" means the Vermont Housing Finance Agency created by the Act;

(2) "Bonds, notes and other obligations" or "bonds, bond anticipation notes or other obligations": means any bonds, notes, debentures, interim certificates or other evidences of financial indebtedness issued by the Agency pursuant to the Act;

(3) "Construction" means the creation or addition of new residential housing or the conversion of existing structures to residential housing;

(4) "Eligible security" means any security or obligation payable from or evidencing an interest in mortgages or other obligations securing loans to finance residential housing in the State of Vermont;

(5) "Federally insured mortgage loan" means a mortgage loan for residential housing insured or guaranteed by the United States or an agency or instrumentality thereof, or a commitment by the United States or an agency or instrumentality thereof to insure such a mortgage;

(6) "Federal mortgage loan" means a mortgage loan for residential housing made by the United States or an agency or instrumentality thereof or a commitment by the United

States or an agency or instrumentality thereof to make such a mortgage loan;

(7) "Housing development costs" means the cost incurred in connection with the construction or rehabilitation of residential housing including the costs of its physical construction, the costs of acquisition of land, real or personal property, rights, rights-of-way, easements and franchise necessary or convenient for the construction, and the costs of legal, administrative, architectural and related professional services, the costs of insurance, project reports, reserves and carrying charges;

(8) "Housing sponsor" or "sponsor" means a person who is organized on a nonprofit or limited profit basis and who is approved by the Agency as qualified either to own, construct, acquire, rehabilitate, operate, manage or maintain residential housing;

(9) "Land value" means the appraised value of the land as determined by *[a registered]* <u>an</u> appraiser approved by the Agency; if purchased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

*[(10) "Limited profit" means a yearly profit not to exceed (eight percent) the following percentage of the sponsor's equity investment(;):

(a) Limited partnership sponsor of elderly housing: 6%
(b) Limited partnership sponsor of family housing: 8%
(c) Individual or corporate sponsor of elderly housing: 8%
(d) Individual or corporate sponsor of family housing: 10%]*

<u>(10) "Limited Profit". A housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis.</u>

(11) "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a first lien on real property in fee simple or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation;

(12) "Mortgage lender" means any bank or trust company, federal national mortgage association approved mortgage banker, savings bank, savings and loan association, industrial bank, credit union, national union or other financial institution or governmental agency or instrumentality

which customarily provides or otherwise aids in the financing of mortgages on residential housing located in the State;

(13) "Mortgage loan" means an interest-bearing obligation secured by either a mortgage or note or bond constituting a first lien on land and improvements in the State;

(14) "Persons and families of low and moderate income" means persons and families irrespective of race, creed, national origin or sex deemed by the Agency to require such assistance as is made available by the Act on account of insufficient personal or family income, taking into consideration, without limitation, such factors as:

(A) The amount of the total income of such persons and families available for housing needs;

(B) The size of the family;

(C) The cost and condition of residential housing available;

(D) The cost and availability of mortgage loans on residential housing in the State;

(E) The eligibility of such persons and families for Federal housing assistance of any type predicated upon a low-income basis or upon the basis of the age of such persons;

(F) The ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing decent, safe, and sanitary housing, and deemed by the Agency therefore to be eligible to occupy residential housing constructed and financed, wholly or in part, with insured or guaranteed construction loans or insured or guaranteed mortgages, or with other public or private assistance other than as provided by the Act;

(15) "Real property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein, including terms of years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens;

(16) "Regulatory agreement" means an agreement by and between the Agency and the mortgagor, to be executed at the closing of the mortgage loan, setting forth the financial and management policies to be followed by the mortgagor in the operation of housing financed under the Act;

(17) "Rehabilitation" means the rehabilitation, improvement and repair of residential housing and facilities incidental

thereto undertaken primarily to provide dwelling accommodations for occupancy by persons and families in the State;

(18) "Residential housing" means single or multi-family residential housing units designed primarily to provide principal dwelling accommodations for persons or families, including the land and improvements thereon and such non-housing facilities considered necessary or convenient by the Agency in connection with the residential housing.

4. **Waivers**

The provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship.

5. **Separability**

If any word, phase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these rules.

CHAPTER TWO
QUALIFICATIONS OF HOUSING SPONSORS

1. **Eligible Housing Sponsors**

No mortgage loan shall be made or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible housing sponsor is a sponsor which is authorized by the Act to receive a mortgage loan and which has obtained the Agency's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Agency may determine, in specific cases, are necessary in order to determine eligibility. The housing sponsor must have the ability and intention to maintain and operate the housing for the purpose for which the loan is made.

2. **Ownership or Control of Land**

The housing sponsor must own the housing and related land, or hold an option to buy, or hold a fully marketable long-term lease.

CHAPTER THREE
QUALIFICATIONS OF OCCUPANTS

1. Occupancy

Initial occupancy in housing units financed by the Agency shall be limited to persons and families of low and moderate income provided however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a housing sponsor may, with the prior written approval of the Agency, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not persons and families of low and moderate income.

Where housing is proposed to be financed with the proceeds of bonds, notes, or other obligations the interest on which is exempt from the Federal income tax, the Agency's contract with the housing sponsor shall include such additional restrictions on occupancy as the Agency deems necessary or desirable to assure compliance with the conditions of such exemption imposed by the applicable Federal law.

CHAPTER FOUR
FINANCING TERMS

1. Amount and Terms of Mortgage Loans

The mortgage loan may be in an amount not to exceed the land value plus the value of the residential housing as determined by the Agency. Each loan will also be subject to the following additional requirements:

(a) For private nonprofit corporation and State or local public agencies the amount of the loan will be limited to the housing development cost or the security value of each project, whichever is less.

(b) For all other housing sponsors the amount of the loan will be limited to no more than 95 percent of the housing development cost or 95 percent of the security value of the project, whichever is less. The applicant's contribution must be in the form of either cash or land or a combination of both. Each loan will be scheduled for payment within such a period as may be necessary to assure that the loan will be adequately secured taking into account the probable depreciation of the security. The payment period will not exceed 40 years from the date of note.

2. **Financing Charges**

The mortgage loan shall bear interest at a rate determined by the Agency. The interest rate shall be established by the Agency at the lowest level consistent with the Agency's cost of operation and its responsibilities to the holders of its bonds, bond anticipation notes or other obligations. In addition to such interest charges, the Agency may make and collect such fees and charges, including, but not limited to, reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums and mortgage insurance premiums, as the Agency determines to be reasonable.

3. **Regulatory Agreement**

Each mortgage loan to a housing sponsor for residential housing shall be subject to a regulatory agreement between the Agency and the housing sponsor which will subject the housing sponsor and its principals or stockholders, if any, to limitations established by the Agency as to rental and other charges, builder's and developer's profits and fees, and the disposition of its property and franchise to the extent more restrictive limitations are not provided by the law under which the housing sponsor is incorporated or organized or by the Act; the regulatory agreement shall require the housing sponsor to establish certain funds and accounts and shall specify the conditions under which disbursements may be made from these funds in order to maintain the security value of the project.

<u>Significant limitations upon sources or amounts of revenue shall be deemed to constitute limitations upon profits and fees</u>.

4. **Collateral Security**

The Agency shall require that the loans to housing sponsors be additionally secured by a pledge of and lien upon collateral security in such amounts as the Agency shall by resolution determine to be necessary to assure the payment of the loans thereon as they become due. The collateral security shall consist of obligations and mortgages pursuant to the act.

CHAPTER FIVE
APPLICATION PROCEDURES

1. **Preapplication Procedures**

The Agency may provide staff services to assist a housing sponsor in complying with the requirements of the act and these rules and may establish a preapplication procedure.

2. Application Procedures

With respect to each mortgage loan program instituted by the Agency, the Agency shall prepare instructions setting forth uniform procedures by which applications for loans shall be submitted and the contents thereof. Such procedures may include the establishment of deadlines for submission and the establishment of certain fees to cover reasonable costs of the Agency in reviewing the application.

3. Contents of Applications

An application by a housing sponsor for a mortgage loan shall contain information with respect to:

(a) Eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible.

(b) The site of the proposed housing project, including location, dimensions, site plan, ownership, present zoning, present use and on-site utilities and streets, utility charges and liens or other charges on the land and all physical characteristics on or off-site which might affect construction or occupancy.

CHAPTER SIX
PRELIMINARY APPROVAL AND SALE OF BONDS

1. Project Selection Criteria

In determining whether to accept applications of housing sponsors for mortgage loans, the Agency shall examine the following facts:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority, elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the housing sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce rentals for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any housing assistance plans, comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of State or local government acting pursuant to legislative authority and binding on the Agency, including but not limited to the plans, policies, procedures and programs of regional planning and development commissions.

(l) Whether the proposed development is financially feasible, including the following considerations:

(1) Is the proposed construction budget within a range which will permit high quality construction yet not exceed a reasonable level of costs?

(2) Is the proposed operating budget within a range which will permit adequate maintenance and management yet preserve modest rents?

(3) Is the quality of construction, amenities, management and maintenance likely to be sufficient to provide decent, safe and sanitary housing, to attract a high level of occupancy, and to ensure sufficient cash flow to pay debt service for the duration of the mortgage?

(m) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

*[(n) In the case of a housing sponsor which is a limited profit sponsor, whether the rate of return on its investment in the proposed development is reasonable in

light of then existing conditions in the rates of return then prescribed by other governmental agencies.]*

[o](n) Whether the proposed development will assist in fulfilling the purposes of the act.

2. Application Review Procedures

The Agency shall establish an orderly procedure for review of applications and may amend this procedure from time to time. If the proposed development is eligible in all respects the Agency *[shall]* may issue a letter of interest in financing to the housing sponsor. The letter of interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. Letter of Intent to Finance

After satisfactory completion by the housing sponsor of such requirements as may have been imposed by the Agency, including (if applicable) A-95 review, local government approval, approval by U.S. Department of Housing and Urban Development of a preliminary proposal for Section 8 housing assistance payments, and submission of preliminary drawings and plans and outline specifications, the Agency *[shall]* may, upon recommendation by the Executive Director or the Program Director and approval by the Commissioners, issue a Letter of Intent to Finance to the housing sponsor.

The Letter of Intent to Finance is not a commitment to finance and shall be conditioned upon the receipt of earnest money from the housing sponsor and upon the availability of funds, and upon satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Intent may be used by the housing sponsor *[and]* in support of applications for operating subsidies, mortgage insurance construction financing, or for other purposes with the consent of the Agency.

4. Earnest Money

Upon execution of the Letter of Intent to Finance, the housing sponsor shall remit to the Agency an earnest money deposit in an amount to be established by the Agency.*[commensurate with the probable debt service cost to the Agency of borrowings made in anticipation of the mortgage loan proposed by the housing sponsor should the proposed development not be completed, for such period of time the Agency estimates would be required to call such bonds or transfer such borrowings to an alternative housing sponsor; provided that the Agency shall exert the best efforts of the Agency to minimize such costs.]* The earnest money deposit may be credited as part of the housing sponsor's equity *[and]* or, at the election of the sponsor, credited toward fees and charges payable to the Agency, but shall not be refundable, unless *[and until either (i) the closing of the permanent mortgage loan, at which time the earnest money deposit may be applied toward the project cost escrow account or the working capital account, as provided in the regulatory agreement; or (ii)]* the issuance of bonds or notes is unsuccessful and the Letter of Intent to Finance is cancelled, all without any breach or failure of responsibility or condition attributable to the housing sponsor.

5. **Issuance of Bonds or Notes**

Upon satisfactory completion of all requirements and upon receipt of the earnest money deposit, and providing that proposals have been approved comprising a total dollar amount sufficient in the judgment of the Agency to warrant the issuance of bonds or notes, the Agency may issue bonds or notes in anticipation of mortgage loans to housing sponsors.

CHAPTER SEVEN
FINAL APPROVAL AND CONSTRUCTION PROCEDURES

1. **Design Review and Approval**

The Agency may require adherence to standards of design quality which, in its judgment, are equivalent or superior to HUD's minimum property standards. Prior to final approval of the proposed development, the Agency *[shall]* may require the housing sponsor to submit the following documents:

(a) Copies of any final proposal submitted for Section 8 housing assistance payments and evidence of approval by the Department of Housing and Urban Development;

(b) Evidence of environmental review and approval under Act 250;

(c) Evidence of all required local zoning and subdivision approvals;

(d) Preliminary construction financing plan;

(e) Final construction and operating budgets;

In addition, the Agency shall participate in and approve or disapprove development of the project design, and the housing sponsor shall furnish copies of any design and development drawings for this purpose.

2. **Letter of Commitment to Finance**

Upon final approval of project design by the Agency, the Agency shall issue to the housing sponsor a Letter of Commitment to Finance. The Letter of Commitment shall be conditional upon the receipt of working drawings and specifications, certification of design quality by the housing sponsor's architect, satisfactory completion of construction, and such further conditions as the Agency may require. If deemed convenient by the Agency, the Letter of Intent and the Letter of Commitment may be consolidated in a single document.

3. Actions Prior to Start of Construction

After issuance of the Letter of Commitment, the Agency may require satisfactory performance by the housing sponsor of the following actions prior to the start of construction:

(a) Submission of working drawings and specifications;

(b) Submission of the construction schedule and construction and operation cost schedules;

(c) Architect's certification of working drawings and design content;

(d) Submission of copies of applicable housing assistance payments contracts;

(e) Submission of evidence of labor and material surety bonds and construction performance surety bonds posted by the contractor, or an irrevocable letter of credit.

(f) Evidence of title insurance.

4. Construction Loan Closing

The Agency shall be represented at the construction loan closing. The Agency may require submission of a commitment fee *[out of the proceeds of]* at or before the construction loan closing.

5. Agency Powers

The Agency shall have the power at all times during the construction or rehabilitation of residential housing and its operation:

(A) To enter upon and inspect any residential housing including all parts thereof, for the purpose of investigating the physical and financial condition thereof, and its construction, rehabilitation, operation, management and maintenance, and to examine all books and records of the housing sponsor with respect to capitalization, income and other matters relating thereto and to make charges as may be required to cover the cost of the inspections and examinations;

(B) To order such alterations, changes or repairs as may be necessary to protect the security of its investment in residential housing or the health, safety, and welfare of the occupants or its users and to ensure that the residential housing is or has been constructed or rehabilitated in conformity with all applicable plans and specifications and building codes; and

(C) To order any managing agent or sponsor of residential housing to do those acts as may be necessary to comply with the provisions of all applicable laws, ordinances or building codes or any rule or regulation of the Agency or the terms of any agreement concerning the residential housing or to refrain from doing any acts in violation of it, and in this regard the Agency shall be a proper party to file a complaint and to prosecute thereon for any violations of law, ordinances or building codes as set forth in this chapter.

6. **Certificate of Completion and Escrow Account**

Prior to closing on the permanent mortgage loan, the Agency may require a certificate of completion from the housing sponsor. An escrow account shall be established for the deposit and disbursement of funds required to complete any work deferred beyond the certificate of completion due to seasonal or climatic factors, material shortages, labor disputes or other reasons beyond the control of the housing sponsor.

CHAPTER EIGHT
MAKING OF MORTGAGE LOANS

1. **Authorization of Mortgage Loan**

No mortgage loan shall be made until the Commissioners have received and reviewed the recommendation of the Executive Director relating to such loan and until the Commissioners have adopted a resolution approving such loan; which resolution shall include determinations that:

(1) The residential housing is primarily for occupancy by persons and families of low and moderate income;

(2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement 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 to be served by the proposed residential housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing for occupancy by the persons and families; and

(4) The housing sponsor or sponsors undertaking the proposed housing development will increase the supply of well-planned, well-designed housing for persons or families of low and moderate income and that the sponsors are financially responsible persons for institutions.

2. Evidence of Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate. Each mortgage and promissory note accompanying the mortgage shall contain such terms and provisions and be in such form as approved by the Agency.

FK:pw/65

STEWART M. LEDBETTER, 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

RE: Financing Resolution: Level III Community Care Home
Enosburg Falls, VT

DATE: March 6, 1985

As you will recall, we intend to finance this project with proceeds of an Agency issued closed indenture Private Activity Bond which will be privately placed with the Franklin Lamoille Bank. The ten year, fixed rate balloon loan to the developer is expected to have an interest rate below 10 percent.

The project will be out for bid by the end of the month. It is hoped that construction can begin by mid-May with completion expected by early October.

TB:pw/78

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

RESOLUTION

RESOLVED, Vermont Housing Finance Agency hereby determines that:

1. Riverview II Housing, housing in Enosburg Falls, 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 and moderate income are able to afford within the general housing market area of Enosburg Falls, 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.

THEREFORE, the Executive Director or the Program Director is hereby authorized and directed to ascertain that all applicable covenants and conditions of the Letter of Commitment have been fulfilled. Upon a satisfactory determination of the foregoing, the Chairman, or the Executive Director, or the Program Director, is hereby authorized and directed to secure a Promissory Note, Mortgage and Security Agreement, Regulatory Agreement, and all necessary certifications and other documents pertaining to the Development; and is further authorized and directed to execute the Regulatory Agreement and to disburse funds sufficient to make a loan for the Development in accordance with the Commitment Letter.

TB:pw/78

RESOLUTION

RESOLVED, Vermont Housing Finance Agency hereby determines that:

1. Riverview II Housing, housing in Enosburg Falls, 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 and moderate income are able to afford within the general housing market area of Enosburg Falls, 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.

THEREFORE, the Executive Director or the Program Director is hereby authorized and directed to ascertain that all applicable covenants and conditions of the Letter of Commitment have been fulfilled. Upon a satisfactory determination of the foregoing, the Chairman, or the Executive Director, or the Program Director, is hereby authorized and directed to secure a Promissory Note, Mortgage and Security Agreement, Regulatory Agreement, and all necessary certifications and other documents pertaining to the Development; and is further authorized and directed to execute the Regulatory Agreement and to disburse funds sufficient to make a loan for the Development in accordance with the Commitment Letter.

W. Scott Frazier
Executive Director and
Secretary
March 14, 1985

TB:pw/78

STEWART M. LEDBETTER, 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: Determination of Median Income for 80/20 Program

DATE: March 6, 1985

The Resolution of April 12, 1984 calls for computing and verifying tenant income pursuant to HUD Regulations. With subsequent HUD changes these rules have become far too cumbersome and unnecessary for Agency purposes. Therefore, decoupling is appropriate.

In the past as required for the Section 8 program the Agency followed HUD procedures for verification and computation of tenant income. Now that no new Section 8 subsidies are being provided Treasury regulations under 103b(4)(A) are the only relevant federal requirements that need to be followed. For financing purposes, the income of only 20% of tenants must be calculated and verified under HUD regulations to be not more than 80% of median income. It seems to be overkill to require the same rigorous computation procedures for tenants who will not receive a rent subsidy.

For income determination and verification purposes involving 80/20 projects the Agency would require tenants to provide the following as part of their application information:

1. Current annualized Earned Income (as the term is used by IRS);
2. Personal Balance Sheet if Earned Income is less than $5000;
3. Name of current employer and address;
4. Authorization for the housing sponsor to verify income; and
5. Certification regarding accuracy of all information provided.

Some procedural refinements will need to be made by staff; e.g., in the case of self-employed persons, however, Agency methodology will be significantly less detailed than that of HUD.

Though the procedure for income determination outlined here is a material departure from previous practice it seems appropriate in light of the circumstances. Please, therefore, consider the attached Resolution.

TB:pw/74

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

RESOLUTION

RESOLVED, for purposes of the Agency's multi-family rental housing programs which are not subsidized by Section 8 Housing Assistance Payments, the term "persons and families of low and moderate income" shall mean persons and families whose annual income as determined by the Agency does not exceed the median household income for the county, portion thereof, or Metropolitan Statistical Area in which such housing shall be situated, as determined and published from time-to-time by U.S. Department of Housing and Urban Development.

This resolution supersedes and replaces Resolution of April 12, 1984 regarding definition of low and moderate income.

TB:pw/74

EXISTING RESOLUTION

RESOLVED, for purposes of the Agency's multi-family rental housing programs which are not subsidized by Section 8 Housing Assistance Payments, the term "persons and families of low and moderate income" shall mean persons and families whose annual income as determined pursuant to 24 C.F.R. §883.302 does not exceed the median household income for the county, portion thereof, or Metropolitan Statistical Area in which such housing shall be, as determined and published from time-to-time by U.S. Dept. of Housing and Urban Development.

FURTHER RESOLVED, up to 25% of the units in such rental housing may be occupied by persons and families who are not persons and families of low and moderate income.

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
April 12, 1984

MEDIAN INCOMES
EFFECTIVE: May 11, 1984

COUNTY	MEDIAN
*BURL. MSA	$29,100
ADDISON	$22,300
BENNINGTON	$23,900
CHITTENDEN	$27,600
CALEDONIA	$21,700
ESSEX	$20,400
FRANKLIN	$22,500
GRAND ISLE	$20,800
LAMOILLE	$22,500
ORANGE	$19,600
ORLEANS	$20,400
RUTLAND	$24,100
WASHINGTON	$23,000
WINDHAM	$23,400
WINDSOR	$25,100

* The Burlington Metropolitan Statistical Area (MSA) includes the following localities: Burlington, Charlotte, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, Williston and Winooski. Also included are Georgia (Franklin County) and South Hero and Grand Isle (Grand Isle County).

MR:pw64

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Ratification Beth-El Court Sale

DATE: March 7, 1985

At the November 29, 1984 Board meeting the attached Resolution Authorizing the Issuance of a Conditional Approval Letter was unanimously adopted for the sale of the 32 unit elderly Section 8 project in St. Albans. This Resolution was incorporated in our December 17, 1984 Conditional Approval Letter sent to Bill Flanders (seller) and copied to Richard Carr (purchaser). All the conditions required in the Resolution and the Conditional Approval Letter were met to our satisfaction and the sale was closed on February 28, 1985, except the following.

Conditions (3) and (4) required a $1000 application fee plus a mortgage assumption fee of 1% payable at closing. After receiving his copy of the Conditional Approval Letter, Richard Carr reminded me that I had verbally conveyed to him over the phone in November that the $1000 application fee would be credited as part of the 1% assumption fee. Rather than postpone the closing until after our Board meeting I explained to Richard that I would close the sale based on my verbal representation; however, I would have to go back to the Board for their approval on the reduced fee. The total fee collected is $4978.

To briefly recap the transaction:

The purchase price consisted of the following:

$497,804	Assumption of VHFA Mortgage
100,000	Seller 2nd Mortgage
70,197	Cash to Seller
$668,000	Total Purchase Price

The assets purchased as of December 31, 1984 (from audited statements):

$ 54,875	Operations Cash Account
31,025	Project Cost Escrow
18,546	Reserve Fund for Replacements
4,063	Tenant Security Deposit Account
530,306	Cost of Land, Buildings, Improvements, Furniture, and Fixtures
$638,815	Total

Action Needed

Ratify the sale by adopting the attached Resolution (the last page). Please note that adopting the Resolution in its present form also approves the reduced fee of $4978. The Resolution will have to be amended, accordingly if the original fee of $5978 is retained.

WSF:pw/97

RESOLUTION AUTHORIZING ISSUANCE OF
CONDITIONAL APPROVAL LETTER FOR AGENCY CONSENT FOR
SALE OF BETH-EL COURT, ST. ALBANS MULTI-FAMILY DEVELOPMENT

The Executive Director is hereby authorized to proceed with negotiations and issue a conditional approval letter for the sale of the Beth-El Court, St. Albans multi-family development. Said commitment letter shall contain the following conditions:

1. Preliminary approval of Richard H. Carr as general partner of a limited partnership.

2. HUD and VSHA approvals where necessary.

3. An application fee of $1,000 for preliminary approvals, review of key documents, project inspection, and credit report.

4. A mortgage assumption fee of 1% payable at closing.

5. Appraisal fee to be paid by Richard Carr, if an appraisal is deemed necessary by the Executive Director or Director of Programs.

6. Adequate escrows for necessary repairs and maintenance pursuant to a physical inspection of the development at the discretion of the Executive Director.

7. All project accounts and interest earned thereon to be transferred as part of the sale.

8. Any other letters of credit or acceptable security for working capital or warranty workmanship in the discretion of the Executive Director.

9. Opinions of counsel for the buyer, the seller, and the syndicator and such other assurances as to assumption of liabilities, project use, and the Agency's security as the Executive Director may deem necessary or desirable.

10. Character of the note obligation may be changed from recourse to non-recourse upon assumption in order to accommodate syndication needs of buyer.

11. Deed of conveyance to contain additional provisions necessary or desirable in the opinion of counsel of the Agency to protect the Agency's interest under Section 103(b)(4) of the Internal Revenue Code.

RESOLUTION RATIFYING SALE OF BETH-EL COURT

RESOLVED, pursuant to paragraph 11 of the Regulatory Agreement between the Agency and William Flanders pertaining to the Beth-El Court Development in St. Albans, Vermont, the sale of the Beth-El Court Development to Beth-El Court Associates, Richard Carr, General Partner, is hereby APPROVED effective February 28, 1985, and all actions of the Executive Director heretofore taken in connection with said sale as set forth in the Executive Summary provided to the Board are hereby ratified and approved.

W. Scott Frazier
Executive Director and Secretary
March 14, 1985

WSF:pw/97

STEWART M. LEDBETTER, 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: Ronne L. Thielen, Director Housing Management

RE: Vergennes Elderly Project -- Land Swap Proposal

DATE: March 7, 1985

The owner of our Vergennes 24 unit elderly housing project, A. Judson Babcock, has requested that we agree to his swapping of .37 acres of the project's land with an equal amount of land from his adjacent property. He proposes to build 12 units of elderly housing under the FmHA 515 program and claims that, because of set-back requirements he would be unable to do it with the present configuration of the adjacent 1.26 acres. He is also asking for an easement around the back of our building to connect with the town sewer.

The proposed project is west of the existing one and its land slopes to the east dropping a total of 20 feet from the west end of that lot to the east end of our lot. We are being asked to give up the land directly west of our building for a strip of land on the south end of the other lot over which we presently have a walkway easement (see attached drawing). The corner of one of the proposed buildings will be within 50 feet of the corner of ours.

Following is a list of real or potential problems:

1. Drainage. Presently not acceptable at the front of the elderly building. The soils are Vergennes clay known for its excessive wetness and slow permeability. It has taken three years to stabilize the drainage problems around the project and still the sidewalks heave and there is ice/ponding in season. There is a likely potential for deterioration of the condition with proposed buildings and parking covering close to 50% of the land directly uphill.

2. Density. In an otherwise single family neighborhood the additional units will further congest this pocket of 24 elderly units (on 3.06 acres) plus 16 family FmHA units on land adjacent to the proposed 12 units.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

3. Value of Land Trade. While comparable acreage, the land offered is useful only as a walkway to a residential street leading to town. We would be giving up a peaceful buffer of land for one of little intrinsic value.

4. Walkway to Town. The high school being located directly east of our project, the students have traditionally walked through our property to get to town. No attempts have yet been successful to stop them although they have been trained to stay away from the building. With a building proposed where they presently walk, they will undoubtedly walk through the 50 foot strip between buildings.

5. Parking. For the proposed adjacent fourplex, six parking spaces would be constructed on our land by widening the present access road. The spaces are not conveniently located so tenants will tend to use our spaces closer to their units. Splitting maintenance costs would be a problem (see #9 below).

6. Easement to Sewer. Will be disruptive to tenants and the landscaping. Trees have finally taken in a soil which has been extremely difficult and would now have to be disturbed.

7. Marketability. The waiting list at our project has not had more than 3 or 4 current applicants at any given time. We are awaiting the market study they did for FmHA. Also, under the FmHA program tenants only pay 25% of their income while Section 8 tenants must pay 30%. This may cause hard feelings amongst existing tenants and steer new applicants toward the FmHA project.

8. Community Space. No common space is proposed for the FmHA project but rather they want to share our space and laundry room. They would all have keys to the building which may be seen as an invasion of privacy and the present laundry may not easily accommodate additional users.

9. Maintenance. Babcock has his own maintenance company where efficiencies might be realized. Instead, the six projects he has done with us have realized maintenance costs far exceeding his initial budgets and almost all of our other projects. We have asked for a copy of the proposed operating budget for the FmHA project to determine whether, from our experience, we feel it is adequate to provide sufficient cash for proper upkeep.

The one positive aspect of this proposal is the provision of additional elderly housing at a time when the well has almost dried up. At the same time, there may well be other areas of the county or State that have a more pressing need and a more amenable site.

Recommendation

We are awaiting more information regarding proposed drainage, market, operating budget, etc., so, in fairness to Babcock, we do not have a firm recommendation at this time. However, based on what we do know, we are inclined to recommend denial of the land swap. We will have a proposed site plan at the meeting and will apprise you of any additional information at that time.

RT:pw/44

NOTICE OF BOARD MEETING

THURSDAY, MAY 2, 1985

3:00 PM

AT NEW OFFICE LOCATION

One Burlington Square
(corner of Church and St. Paul Streets)
Burlington, Vermont

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

VHFA

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square (**New**)
Burlington, Vermont
3:00 PM

1. Approval of March 14, 1985 Minutes

2. Home Mortgage Purchase Bonds, 1985 Series A

   A. Allocation of Bond Proceeds
   B. Ratification of Conference Call of April 29, 1985
   C. Adoption of Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series A
   D. Resolution Authorizing Purchase of Mortgage Loans, Approval of Contract Documents, and Appointment of Depositories
   E. Execution of Purchase Contract

3. Other Single Family

   A. Status of 1984 Program

4. Multi-Family

   A. Resolution Authorizing Ronne Thielen to Sign UCC's
   B. Brief Update on Project Pipeline
   C. Resolution Adopting New Multi-Family Rules

5. Administration

   A. Status of Legislative Bills S. 20, S. 76 and H. 372
   B. Any Other Old or New Business

6. Adjournment Approximately 4:30 PM

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

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

APPOINTMENT

I, James Guest, Secretary of the Agency of Development and Community Affairs, pursuant to 10 V.S.A. Section 611(b), hereby appoint Karen N. Meyer, Commissioner of Housing and Community Affairs, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on May 2, 1985. In this capacity, I specifically authorize Karen N. Meyer 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 first day of May, 1985.

James G. Guest

James Guest
Secretary

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

VERMONT HOUSING FINANCE AGENCY

MINUTES

Vermont Housing Finance Agency
State Treasurer's Office, Montpelier, Vermont
March 14, 1985

Present: Chairman Hunt, Commissioners Gardner, Hebard, Guest, Bard, Myette (speaker phone); Mr. Frazier, Mr. Brisson, Ms. Thielen, Mr. Schoenbeck, VHFA Staff; Mr. Gurley, Mr. Holzschuh, Morgan Stanley & Co.; Mr. Kochman, Kochman and Smith

Chairman Hunt called the meeting to order at 1:30 PM.

Upon motion duly made and seconded, the minutes of the January 18, 1985 meeting were unanimously adopted.

Mr. Frazier recapped the sale of the Beth-El Court elderly housing project in St. Albans to Richard Carr. Upon motion duly made and seconded, the attached Resolution Ratifying the Sale of Beth-El Court was unanimously adopted.

Next upon motion duly made and seconded the attached financing resolution for the proposed Level III Community Care Home in Enosburg Falls was unanimously adopted.

Commissioner Guest entered the meeting at this point.

Mr. Brisson then highlighted the reports included in the Board mailing relating to the current mortgage loan program. The reports showed that as of the beginning of March the Agency had preliminary approved loans representing 76% of the lendable proceeds. He also noted that many lenders had recently experienced an increase in activity but that even with this increase it appeared there would be up to $5 million in bond proceeds remaining by the April 19 commitment deadline.

Discussion continued on how the remaining 1984 Program money would get used. Mr. Brisson said that staff has studied the situation and that the following course of action appeared to be the best road to follow. Any unused proceeds of the current 12% program would be held by the Agency and made available at the

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

tail end of a new program initiated this Spring. At this point, the unused bond money would be "blended" with excess prepayments received from the 1978 and 1979 mortgage programs. Funds from each source would be combined in a proportion that would yield an interest rate slightly higher than the new program rate. It was noted that the concept has been approved by bond counsel and that the portion of the loans funded from recycled prepayments would need to be covered under the Agency's existing pool insurance policy with MGIC.

Next, attention was focused on the possibilities of initiating a new mortgage purchase program this Spring. After some discussion, upon motion duly made and seconded the following purchase price limits were unanimously adopted for a new program:

New Housing	$74,500
Existing Housing	$69,000

Further, it was decided not to modify any other existing borrower or property eligibility requirements for the new program. Mr. Brisson indicated that lenders would be surveyed to determine the level of interest in a new program. He indicated the tentative schedule called for making the program operational by mid-May.

Mr. Brisson then brought up the issue on "semi-detached" housing. After careful consideration, a motion was made and seconded to adopt the attached Resolution Concerning Semi-Detached Housing. The motion passed unanimously.

A new application procedure was then reviewed due to the recent increase in the number of licensed lenders in the State. Upon motion duly made and seconded the following determinations were unanimously adopted.

1. A lender must have been licensed to lend and have actually operated in the State as a mortgage lender for at least 12 months prior to applying to the Agency, and,

2. The Executive Director and the Director of Programs are hereby authorized to <u>reject</u> new lenders but the authority to approve new lenders is retained by the Board.

Ms. Thielen then proceeded to recap the proposed land swap from A. Babcock involving the Vergennes Elderly project. The purpose of the swap was to facilitate the building of 12 additional elderly units adjacent to the Vergennes project. After discussing the potential impact of the new project on the existing project, upon motion duly made and seconded the land swap was unanimously declined.

The next item on the agenda to be discussed was the determination of medium income for the Multi-Family 80/20 Program. Upon motion duly made and seconded the attached Resolution was unanimously adopted.

It was then explained by Mr. Brisson that certain revisions to the Multi-Family Rules were necessary to reflect the current program structure. It was noted that the rule changes would be made in accordance with the requirements under the Administrative Procedures Act. Upon motion duly made and seconded the recommended changes to the Multi-Family Rules were unanimously adopted.

Commissioner Guest had to leave the Board Meeting at this point.

Mr. Schoenbeck then offered to answer any questions relating to the budget report included in the mailing. Commissioner Gardner suggested the budget be broken down on a quarterly basis and Chairman Hunt requested that in addition to next year's budget the staff prepare a business plan.

Mr. Frazier gave a brief status of the Agency's pending office move. If there are no construction delays the Agency would move to its new location on April 27. Mr. Frazier noted that the low bid on the retrofit of the existing space was $51,900 which exceeded the $40,000 allowance in the lease and therefore the Agency would have to pay the difference.

Mr. Brisson then gave a summary on the current status of legislative bills S. 20 and H. 372. Discussion on H. 372, a bill providing the deferral of property taxes for elderly Vermonters, followed. It was decided that Mr. Brisson would provide a detailed analysis of problem areas in the bill to Mr. Guest.

A general discussion on various topics now took place. First Commissioner Gardner asked the staff to relook at the possibilities of providing additional incentives to get a higher percentage of homes in Windsor, Windham and Bennington counties. Chairman Hunt related some administrative helps he picked up while in California that he hoped could be applied here.

The Board meeting was concluded with a special note of gratitude for Stewart Ledbetter. Upon a motion duly made and seconded the Board acknowledged the accomplishments Stewart had effected during his tenure as Chairman and extended their heartfelt thanks. The motion passed unanimously.

There being no further business before the Board the meeting was adjourned at 4:00 PM.

Respectfully Submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary

WSF:pw/107

RESOLUTION RATIFYING SALE OF BETH-EL COURT

RESOLVED, pursuant to paragraph 11 of the Regulatory Agreement between the Agency and William Flanders pertaining to the Beth-El Court Development in St. Albans, Vermont, the sale of the Beth-El Court Development to Beth-El Court Associates, Richard Carr, General Partner, is hereby APPROVED effective February 28, 1985, and all actions of the Executive Director heretofore taken in connection with said sale as set forth in the Executive Summary provided to the Board are hereby ratified and approved.

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary
Vermont Housing Finance Agency
March 14, 1985

WSF:pw/97

RESOLUTION

RESOLVED, Vermont Housing Finance Agency hereby determines that:

1. Riverview II Housing, housing in Enosburg Falls, 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 and moderate income are able to afford within the general housing market area of Enosburg Falls, 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.

THEREFORE, the Executive Director or the Program Director is hereby authorized and directed to ascertain that all applicable covenants and conditions of the Letter of Commitment have been fulfilled. Upon a satisfactory determination of the foregoing, the Chairman, or the Executive Director, or the Program Director, is hereby authorized and directed to secure a Promissory Note, Mortgage and Security Agreement, Regulatory Agreement, and all necessary certifications and other documents pertaining to the Development; and is further authorized and directed to execute the Regulatory Agreement and to disburse funds sufficient to make a loan for the Development in accordance with the Commitment Letter.

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
March 14, 1985

TB:pw/78

RESOLUTION

Concerning Semi-Detached Housing

RESOLVED, for purposes of the Agency's Mortgage Purchase Programs, an owner-occupied dwelling which does not form part of a condominium, a planned unit development or planned residential development, but which is joined by a common vertical wall to not more than one other property, separately owned, shall be deemed to be a "Residence" for purposes of the Agency's Programs and Procedural Guides if:

1. The common wall is the subject of a party wall agreement in a form acceptable to the Agency.

2. The common wall is the only element of the involved properties owned or otherwise held jointly or in common.

No other dwelling attached in any manner to property of a stranger to the relevant mortgage loan shall be deemed to be a Residence unless it forms part of an approved condominium, planned unit development or planned residential development.

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
March 14, 1985

TB:pw/73

RESOLUTION

RESOLVED, for purposes of the Agency's multi-family rental housing programs which are not subsidized by Section 8 Housing Assistance Payments, the term "persons and families of low and moderate income" shall mean persons and families whose annual income as determined by the Agency does not exceed the median household income for the county, portion thereof, or Metropolitan Statistical Area in which such housing shall be situated, as determined and published from time-to-time by U.S. Department of Housing and Urban Development.

FURTHER RESOLVED, up to 25% of the units in such rental housing may be occupied by persons and families who are not persons and families of low and moderate income.

This resolution supersedes and replaces Resolution of April 12, 1984 regarding definition of low and moderate income.

W. Scott Frazier

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
March 14, 1985

TB:pw/74

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: Thomas P. Brisson TPB

RE: Update on 1984 Series A and lender survey results for 1985 Series A

DATE: April 25, 1985

1984 Series A Update (see attached schedule)

- The commitment period for loans under the program ended 4/19/85
- We have mailed to each lender a list of all outstanding loan commitments and requested status information by May 2, 1985. This will allow us with precision to determine the level of unexpended bond proceeds.

1985 Series A Survey (see attached schedule)

- 26 of 27 lenders who participated in the 1984 program indicated a desire to be in the 1985 program (Vermont National Bank-no answer).
- Our sense is that the cumulative amount that will be requested by lenders in formal contracts will remain around the $40,000,000 level. We will know on May 2nd - contract due date.
- At the board meeting on May 2nd staff will provide recommended bank allocation schedule for board consideration.

TPB/sam

Enclosure

REPORT 1105
PERSTAT3

VERMONT HOUSING FINANCE AGENCY
1984 Series A Mortgage Purchase Program
Status Report (With percent of allocation approved)
04/24/85

Lender	Initial Contract Allocation	Additional Allocation or Recapture-	Current Allocation	VHFA Prelim. Approved	Alloc. Percent	Loans Purchased	Loans To Be Purchased
======	==========	===========	==========	========	=======	=========	=========
Bank of Vermont	2,000,000	0	2,000,000	1,882,798	94.1%	1,722,298	160,500
Bennington Coop Savings & Loan Assn Inc	750,000	0	750,000	584,344	77.9%	472,844	111,500
Bradford National Bank	500,000	0	500,000	374,741	74.9%	304,796	69,945
Caledonia National Bank of Danville, The	750,000	0	750,000	870,389	116.0%	651,139	219,250
Chittenden Trust Company	3,750,000	0	3,750,000	3,689,181	98.3%	2,945,834	743,347
Comfed Mortgage Co., Inc.	3,750,000	1,000,000-	2,750,000	1,538,347	55.9%	1,183,547	354,800
Community National Bank	500,000	0	500,000	518,645	103.7%	406,345	112,300
Factory Point National Bank, The	500,000	0	500,000	380,455	76.0%	293,455	87,000
First Twin-state Bank	1,000,000	0	1,000,000	1,035,722	103.5%	425,076	610,646
First Vermont Bank and Trust Company	1,000,000	0	1,000,000	991,460	99.1%	869,060	122,400
Franklin-Lamoille Bank	3,070,348	1,000,000-	2,070,348	1,709,824	82.5%	1,040,264	669,560
Granite Savings Bank and Trust Company	500,000	0	500,000	503,984	100.7%	472,634	31,350
Green Mountain Bank	200,000	0	200,000	91,000	45.5%	45,000	46,000
Howard Bank, National Assn, The	5,000,000	1,000,000	6,000,000	6,245,696	104.0%	4,549,396	1,696,300
Lomas & Nettleton Company, The	2,000,000	0	2,000,000	1,782,376	89.1%	1,053,226	729,150
Lyndonville Savings Bank & Trust Company	500,000	0	500,000	317,521	63.5%	283,796	33,725
Marble Bank	750,000	0	750,000	739,375	98.5%	739,375	0
Merchants Bank, The	1,750,000	0	1,750,000	1,750,835	100.0%	1,627,315	123,520
National Bank of Middlebury, The	500,000	0	500,000	472,930	94.5%	292,275	180,655
New England IBM Employees Fed Crdt Union	750,000	0	750,000	758,930	101.1%	708,580	50,350
Passumpsic Savings Bank	750,000	0	750,000	785,552	104.7%	765,302	20,250
Peoples Trust Company of St Albans	750,000	0	750,000	693,513	92.4%	533,638	159,875
Proctor Bank	2,000,000	500,000-	1,500,000	1,162,592	77.5%	678,410	484,182
Randolph National Bank	750,000	0	750,000	581,822	77.5%	370,772	211,050
Union Bank	300,000	0	300,000	277,619	92.5%	277,619	0
Vermont Federal Bank, FSB	4,000,000	1,500,000	5,500,000	5,393,712	98.0%	3,840,505	1,553,207
Vermont National Bank	2,000,000	0	2,000,000	2,191,426	109.5%	1,684,256	507,170
	40,070,348	0	40,070,348	37,324,790	93.1%	28,236,758	9,088,032
	==========	==========	==========	==========	=====	==========	==========

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY PROGRAM
1985 INVITATION LIST
SURVEY RESPONSE RESULTS
EFFECTIVE DATE April 15, 1985

	Amounts Requested Various Mortgage Note Coupon Rates			Assuming 11.0%	
Lender	10.5%	11.0%	11.5%	ACED%	ACED $
Bank of Vermont	$ 3,500,000	$ 2,500,000	$ 2,000,000	40%	$ 1,000,000
Bennington Coop	1,000,000	750,000	500,000	0%	0
Bradford National	750,000	600,000	500,000	100%	600,000
Caledonia National	1,000,000	1,000,000	750,000	75%	750,000
Chittenden Trust Co.	4,000,000	3,300,000	2,500,000	30%	990,000
ComFed Mortgage	2,000,000	2,000,000	1,500,000	25%	500,000
Community National	1,000,000	1,000,000	1,000,000	100%	1,000,000
Factory Point	500,000	500,000	500,000	30%	150,000
First Brandon		NOT PARTICIPATING			
First Twin-state Bank	1,200,000	1,000,000	800,000	20%	200,000
First Vermont	2,000,000	1,000,000	1,000,000	75%	750,000
Franklin-Lamoille	2,000,000	1,200,000	700,000	50%	600,000
Granite Savings	750,000	750,000	750,000	100%	750,000
Green Mountain	200,000	200,000	200,000	50%	100,000
Howard Bank, N.A.	6,000,000	5,000,000	4,000,000	35%	1,750,000
Lomas & Nettleton	2,000,000	1,500,000	1,000,000	0%	0
Lyndonville Savings	275,000	275,000	275,000	100%	275,000
Marble Bank	2,500,000	2,000,000	1,500,000	60%	1,200,000
Merchants Bank	3,000,000	2,500,000	2,500,000	15%	375,000
Mountain Trust		NOT PARTICIPATING			
Nat'l Bk Middlebury	750,000	750,000	750,000	0%	0
N.E. IBM	1,500,000	1,000,000	750,000	20%	200,000
Northfield Savings		NOT PARTICIPATING			
Passumpsic	750,000	500,000	500,000	100%	500,000
Peoples Trust	750,000	750,000	750,000	100%	750,000
Proctor Bank	1,500,000	1,250,000	1,000,000	92%	1,150,000
Randolph National	1,000,000	750,000	500,000	40%	300,000
Sterling Trust		NOT PARTICIPATING			
Union Bank	400,000	400,000	400,000	100%	400,000
Vermont Federal	4,000,000	4,000,000	4,000,000	50%	2,000,000
Vermont Mortgage Group		NO RESPONSE			
Vermont National Bank		NO RESPONSE			
Wells River		NOT PARTICIPATING			
Woodstock National		NOT PARTICIPATING			
Total	$44,325,000	$36,475,000	$30,625,000		$15,255,000

CONFERENCE CALL

Vermont Housing Finance Agency
Monday, April 29, 1985
9:00 AM

Present: Chairman Hunt, Commissioners Hebard, Bard, Guest, Gardner; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Holzschuh, Mr. Deutsch, Morgan Stanley & Co.; Mr. Ingalls, Palmer and Dodge

RE: VHFA 1985 Series A Home Mortgage Purchase Bonds

Tom Brisson outlined the basic structure of the proposed financing and discussed the reasons behind the staff recommended issue size. Jeff Holzschuh and David Deutsch summarized their marketing expectations and characterized current market conditions. After discussion on a motion made by Commissioner Gardner, seconded by Commissioner Hebard and unanimously adopted, the Board authorized Underwriters to proceed with the sale of the Bonds through the selling group in an amount sufficient to provide net proceeds of $35,000,000 and at a price which will provide a mortgage coupon rate of approximately 10.60% assuming full use of allowable arbitrage spread.

TB:pw/97

CREDIT AGREEMENT

CREDIT AGREEMENT between THE FUJI BANK, LIMITED, NEW YORK AGENCY (herein called "the Bank") and the VERMONT HOUSING FINANCE AGENCY (herein called "the Agency") a body politic and corporate of the State of Vermont dated as of ________________, 1985.

WITNESSETH

1.1 The Commitment. The Bank unconditionally agrees to honor drafts drawn upon its Letter of Credit No. __________ (VHFA) in accordance with its terms at any date, provided the Bank has been given 3 business days notice, during the term of said Letter of Credit beginning on ___________, 1985 and continuing up to and including ___________, 1990 in the cumulative amount of $___________ (the Commitment Amount) and in consideration thereof the Agency unconditionally agrees to reimburse the Bank the amount required to repay in full the principal amount of each such draft in eight consecutive and substantially equal quarterly installments of such principal amount (plus interest on the outstanding balance of such draft at the rate specified in Section 1.6 below) beginning three months after such draft is honored by the Bank; provided that the aggregate outstanding principal balance of any and all such drafts and accrued interest thereon shall be due and payable in full on __________, 1992; further provided, however, that if an Event of Default shall occur hereunder then the entire amount owing as of the date of such occurrence shall become immediately due and payable on demand.

1.2 The Note. The obligation of the Agency to reimburse the Bank for advances made under said Letter of Credit No. __________ (VHFA) shall be evidenced by a promissory note (hereinafter called the "Note") in substantially the form of Exhibit I hereto. The Agency agrees that the aggregate principal amount of the Note outstanding from time to time in accordance with the terms of this Agreement shall constitute the amount owing to the Bank pursuant hereto.

1.3 Making the Advances. Each advance shall be made by honoring drafts drawn on Letter of Credit No. __________ (VHFA) in accordance with its terms. Such payments shall be noted on the note as an advance made thereunder. The aggregate principal amount of such advances outstanding and unpaid from time to time shall constitute the principal balance of the Note.

1.4 Annual Fee. The Agency agrees to pay to the Bank, commencing __________, 1985 and on __________ in each year thereafter, an annual fee for maintenance of its Letter of Credit No. __________ (VHFA) in an amount equal to five-eighths of one per centum (.625%) per annum of the portion of the Commitment Amount unused as of the date of payment.

1.5 Optional Prepayments. The Agency may, on one business day's notice, prepay the Note in whole or in part with accrued interest to the date of such prepayment on the amount prepaid. Advances may be prepaid in the order made and each such prepayment shall be applied first to interest accrued and then to the principal balance of such advance in the inverse order of installments due thereunder.

1.6 Interest. (a) The Agency shall pay interest on the unpaid principal balance of the Note from the date of each advance thereunder until payment in full, payable quarterly in arrears together with reimbursements of principal as set forth in Section 1.1 above, at a per annum rate one hundred basis points higher than the Bank's Base Rate of interest as it is established on the date of each advance and changing with each change in the Bank's Base Rate (the "Taxable Rate"); provided, however, that if the Agency shall provide an opinion of nationally recognized bond counsel acceptable to the Bank that the interest payable by the Agency on the amount of such principal balance or any portion thereof is exempt from Federal income taxes, then the interest rate shall be adjusted to a per annum rate of seventy percent (70%) of the Bank's Base Rate (the "Tax-Exempt Rate"), on such principal balance or any portion thereof. The term "Bank's Base Rate" shall mean the Prime Rate most recently published by the

Morgan Guaranty Trust Company on or prior to the date of any advance hereunder. Changes in the rate of interest resulting from changes in the Base Rate shall take place immediately without notice or demand of any kind. On default or after maturity, the unpaid principal balance of the Note shall bear interest at a rate which is 300 basis points above the per annum rate which would otherwise be applicable. Any other provision of this Agreement to the contrary notwithstanding, an underpayment of interest resulting from a change in the Bank's Base Rate shall not constitute a default unless the Agency fails to cure the underpayment within five business days following actual receipt by the Agency of notice from the Bank of such change.

(b) If, at any time while the Tax-Exempt Rate is in effect, the interest on the Note shall be assessed as or deemed taxable for any reason by any federal taxing authority to any holder thereof, then the Bank shall automatically adjust the rate to the Taxable Rate.

(c) All payments of principal, interest and any other amounts payable on or in respect to this Agreement, the Note or the indebtedness represented thereby, shall be made to THE FUJI BANK, LIMITED, NEW YORK AGENCY, located at One World Trade Center, Suite 6011, New York, NY 10048, in immediately available funds on the date of payment.

1.7 Computation of Interest. Interest hereunder and under the Note shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

1.8 Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Note shall be stated to be due on a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or required by law to be closed, such payment may be made on the next succeeding business day, and such extension of time shall in such case be included in the computation of payment of interest hereunder or under the Note.

Section 2. Warranties

The Agency hereby represents and warrants to the Bank (which representation and warranties will survive the delivery of the Note and the making of the loan) that:

2.1 Existence and Power. The Agency is a validly existing body politic and corporate established under the Vermont Housing Finance Agency Act, being Number 260 of the Vermont Acts of 1973, adjourned session, as amended (the "Act"), and has the power under the Act to make this Agreement and to borrow hereunder.

2.2 Authority and Pledge of the State. The making and performance by the Agency of this Agreement has been duly authorized by all necessary action and will not violate any provision of law applicable to the Agency or result in the breach of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of the Agency prohibited by any indenture or bank loan or credit agreement, or other agreement or instrument to which the Agency is a party. The Commissioners of the Agency have approved the making and execution of this Agreement and the Note and no other approval, authorization, consent or other order of or registration or filing with any other governmental body is required in connection with the authorization and execution of this Agreement.

The State of Vermont pledges with the holders of Notes and Bonds issued under the Act that the State will not limit or restrict the rights vested in the Agency by the Act to perform its obligations and to fulfill the terms of any Agreement made with the holders of its Bonds or Notes or in any way impair the rights and remedies of its holders until the Bonds and Notes, together with interest thereon, and interest on any unpaid installments of interest, are fully met, paid and discharged. The Agency is authorized to execute this pledge and Agreement of the State in any Agreement with the holders of the Notes or Bonds.

2.3 Financial Condition. The financial statements described in Schedule A hereto under the heading "Financial Statement", heretofore delivered to the Bank, were prepared in conformity with generally accepted accounting principles and practices consistently maintained throughout the periods involved and are correct and complete and fairly present the financial condition of the Agency. The Agency has no direct or contingent liabilities not disclosed in such statements other than any such liabilities as may be created by issuance of the Agency's Home Mortgage Purchase Bonds, 1984 Series A; since the date of the latest dated balance sheet included in said financial statements, there has been no material adverse change in the financial condition of the Agency from that set forth in said balance sheet.

2.4 Litigation. There are no matters currently pending or threatened which individually, or in the aggregate, would result, individually or in the aggregate, in a final judgment or judgments against the Agency which would materially affect its financial position or which would affect the validity of this Agreement or of the Note.

2.5 Events of Default. No event of default specified in Section 4 hereof, and no event which pursuant to the provisions of Section 4 with the lapse of time and/or notice specified therein would become such an event of default, has occurred and is continuing.

2.6 Validity. The Agreement and the Note, upon the execution and delivery thereof, will be legal, valid, binding and enforceable obligations of the Agency in accordance with their terms and the Note shall constitute a general obligation of the Agency secured by and payable out of any revenue monies of the Agency, including its general funds, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Note pledging particular revenues, monies or assets for the payment thereof.

2.7 Title to Property. The Agency has good and marketable title to its property and assets (including its general funds) subject to no prior pledge, lien, encumbrance or other charge not set forth in the Financial Statements in Schedule A hereto.

Section 3. Covenants

The Agency covenants and agrees that until payment in full of the Note and performance of all its other obligations hereunder, unless the Bank otherwise consents in writing, the Agency will:

3.1 Financial Statements. Deliver to the Bank (a) within forty-five (45) days after close of each of the first three quarters of each fiscal year of the Agency, a balance sheet of the Agency as of the close of each quarter and statements of revenues and expenditures for that portion of the fiscal year-to-date then ended, prepared in conformity with generally accepted principles, applied on a basis consistent with that of the preceding period or containing disclosure of the effect on financial position or results of operations of any change in the application of generally accepted accounting principles during the period, and certified by the Executive Director of the Agency; (b) within ninety (90) days (or as otherwise allowed by the laws of the State of Vermont) after the close of each fiscal year of the Agency, a balance sheet of the Agency as of the close of such fiscal year and statements of revenues and expenditures and source and application of funds for the year then ended, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year or containing disclosure of the effect on financial position or results of operations of any change in the application of accounting principles during the year and accompanied by a report, thereon, containing an opinion, of a firm of independent certified public accountants selected by the Agency and acceptable to the Bank; (c) promptly upon the Bank's written request, such other information about the financial condition and operations of the Agency, as the Bank may, from time to time, reasonably request; and (d) within one (1) day of becoming aware of the event of default specified in Section 4d; and (e) within three (3) days of becoming aware of any other event of default or any event which would become an event of default (but for the giving of notice and lapse of time or either) the Agency shall, by its Executive Director, so notify the Bank.

3.2 Maintenance of Existence. Comply with all valid and applicable statutes, rules and regulations, and maintain its properties in good operating condition, and continue to conduct its business as presently conducted.

3.3 General Obligation. This Agreement and the Note will continue to be direct and general obligations of the Agency and are and will continue to be authorized as such.

Section 4. Defaults

If any one or more of the following "Events of Default" shall occur:

(a) Default in the due payment of the principal of the Note, or in the payment of interest on the Note or in the payment of any other indebtedness (including fees) owing by the Agency to the Bank, now existing or hereinafter incurred, when the same shall be due; or

(b) Failure by the Agency to observe or perform any convenant contained in Section 3 hereof; or

(c) Any representation or warranty made by the Agency herein, or any statement, certificate or other data furnished by the Agency or by the Trustee under the Bank's Letter of Credit No. __________ (VHFA), in connection herewith, proves to be incorrect in any material respect as of the making or furnishing thereof; or

(d) Default by the Agency in the payment of any bond or serial note, or of any tax, revenue or bond anticipation note, or of any other indebtedness or obligation when due in an aggregate principal amount of more than $25,000, or if any such other indebtedness or obligation shall be accelerated, or if there exists an event of default under any instrument, document or agreement evidencing or securing such other indebtedness or obligation.

Then, and in any such event, the Bank may declare the principal balance of and interest accrued on the Note to be forthwith due and payable automatically without notice or demand of any kind, whereupon the same shall become forthwith due and payable.

Section 5. Miscellaneous

5.1 Waivers. The Agency waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, or other action taken in reliance hereon and all other demands and notices of any description. With respect to liabilities, the Agency assents to any extension or postponement of the time of payment or any other indulgence, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Bank may deem advisable. The Bank shall not be deemed to have waived any of its rights upon or under liabilities unless such waiver be in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. The Bank may revoke any permission or waiver previously granted to Agency, such revocation shall be effective whether given orally or in writing. All rights and remedies of the Bank on liabilities whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

5.2 Notices. Any requirements of this Agreement with respect to notice may be complied with by depositing said notice in the mails, registered or certified, return receipt requested, or with a telegraph company (with provision of personal delivery and receipt certifying thereto), addressed to the party to whom notice is being given at its address shown as follows: THE FUJI BANK, LIMITED, NEW YORK AGENCY, One World Trade Center, Suite 6011, New York, New York 10048; Vermont Housing Finance Agency, P.O. Box 408, Burlington, Vermont 05402, Attn: Executive Director.

5.3 Expenses. The Agency will pay all reasonable expenses arising out of the protection and enforcement of this Agreement and the Note (including without limitation all fees of bank's counsel), but not including counsel fees in excess of $1,500.00 incurred by the bank in connection with review or approval of this Agreement prior to or at the time it is signed or in connection with any opinion regarding the issuance of the aforesaid Letter of Credit.

5.4 Compliance. The determination of the Agency's compliance with all covenants contained in this Agreement or the Note shall be based on the application of generally accepted accounting principles (where applicable) employed by the Agency as of the date of this Agreement unless otherwise subsequently and specifically agreed to in writing by the Bank.

5.5 Taxes. The Agency will pay any stamp or other tax which becomes payable by the Bank (or any successor or assign of the Bank or any participant or other party claiming through the Bank) in respect of the Note, the interest thereon or this Agreement. Notwithstanding the foregoing, the Agency shall not be obligated to pay any tax paid by the Bank on any interest income paid at the Taxable Rate as hereinabove defined.

5.6 Vermont Law. This Agreement and the rights and obligations of the parties hereunder and under the Note shall be construed and interpreted in accordance with the internal laws of Vermont.

5.7 Survival of Representations. All representations, warranties, convenants and agreements herein contained or made in writing in connection with this Agreement shall survive the execution and delivery of the Note, shall continue in full force and effect until all amounts payable on account of the Note, or this Agreement shall have been paid in full.

5.8 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Agency, the Bank and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed as of the day and year first above written.

As to the Bank, signed and sealed in the presence of:		THE FUJI BANK, LIMITED, NEW YORK AGENCY
______________________ Witness	By	______________________ Its Duly Authorized Agent
As to the Agency, signed and sealed in the presence of:		VERMONT HOUSING FINANCE AGENCY
______________________ Witness	By	______________________ Its: Executive Director Duly Appointed
______________________	And	______________________ Its: Vice Chairman Duly Appointed

UNITED STATES OF AMERICA
STATE OF VERMONT

VERMONT HOUSING FINANCE AGENCY
GENERAL OBLIGATION NOTE

$____________ New York, New York

For value received, the VERMONT HOUSING FINANCE AGENCY ("the Agency") promises to pay to THE FUJI BANK, LIMITED, NEW YORK AGENCY ("the Bank"), the sum of ______________________________ or the aggregate unpaid principal amount of all advances made by the Bank to the Agency pursuant to a Credit Agreement dated _, 1985, ("the Agreement"), as shown on the reverse side of this Note, whichever is less, with interest on such principal amount or portions thereof from its or their respective dates of advance (the "drawdown date") at a per annum rate one hundred basis points higher than the Bank's Base Rate of Interest, as defined in the Agreement and changing from time to time in accordance with the Agreement (the Taxable Rate), or seventy per centum (70%) of the Bank's Base Rate of Interest, as defined in the Agreement (the Tax-Exempt Rate), whichever Rate is applicable under the Agreement, payable in accordance with the terms hereof. The Agency agrees to reimburse the Bank the amount required to repay in full the principal amounts owing hereunder pursuant to each such advance in eight consecutive and substantially equal quarterly installments payable (together with all accrued interest) commencing three months after the drawdown date, provided that all sums of principal and interest not previously paid shall be due and payable in full on _______, 1992. On default including a failure to pay a quarterly installment when due, the unpaid principal balance shall bear interest at a rate which is 300 basis points above the per annum rate which would otherwise be applicable.

This note is duly authorized by resolution of the Agency and is issued pursuant to and subject to the terms and conditions set forth in the Agreement, provided that advances made hereunder shall be cumulative and charged against the total available limit of $__________ so that repayment of any advances hereunder shall not have the effect of restoring the available limit to the extent of such repayments.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this note is within every debt and other limit prescribed by law or by the Agency. This note is a general obligation of the Agency payable out of any revenues or monies of the Agency, including its general funds, subject only to any agreement with the holders of particular notes or bonds pledging any particular revenues or monies of the Agency. Neither the State of Vermont nor any political subdivision thereof shall be liable on this note, and this note shall not be a debt or a liability or obligation of the State of Vermont or any political subdivision thereof or a pledge of the faith and credit of the State of Vermont or of any political subdivision. No member, officer, agent or employee of the Agency shall be liable personally on this Note by reason of the issuance hereof.

All of the terms, conditions and provisions of the Agreement are, by this reference thereto, incorporated herein as a part of this Note.

IN WITNESS WHEREOF the Agency has caused its seal to be affixed hereto and this note to be signed in its name by the manual signatures of its Executive Director and Chairman or Vice Chairman, all as of the ____ day of ____, 1985.

VERMONT HOUSING FINANCE AGENCY

By ______________________________
Executive Director

And ______________________________
Chairman

ADVANCES AND REPAYMENTS OF PRINCIPAL AND INTEREST

Advances and repayments of principal and interest of this Note were made on the dates and in the amounts specified below:

Date	Amount Advanced	Amount of Principal Repaid	Balance of Principal Unpaid	Amount of Interest Paid	Notation Made by

CONFERENCE CALL

Vermont Housing Finance Agency
Monday, April 29, 1985
9:00 AM

Present: Chairman Hunt, Commissioners Hebard, Bard, Guest, Gardner; Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, VHFA Staff; Mr. Holzschuh, Mr. Deutsch, Morgan Stanley & Co.; Mr. Ingalls, Palmer and Dodge

RE: VHFA 1985 Series A Home Mortgage Purchase Bonds

Tom Brisson outlined the basic structure of the proposed financing and discussed the reasons behind the staff recommended issue size. Jeff Holzschuh and David Deutsch summarized their marketing expectations and characterized current market conditions. After discussion on a motion made by Commissioner Gardner, seconded by Commissioner Hebard and unanimously adopted, the Board authorized Underwriters to proceed with the sale of the Bonds through the selling group in an amount sufficient to provide net proceeds of $35,000,000 and at a price which will provide a mortgage coupon rate of approximately 10.60% assuming full use of allowable arbitrage spread.

TB:pw/97

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

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

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

Thursday, June 20, 1985 -- 2:00 PM

1. Approval of May 2, 1985 Board Meeting Minutes

2. Burlington Land Trust Presentation -- Brenda Torpy

3. Multi-Family

   a. Notice of Intent to Declare Default -- Randall
   b. Campbell Road -- Commitment Letter and Financing Resolution
   c. Canterbury Inn, Proposed Level III Group Home, St. Johnsbury
   d. Beth-El Court Purchase Adjoining Property
   e. New HUD Handbook
   f. Quadel Conference

4. Single Family

   a. Progress Report -- 1985 Program

5. Administrative

   a. Budget
   b. Reagan Tax Reform Plan

6. Any Other Old or New Business

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

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 Guest, Secretary of the Agency of Development and Community Affairs, Pursuant to 10 V.S.A. Section 611(b), hereby appoint Karen N. Meyer, Commissioner of Housing and Community Affairs, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the agency meeting to be held on June 20, 1985. In this capacity, I specifically authorize Karen N. Meyer 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 18th day of June, 1985.

James Guest

James Guest
Secretary

OFFICE OF THE COMMISSIONER

TELEPHONE:
802-828-3301

STATE OF VERMONT
DEPARTMENT OF BANKING AND INSURANCE
MONTPELIER, 05602

APPOINTMENT

I, David T. Bard, Commissioner of Banking and Insurance, pursuant to 10 V.S.A. § 611(b), hereby appoint William H. Rockford, Chief of Banking Operations, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the Agency meeting to be held on June 20, 1985.

In this capacity I specifically authorize William H. Rockford 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 19th day of June, 1985.

David T Bard

DAVID T. BARD
COMMISSIONER OF BANKING AND INSURANCE

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

VHFA VERMONT HOUSING FINANCE AGENCY

MINUTES

Vermont Housing Finance Agency
One Burlington Square, Burlington, Vermont
May 2, 1985

Present: Chairman Hunt, Vice-Chairman Shaw, Commissioners Myette, Gardner, Bard, Meyer (designee of Guest); Mr. Frazier, Mr. Brisson, Mr. Schoenbeck, Mr. Richardson, Ms. Thielen, VHFA Staff; Mr. Kochman, F.L. Kochman, Inc.; Mr. Holzschuh, Mr. Gurley (speaker phone), Morgan Stanley & Co., Inc.; Mr. Stover, E.F. Hutton & Co., Inc.; Mr. St. Onge, Palmer & Dodge; Ms. Crost, Orrick, Herrington & Sutcliffe; Mr. Wolff, The Howard Bank, NA.

Chairman Hunt called the meeting to order at 3:00 PM.

After a brief discussion as to their content, upon motion duly made and seconded, the minutes of the March 14, 1985 Board meeting were unanimously adopted as presented.

The attached summation of the conference call of Monday, April 29 pertaining to the pricing of the 1985 Series A Home Mortgage Purchase Bonds was disseminated. Upon motion duly made and seconded, the Resolution was unanimously adopted. Vice-Chairman Shaw abstaining.

Mr. Brisson then proceeded to give a detailed analysis of the proposed sale of the 1985 Series A, Home Mortgage Purchase Bonds. He noted the $41,878,509 bond issue essentially mirrors the structure used in the prior three bond issues. The 1985 issue would have $35,175,000 of lendable proceeds at a mortgage coupon interest rate to the borrowers of 10.6%. The issue also called for a Loan Loss Claim Fund of $527,625 and a Letter of Credit from the Fuji Bank of approximately $700,000. In addition to funding the Loan Loss Claim Fund, the issue called for the Agency to put $137,937.50 of cash into the issue all but $50,000 of which comes from loan origination fees.

Following Mr. Brisson's review, Mr. Holzschuh gave an overview of the bond market in general, compared the Agency's issue to other recent housing finance agencies' issues, described the marketing for the bonds, Moody's A-1 rating, and the underwriters' discount of $21.94 per bond.

After the Board discussed the various aspects of the bond issue, Mr. St. Onge presented the Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1985 Series A (the "Series Resolution"). Mr. St. Onge explained the Series Resolution authorizes the execution of the Credit Agreement with the Fuji Bank (substantially in the form attached) and the Purchase Contract (executed original attached), ratifies the distribution of the Preliminary Official Statement, and approves the final Official Statement (executed original attached) and authorizes its distribution.

Chairman Hunt entertained a motion to adopt the Series Resolution. The motion was seconded and the Series Resolution was unanimously adopted.

Mr. Brisson disseminated the attached Resolution Authorizing Purchase of Mortgage Loans, Approval of Contract Documents and Appointment of Depositories. He explained the staff's rationale at arriving at the allocation schedule for participating banks. After further questioning and consideration from the Board, upon motion duly made, and seconded, the attached Resolution was unanimously adopted. Vice-Chairman Shaw abstaining.

Mr. Frazier noted that the execution of the Purchase Contract, the final Official Statement, and the presentation of the good faith deposit check from the underwriters would transpire at the end of the Board meeting.

The status of the 1984 Program was discussed next. Mr. Brisson noted the commitment period for loans under this program ended on April 19. As of the last status report, the Agency had preliminary approved for purchase 93.1% of the lendable proceeds. As in prior Board meetings, it was noted that any unused proceeds of this issue would be blended with prepayments from old programs and let out at the tail end of the 1985 Program. The last item noted was that after much prodding with the banks, the purchases of the loans under the 1984 Program were still slower than anticipated.

The agenda now switched to Multi-Family topics.

Mr. Frazier asked that the attached Resolution authorizing Ms. Thielen to sign UCC financing and continuation statements be approved by the Board. Upon motion duly made and seconded the Resolution was unanimously adopted.

Next, Mr. Richardson gave a summary of the Multi-Family project pipeline. He reviewed that status of 5 potential projects consisting of a total of 190 units. It was noted that the contemplated financing for these projects would be on a project by project private placement basis of tax-exempt bonds.

Mr. Brisson then mentioned that the Multi-Family Rules and Regulations, which were discussed at a prior Board meeting, had now gone through the APA procedure and were ready for adoption. After a recapitulation of the changes incorporated in the new rules, the Board, upon motion duly made and seconded unanimously adopted the attached Rules and Regulations.

Ms. Thielen then introduced a proposal of Richard Carr, general partner of Beth-El Court Associates, to purchase the property adjacent to the elderly housing project in St. Albans. The proposal includes using project monies to help pay for the down payment and service the monthly debt on any financing. After discussing the potential benefits that would accrue to the tenants, the project, and the general area of the street, upon motion duly made and seconded the Board unanimously gave conceptual approval to the purchase of the adjacent property, utilizing, in part, project monies and subject to financial feasibility and a legal review.

Mr. Brisson next gave a status report on legislative bills S. 20, S. 76, and H. 372. On S. 20, he reported that the House had eliminated the provision giving the Agency the express authorization to issue mortgage credit certificates (MCC's). Since the U.S. Treasury Department has not issued any regulations for the MCC program, yet, it appeared likely that the Agency wouldn't be in a position to issue MCC's during 1985. It was noted that when the MCC regulations are finally published the Agency would review their content and make a determination then to have the MCC authorization put back in the Agency's statute during the 1986 legislative session. He indicated that S. 76 and H. 372 were stalled in committees.

Mr. Holzschuh then presented the good faith deposit check for the 1985 Series A Home Mortgage Purchase Bonds and he and Mr. Frazier executed the Contract of Purchase.

There being no further business before the Board, the meeting was adjourned at 5:30 PM.

Respectfully Submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary

WSF:pw/115

VERMONT HOUSING FINANCE AGENCY
LOANS TO MULTI-FAMILY HOUSING SPONSORS
RULES
CHAPTER ONE
SCOPE AND DEFINITIONS

1. Scope

These rules are made and published pursuant to section 621(12) and 624(b) of subchapter 3 of the Vermont Housing Finance Agency Act of 1974, ("Act") and relate to the providing of mortgage loans to qualified housing sponsors for construction and rehabilitation of housing projects for occupancy by persons and families of low and moderate income.

2. Purpose

It is the basic purpose of VHFA loans to sponsors to expand the supply of funds available for mortgages on multi-family residential housing and to encourage an adequate supply of safe and decent multi-family housing at reasonable cost.

3. Definitions

The following words and terms, unless the context clearly indicates a different meaning, shall have the following meaning:

(1) "Agency" means the Vermont Housing Finance Agency created by the Act;

(2) "Bonds, notes and other obligations" or "bonds, bond anticipation notes or other obligations": means any bonds, notes, debentures, interim certificates or other evidences of financial indebtedness issued by the Agency pursuant to the Act;

(3) "Construction" means the creation or addition of new residential housing or the conversion of existing structures to residential housing;

(4) "Eligible security" means any security or obligation payable from or evidencing an interest in mortgages or other obligations securing loans to finance residential housing in the State of Vermont;

(5) "Federally insured mortgage loan" means a mortgage loan for residential housing insured or guaranteed by the United States or an agency or instrumentality thereof, or a commitment by the United States or an agency or instrumentality thereof to insure such a mortgage;

(6) "Federal mortgage loan" means a mortgage loan for residential housing made by the United States or an agency or instrumentality thereof or a commitment by the United

States or an agency or instrumentality thereof to make such a mortgage loan;

(7) "Housing development costs" means the cost incurred in connection with the construction or rehabilitation of residential housing including the costs of its physical construction, the costs of acquisition of land, real or personal property, rights, rights-of-way, easements and franchise necessary or convenient for the construction, and the costs of legal, administrative, architectural and related professional services, the costs of insurance, project reports, reserves and carrying charges;

(8) "Housing sponsor" or "sponsor" means a person who is organized on a nonprofit or limited profit basis and who is approved by the Agency as qualified either to own, construct, acquire, rehabilitate, operate, manage or maintain residential housing;

(9) "Land value" means the appraised value of the land as determined by an appraiser approved by the Agency; if purchased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

(10) "Limited Profit". A housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement, imposes significant limitations on rental charges, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis.

(11) "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a first lien on real property in fee simple or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation;

(12) "Mortgage lender" means any bank or trust company, federal national mortgage association approved mortgage banker, savings bank, savings and loan association, industrial bank, credit union, national union or other financial institution or governmental agency or instrumentality which customarily provides or otherwise aids in the financing of mortgages on residential housing located in the State;

(13) "Mortgage loan" means an interest-bearing obligation secured by either a mortgage or note or bond constituting a first lien on land and improvements in the State;

(14) "Persons and families of low and moderate income" means persons and families irrespective of race, creed, national origin or sex deemed by the Agency to require such assistance as is made available by the Act on account of insufficient personal or family income, taking into consideration, without limitation, such factors as:

(A) The amount of the total income of such persons and families available for housing needs;

(B) The size of the family;

(C) The cost and condition of residential housing available;

(D) The cost and availability of mortgage loans on residential housing in the State;

(E) The eligibility of such persons and families for Federal housing assistance of any type predicated upon a low-income basis or upon the basis of the age of such persons;

(F) The ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing decent, safe, and sanitary housing, and deemed by the Agency therefore to be eligible to occupy residential housing constructed and financed, wholly or in part, with insured or guaranteed construction loans or insured or guaranteed mortgages, or with other public or private assistance other than as provided by the Act;

(15) "Real property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein, including terms of years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens;

(16) "Regulatory agreement" means an agreement by and between the Agency and the mortgagor, to be executed at the closing of the mortgage loan, setting forth the financial and management policies to be followed by the mortgagor in the operation of housing financed under the Act;

(17) "Rehabilitation" means the rehabilitation, improvement and repair of residential housing and facilities incidental thereto undertaken primarily to provide dwelling accommodations for occupancy by persons and families in the State;

(18) "Residential housing" means single or multi-family residential housing units designed primarily to provide principal dwelling accommodations for persons or families, including the land and improvements thereon and such non-

housing facilities considered necessary or convenient by the Agency in connection with the residential housing.

4. **Waivers**

The provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship.

5. **Separability**

If any word, phase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of these rules.

CHAPTER TWO
QUALIFICATIONS OF HOUSING SPONSORS

1. **Eligible Housing Sponsors**

No mortgage loan shall be made or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible housing sponsor is a sponsor which is authorized by the Act to receive a mortgage loan and which has obtained the Agency's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement or other document of basic organization, and proposed amendments thereto, together with such other documents as the Agency may determine, in specific cases, are necessary in order to determine eligibility. The housing sponsor must have the ability and intention to maintain and operate the housing for the purpose for which the loan is made.

2. **Ownership or Control of Land**

The housing sponsor must own the housing and related land, or hold an option to buy, or hold a fully marketable long-term lease.

CHAPTER THREE
QUALIFICATIONS OF OCCUPANTS

1. **Occupancy**

Initial occupancy in housing units financed by the Agency shall be limited to persons and families of low and moderate income provided however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a housing sponsor may, with the prior written approval of the Agency, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not persons and families of low and moderate income.

Where housing is proposed to be financed with the proceeds of bonds, notes, or other obligations the interest on which is exempt from the Federal income tax, the Agency's contract with the housing sponsor shall include such additional restrictions on occupancy as the Agency deems necessary or desirable to assure compliance with the conditions of such exemption imposed by the applicable Federal law.

CHAPTER FOUR
FINANCING TERMS

1. Amount and Terms of Mortgage Loans

The mortgage loan may be in an amount not to exceed the land value plus the value of the residential housing as determined by the Agency. Each loan will also be subject to the following additional requirements:

(a) For private nonprofit corporation and State or local public agencies the amount of the loan will be limited to the housing development cost or the security value of each project, whichever is less.

(b) For all other housing sponsors the amount of the loan will be limited to no more than 95 percent of the housing development cost or 95 percent of the security value of the project, whichever is less. The applicant's contribution must be in the form of either cash or land or a combination of both. Each loan will be scheduled for payment within such a period as may be necessary to assure that the loan will be adequately secured taking into account the probable depreciation of the security. The payment period will not exceed 40 years from the date of note.

2. Financing Charges

The mortgage loan shall bear interest at a rate determined by the Agency. The interest rate shall be established by the Agency at the lowest level consistent with the Agency's cost of operation and its responsibilities to the holders of its bonds, bond anticipation notes or other obligations. In addition to such interest charges, the Agency may make and collect such fees and charges, including, but not limited to, reimbursement of the Agency's operating expenses, financing costs, service charges, insurance premiums and mortgage insurance premiums, as the Agency determines to be reasonable.

3. Regulatory Agreement

Each mortgage loan to a housing sponsor for residential housing shall be subject to a regulatory agreement between the Agency and the housing sponsor which will subject the housing sponsor and its principals or stockholders, if any, to limitations established by the Agency as to rental and other charges, builder's and developer's profits and fees, and the disposition of its property and franchise to the extent more restrictive limitations are not provided by the law under which the housing sponsor is incorporated or organized or by the Act; the regulatory agreement shall require the housing sponsor to establish certain funds and accounts and shall specify the conditions under which disbursements may be made from these funds in order to maintain the security value of the project.

Significant limitations upon sources or amounts of revenue shall be deemed to constitute limitations upon profits and fees.

4. Collateral Security

The Agency shall require that the loans to housing sponsors be additionally secured by a pledge of and lien upon collateral security in such amounts as the Agency shall by resolution determine to be necessary to assure the payment of the loans thereon as they become due. The collateral security shall consist of obligations and mortgages pursuant to the act.

CHAPTER FIVE
APPLICATION PROCEDURES

1. **Preapplication Procedures**

The Agency may provide staff services to assist a housing sponsor in complying with the requirements of the act and these rules and may establish a preapplication procedure.

2. **Application Procedures**

With respect to each mortgage loan program instituted by the Agency, the Agency shall prepare instructions setting forth uniform procedures by which applications for loans shall be submitted and the contents thereof. Such procedures may include the establishment of deadlines for submission and the establishment of certain fees to cover reasonable costs of the Agency in reviewing the application.

3. **Contents of Applications**

An application by a housing sponsor for a mortgage loan shall contain information with respect to:

(a) Eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible.

(b) The site of the proposed housing project, including location, dimensions, site plan, ownership, present zoning, present use and on-site utilities and streets, utility charges and liens or other charges on the land and all physical characteristics on or off-site which might affect construction or occupancy.

CHAPTER SIX
PRELIMINARY APPROVAL AND SALE OF BONDS

1. Project Selection Criteria

In determining whether to accept applications of housing sponsors for mortgage loans, the Agency shall examine the following facts:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority, elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the housing sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce rentals for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any housing assistance plans, comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of State or local government acting pursuant to legislative authority and binding on the Agency, including but not limited to the plans, policies, procedures and programs of regional planning and development commissions.

(l) Whether the proposed development is financially feasible, including the following considerations:

(1) Is the proposed construction budget within a range which will permit high quality construction yet not exceed a reasonable level of costs?

(2) Is the proposed operating budget within a range which will permit adequate maintenance and management yet preserve modest rents?

(3) Is the quality of construction, amenities, management and maintenance likely to be sufficient to provide decent, safe and sanitary housing, to attract a high level of occupancy, and to ensure sufficient cash flow to pay debt service for the duration of the mortgage?

(m) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(n) Whether the proposed development will assist in fulfilling the purposes of the act.

2. Application Review Procedures

The Agency shall establish an orderly procedure for review of applications and may amend this procedure from time to time. If the proposed development is eligible in all respects the Agency may issue a letter of interest in financing to the housing sponsor. The letter of interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. Letter of Intent to Finance

After satisfactory completion by the housing sponsor of such requirements as may have been imposed by the Agency, including (if applicable) A-95 review, local government approval, approval by U.S. Department of Housing and Urban Development of a preliminary proposal for Section 8 housing assistance payments, and submission of preliminary drawings and plans and outline specifications, the Agency may, upon recommendation by the Executive Director or the Program Director and approval by the Commissioners, issue a Letter of Intent to Finance to the housing sponsor.

The Letter of Intent to Finance is not a commitment to finance and shall be conditioned upon the receipt of earnest money from the housing sponsor and upon the availability of funds, and upon satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Intent may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance construction financing, or for other purposes with the consent of the Agency.

4. Earnest Money

Upon execution of the Letter of Intent to Finance, the housing sponsor shall remit to the Agency an earnest money deposit in an amount to be established by the Agency. The earnest money deposit may be credited as part of the housing sponsor's equity or, at the election of the sponsor, credited toward fees and charges payable to the Agency, but shall not be refundable, unless the issuance of bonds or notes is unsuccessful and the Letter of Intent to Finance is cancelled, all without any breach or failure of responsibility or condition attributable to the housing sponsor.

5. Issuance of Bonds or Notes

Upon satisfactory completion of all requirements and upon receipt of the earnest money deposit, and providing that proposals have been approved comprising a total dollar amount sufficient in the judgment of the Agency to warrant the issuance of bonds or notes, the Agency may issue bonds or notes in anticipation of mortgage loans to housing sponsors.

CHAPTER SEVEN
FINAL APPROVAL AND CONSTRUCTION PROCEDURES

1. Design Review and Approval

The Agency may require adherence to standards of design quality which, in its judgment, are equivalent or superior to HUD's minimum property standards. Prior to final approval of the proposed development, the Agency may require the housing sponsor to submit the following documents:

(a) Copies of any final proposal submitted for Section 8 housing assistance payments and evidence of approval by the Department of Housing and Urban Development;

(b) Evidence of environmental review and approval under Act 250;

(c) Evidence of all required local zoning and subdivision approvals;

(d) Preliminary construction financing plan;

(e) Final construction and operating budgets;

In addition, the Agency shall participate in and approve or disapprove development of the project design, and the housing sponsor shall furnish copies of any design and development drawings for this purpose.

2. Letter of Commitment to Finance

Upon final approval of project design by the Agency, the Agency shall issue to the housing sponsor a Letter of Commitment to Finance. The Letter of Commitment shall be conditional upon the receipt of working drawings and specifications, certification of design quality by the housing sponsor's architect, satisfactory completion of construction, and such further conditions as the Agency may require. If deemed convenient by the Agency, the Letter of Intent and the Letter of Commitment may be consolidated in a single document.

3. Actions Prior to Start of Construction

After issuance of the Letter of Commitment, the Agency may require satisfactory performance by the housing sponsor of the following actions prior to the start of construction:

(a) Submission of working drawings and specifications;

(b) Submission of the construction schedule and construction and operation cost schedules;

(c) Architect's certification of working drawings and design content;

(d) Submission of copies of applicable housing assistance payments contracts;

(e) Submission of evidence of labor and material surety bonds and construction performance surety bonds posted by the contractor, or an irrevocable letter of credit.

(f) Evidence of title insurance.

4. Construction Loan Closing

The Agency shall be represented at the construction loan closing. The Agency may require submission of a commitment fee at or before the construction loan closing.

5. Agency Powers

The Agency shall have the power at all times during the construction or rehabilitation of residential housing and its operation:

(A) To enter upon and inspect any residential housing including all parts thereof, for the purpose of investigating the physical and financial condition thereof, and its construction, rehabilitation, operation, management and maintenance, and to examine all books and records of the housing sponsor with respect to capitalization, income and other matters relating thereto and to make charges as may be required to cover the cost of the inspections and examinations;

(B) To order such alterations, changes or repairs as may be necessary to protect the security of its investment in residential housing or the health, safety, and welfare of the occupants or its users and to ensure that the residential housing is or has been constructed or rehabilitated in conformity with all applicable plans and specifications and building codes; and

(C) To order any managing agent or sponsor of residential housing to do those acts as may be necessary to comply with the provisions of all applicable laws, ordinances or building codes or any rule or regulation of the Agency or the terms of any agreement concerning the residential housing or to refrain from doing any acts in violation of it, and in this regard the Agency shall be a proper party to file a complaint and to prosecute thereon for any violations of law, ordinances or building codes as set forth in this chapter.

6. Certificate of Completion and Escrow Account

Prior to closing on the permanent mortgage loan, the Agency may require a certificate of completion from the housing sponsor. An escrow account shall be established for the deposit and disbursement of funds required to complete any work deferred beyond the certificate of completion due to seasonal or climatic factors, material shortages, labor disputes or other reasons beyond the control of the housing sponsor.

CHAPTER EIGHT
MAKING OF MORTGAGE LOANS

1. Authorization of Mortgage Loan

No mortgage loan shall be made until the Commissioners have received and reviewed the recommendation of the Executive Director relating to such loan and until the Commissioners have adopted a resolution approving such loan; which resolution shall include determinations that:

(1) The residential housing is primarily for occupancy by persons and families of low and moderate income;

(2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement 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 to be served by the proposed residential housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing for occupancy by the persons and families; and

(4) The housing sponsor or sponsors undertaking the proposed housing development will increase the supply of well-planned, well-designed housing for persons or families of low and moderate income and that the sponsors are financially responsible persons for institutions.

2. Evidence of Mortgage Loans

The Executive Director of the Agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a mortgage, and by such other instruments as the Executive Director may in specific cases deem necessary or appropriate. Each mortgage and promissory note accompanying the mortgage shall contain such terms and provisions and be in such form as approved by the Agency.

FK:pw/65

RESOLUTION AUTHORIZING PURCHASE OF MORTGAGE LOANS UNDER VERMONT HOUSING FINANCE AGENCY 1985 MORTGAGE PURCHASE PROGRAM, APPROVAL OF CONTRACT DOCUMENTS AND APPOINTMENT OF DEPOSITORIES

ADOPTED MAY 2, 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 $41,878,509.00 Home Mortgage Purchase Bonds, 1985 Series A (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 to be executed with the Mortgage Lenders listed in the attached Schedule and to be used in connection with the 1985 Mortgage Purchase Program, to wit: Mortgage Loan Application and Commitment Agreement dated as of April 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 (the "Procedural Guide"); it is hereby

RESOLVED:

A. Monies in the 1985 Series A Home Mortgage Purchase Program Account established under and pursuant to the Resolutions shall be used to purchase Mortgage Loans from the Mortgage Lenders listed in the attached Schedule, in the amount set forth therein for each Mortgage Lender.

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 the same on behalf of the Agency consistently with the attached Schedule. To the extent requested by the Mortgage Lenders listed in the attached Schedule, 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 authorized in his discretion to reallocate funds among the Mortgage Lenders listed in the attached Schedule, provided that the aggregate amount of Mortgage Loans to be purchased under the 1985 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.

C. 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.

D. Each Mortgage Lender participating in the 1985 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

W. Scott Frazier
Executive Director and
Secretary
Vermont Housing Finance Agency
May 2, 1985

FK:pw/100
Attachment

VERMONT HOUSING FINANCE AGENCY
1985 SERIES A MORTGAGE PURCHASE PROGRAM
ALLOCATION OF NET PROCEEDS

LENDER	ALLOCATION
Bank of Vermont	$ 3,500,000
Bennington Cooperative Savings & Loan Assoc., Inc.	$ 500,000
Bradford National Bank	$ 550,000
The Caledonia National Bank of Danville	$ 1,000,000
Chittenden Trust Company	$ 4,000,000
ComFed Mortgage Company, Inc.	$ 1,000,000
Community National Bank	$ 500,000
The Factory Point National Bank	$ 500,000
First Twin-state Bank	$ 1,000,000
First Vermont Bank and Trust Company	$ 1,000,000
Franklin-Lamoille Bank	$ 1,500,000
Granite Savings Bank and Trust Company	$ 750,000
Green Mountain Bank	$ 200,000
The Howard Bank, N.A.	$ 4,000,000
The Lomas & Nettleton Company	$ 1,000,000
Lyndonville Savings Bank & Trust Company	$ 275,000
Marble Bank	$ 2,000,000
The Merchants Bank	$ 2,500,000
The National Bank of Middlebury	$ 750,000
New England IBM Employees Federal Credit Union	$ 1,000,000
Passumpsic Savings Bank	$ 750,000
Peoples Trust Company of St. Albans	$ 750,000
Proctor Bank	$ 1,250,000
Randolph National Bank	$ 500,000
Union Bank	$ 400,000
Vermont Federal Bank, FSB	$ 4,000,000
Total	$35,175,000

RESOLUTION

RESOLVED, to the extent necessary or desirable to maintain the priority of the Agency's security interest in personal property and contract rights pertaining to any multi-family development financed by the Agency, Ronne Thielen, in her capacity as an employee of the Agency, is hereby authorized to execute on behalf of the Agency Uniform Commercial Code financing statements and continuation statements.

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary
Vermont Housing Finance Agency
May 2, 1985

WSF:pw/110

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Ronne L. Thielen Ronne

RE: Purchase of Adjacent Property by Beth-El Court Associates

DATE: June 20, 1985

Since your conceptual approval of Richard Carr's proposal to purchase the property adjacent to his 32-unit elderly housing project in St. Albans, he has obtained an option for $23,000. He has also received bids to substantially rehab the house indicating a cost of approximately $29,000. He has received a letter of interest from the Franklin-Lamoille Bank to finance the construction work at 12% fixed for 15 years with a balloon at year ten. They are requiring a first mortgage position. It was discussed at the Board meeting that the Project Cost Escrow could be used to pay the purchase price with no payback.

A rent of about $410 per month would have to be charged to pay debt-service, taxes, insurance, water and sewer. Carr feels this is not out of line for a four bedroom house in the market area.

Given the cost of acquisition, the high cost of rehab and required rent to meet expenses, it doesn't seem justified to approve this proposal. The benefit of securing the adjacent land for aesthetic and security reasons does not outweigh the financial toll inflicted by drawing down the Project Cost Escrow to such a degree with no apparent cash flow to the project and actually a chance of a negative cash flow. A chain-link fence along the present border of the project costing a couple thousand dollars would be a more prudent solution to the security problem. The security issue was not addressed at all in the present proposal so the project would have to pay the cost of a fence in any case.

RT:pw/64

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: W. Scott Frazier WSF

RE: Notice of Intent to Declare Default -- Randall

DATE: June 13, 1985

I. Basic Project Information

Owner:	John M. Randall Associates (a general partnership, with the partners personally liable on the debt).
Project Description:	Two buildings located at 323-325 St. Paul Street in Burlington. Eleven units of family housing. (NSA).
TDC per Regulatory Agreement:	$367,911.00
Actual TDC:	In excess of $400,000.00
Loan Amount:	A. Original Note - 10/29/81 - $339,950.00 B. Subsequent advance - 4/2/84 - $12,866.00 C. Combined outstanding principal balance as of today: $344,413.04.
Loan Status:	Current

II. The Present Situation

A. Main Problem - Randall has paid at least $2,100 of construction cost overruns over to the contractor, Kenclif, from project funds in violation of the Regulatory Agreement, has indicated an intention to

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

continue to do so, has failed to provide an adequate audit for 1984, and has persistently failed to answer questions posed by staff as to previous audits. A notice of intent to declare default, giving Randall 30 days to correct these problems, was sent on June 7, 1985, a copy of which is attached. Kenclif through its counsel has said that it will put any future payments from Randall in an escrow account until any cloud on the money is lifted. If we follow through against Randall, it is almost certain that he will attempt some sort of counterclaim based on our refusal to recommend a HAP increase for a substantial portion of his construction costs overruns. He has always blamed us for his problems.

B. Collateral Problem - Frank Von Turkovich, the original contractor for the development is trying to get the Agency to help him recover $5,000 plus interest owed to him by Randall (current balance approximately $8,000). Von Turkovich has had, since 1981, a judgment lien for $5,500 against the project, with our knowledge. The priority of our mortgage over that lien - as of 1981 - is expressly insured. However, in 1984, three years later, we disbursed an additional $12,866.00 to Randall without taking into account the effect of the 1981 Turkovich lien. (This advance was the agreed portion of construction cost overruns, which was finally disbursed after a HAP increase was granted to cover the cost). So long as no default was contemplated, the existence of Turkovich's lien was immaterial, since it was subordinate to a $340,000 indebtedness. In contemplation of foreclosure, however, it could arguably give him leverage to force a judicially imposed sale of the project (rather than a strict foreclosure) on the argument that his lien has priority over our 1984 advance, and that he should have an opportunity to see whether an auction will make him whole. Whether his position has merit is an open question, but it is enough to go to court on - particularly as a defendant in a foreclosure action. (It seems a little unlikely that it would be worth his while to raise the issue in an affirmative suit, since his rights are far from black and white, the expense would be considerable, and he cannot know for sure whether the property would bring more than the portion of the VHFA debt that has clear priority). Bottom line on this is that Turkovich is in a position to be a nuisance figure in any enforcement action. A reasonable decision could be made either way as to him - that is, settle him out or contest his position.

Morally (for reasons stated below) he should be fought. From a cost effectiveness viewpoint, we could lose the contest and then have to settle him out anyway - probably more expensively.

III. Background Information - On May 29, 1980, a construction closing was held on the project.

At the closing, an express representation was made by John Randall (with the Von Turkoviches sitting silently by) that the two Randalls and Daugherty were the only partners even though Frank Von Turkovich had signed the HAP Agreement purporting to be a partner. (HUD told us not to worry about Turkovich's name on the HAP Agreement as fair as it was concerned.)

Although the loan closed, we disbursed no funds because Turkovich (the contractor) was short on his letter of credit security by $10,000.00. No work commenced.

On June 24, 1980, Randall fired Von Turkovich.

Subsequently, the Turkoviches claimed they held an equity interest in the partnership. We learned later that the Turkoviches and their lawyer who incidentally at the time was Russell Nyquette cut a deal of some sort with Randall in the alley outside the old firehouse immediately before the May 29 closing. We took no position on the merits of the dispute between Randall and Turkovich; rather, we were concerned that the project be able to proceed without the threat of liens and lawsuits between the owner and Turkovich. A settlement was reached between Randall and the Turkoviches and a $5,000 note included in the settlement was defaulted on by Randall, and it is the source of the present judgment lien.

Shortly after the release was delivered, we held a second construction closing, substituting Kenclif as contractor, and the project went forward. Unfortunately, problems did not end there. Construction cost overruns exceeded $40,000.00. Randall sought mortgage increases to cover them. The Agency's position was that (1) it would provide funding only to the extent of a compensating increase in HAP payments, and (2) as HAP administrator, it would support a rent increase only to the extent of about $12,000.00. The HAP increase (and corresponding $12,000 mortgage increase) was eventually granted, but not until 1984. It should be noted that the problem of completing the project was solved only after tortured negotiations and extraordinary cooperation from Kenclif: Kenclif agreed to finish the work, waive all lien rights absolutely, and look only to

Randall (and not the project) for the overrun cost. Subsequently, Kenclif obtained a judgment against Randall, and it is against the amount due under that judgment that Randall has been improperly paying from project funds.

WSF:pw/130

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

VERMONT HOUSING FINANCE AGENCY

June 7, 1985

John M. Randall Associates
217 Church Street
Burlington, Vermont 05401

John M. Randall Associates
135 West Abbott Grove
Orchard Park, NY 14127

John M. Randall Associates
c/o Newberry Construction
916 Ellicott Square
Buffalo, New York 14203

Re: NOTICE OF INTENT TO DECLARE DEFAULT Under Regulatory Agreement Between Vermont Housing Finance Agency and John M. Randall Associates (the "Partnership") Dated May 29, 1980 and Under First Mortgage Deed and Security Agreement Given By the Partnership to Vermont Housing Finance Agency, Dated May 29, 1980 and Recorded in Vol. 270, Pages 338-362 of the Land Records of the City of Burlington

Gentlemen:

Pursuant to the captioned Regulatory Agreement (the "Regulatory Agreement") and the captioned First Mortgage Deed and Security Agreement (the "Mortgage"), Vermont Housing Finance Agency (the "Agency"), hereby notifies you as follows:

1. The Partnership has violated the Regulatory Agreement in the following particulars:

   A. Disbursement of not less than $2,124.80 to Kenclif Con-truction from the Development Operations account for purposes other than the purposes authorized by paragraph 5 of the Regulatory Agreement, all without the consent of the Agency, thus violating paragraph 11(c) of the Regulatory Agreement.

   B. Failure to provide audited financial report for 1984 in accordance with certain of our requirements, to wit:

      (i) failure to provide management letter revealing any substantial weaknesses and/or operational inefficiencies;

      (ii) failure to provide complete information as to mortgage payable;

(iii) with respect to notes payable, failure to comply with paragraph 14 of the attached letter of January 18, 1985;

(iv) with respect to return on equity, failure to comply with paragraph 17 of the attached letter of January 18, 1985;

(v) with respect to the Replacement Reserve, failure to comply with paragraph 18 of the attached letter of January 18, 1985;

(vi) with respect to working capital, failure to specify extent of compliance or non-compliance;

(vii) failure to provide auditor's opinion as to supplemental financial statement, which does not balance.

All in violation of Paragraph 9(b) of the Regulatory Agreement.

C. Failure to provide the information required pursuant to letter of Ronne Thielen dated January 18, 1985 (copy attached), all in violation of paragraph 9(a) of the Regulatory Agreement.

2. The Partnership is in breach of the Mortgage in the following particulars:

A. Breach of the Regulatory Agreement, as noted above.

The breaches noted above may be cured to the satisfaction of the Agency by the following actions on the part of the Partnership, provided such action is effective on or prior to the 30th day after the date of mailing hereof (which date of mailing is June 7, 1985):

1. Deposit into the Development Operations Account (from sources other than "Gross Revenues" as defined in paragraph 5 of the Regulatory Agreement, and without violation of any other provision of the Regulatory Agreement) the sum of $2,124.80 together with any and all other sums disbursed therefrom in violation of the Regulatory Agreement.

2. With respect to the 1984 financial report, delivery to me of:

(i) the auditor's management letter revealing any substantial weaknesses and/or operational inefficiencies;

(ii) revised notes, showing:

(a) with respect to Note 3, additional mortgage proceeds obtained during 1984 and related repayment terms;

(b) with respect to Note 4, notes payable, the names of the payees, additional activity during the year, clear explanation of purpose of underlying transaction, and source of repayment;

(c) with respect to Note 6, the extent of compliance or non-compliance with the working capital requirement;

(d) with respect to Note 8, the amount to be allowed and the amount available as of the year end;

(e) replacement reserve and project cost escrow requirements and extent of compliance therewith;

(f) clear and full explanation of $13,666 paid out for other debt, as per supplemental financial statement;

(iii) a new supplemental financial statement which balances;

(iv) updated Auditor's opinion taking into account notes revised as above and expressing an opinion as to the supplemental financial statement.

3. Delivery to me of written answers, satisfactory to the Agency, to all questions posed in the said attached letter.

If the Partnership fails to cure the breaches noted above in the manner and within the time specified above, the Agency intends to declare a default for each and every breach not so cured and to exercise one or more of the remedies available to it under the Regulatory Agreement and/or the Mortgage, as appropriate, including, without limitation, and as the Agency may elect from time to time after default, acceleration of the debt secured by the Mortgage, foreclosure of the Mortgage, and any and every other remedy available to it under the Regulatory Agreement and the Mortgage, to which I hereby refer you for additional information.

Please disregard any recent prior notice, dated May 29, 1985, which may have reached you. This is the one that counts.

Finally, I suggest that you set up a meeting with me at my office in the immediate future, and that you bring your counsel.

Very truly yours,

VERMONT HOUSING FINANCE AGENCY

BY W. Scott Frazier

W. Scott Frazier
Executive Director

FK/WSF:108
cc: David Watts, Esq.

STEWART M. LEDBETTER, Chairman
W. SCOTT FRAZIER, Executive Director

VERMONT HOUSING FINANCE AGENCY

January 18, 1985

Mr. John M. Randall
Randall Associates
c/o Newberry Construction
916 Ellicott Square
Buffalo, New York 94203

RE: AUDITED FINANCIAL STATEMENTS
ST. PAUL STREET PROJECT, BURLINGTON

Dear John:

In reviewing the audits for your St. Paul Street project, we have discovered many areas of concern which must be explained and/or corrected by you and your auditors. Some of the problems are in the audit itself and some have to do with money spent from project operations cash that should not have been. I will start with the latter. Since some figures changed from the 1982 audit when 1982 was stated as comparative in the 1983 audit, I will be referring only to the figures presented in the 1983 audit. In the VHFA Supplemental Financial Statement we have the following concerns.

1. During 1982, $2,373 was spent on legal expenses. Since these were partnership related legal costs, the partnership, not the project should have paid them. This will be deducted from your accrued return on equity.

2. During 1982, you spent $1,861 on travel and entertainment. This is not an allowable project expense. If it was related to management of the project it should have come out of the approved management fee. Since $3,387 was the approved fee but only $2,728 was reported as taken, we'll credit $659 to management fee and deduct the remaining $1,202 from accrued return on equity.

3. During 1982, $746 was withdrawn as payments to general partners. Since we did not authorize any withdrawals, that too will be deducted from accrued return on equity.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

Accrued return on equity from July 1981 through December 1983 is $11,405. With the above actions it is reduced to $7,084. The unauthorized withdrawals were not reported on the 1982 quarterly budget performance reports which concerns me greatly as all uses of project money are to be shown there. In the future be sure all disbursements are reported by your management agent and please do not use any project money for partnership expenses. If there are any violations in the future, you will be required to repay in cash.

4. Have the auditor clarify the ($6,968) deposits to replacement reserve and restricted deposits. From transactions I know about, this figure makes no sense. The PCE loan should be shown and should be separate from replacement reserve transactions. The $1,091 deposits to replacement reserve should be on a separate line and whatever the other transactions are should also be shown separately.

5. What were the fixed assets purchased totalling $8,487? The quarterly reports don't show any such purchases. Part of it is probably for enclosing the porch, but I don't believe that's all of it.

6. For both 1982 and 1983, there is no interest or laundry income reported. This seems to be an error.

7. Instructions for the Supplemental asked that principal and interest be broken out, but it was not done.

In the body of the audit we also have concerns.

8. On the balance sheet we see that the working capital reduced both years without our approval. Eddy LaCivita wrote you on November 2, 1983 and told you to put back the $2,800 you had recently withdrawn as reported on the quarterly. You ignored this requirement and apparently did not make the auditors aware of it since Note 6 intimates that you are in compliance with the working capital requirement. Do not under any circumstances withdraw the remaining $1,200 without our authorization.

9. Accrued interest as stated on page 3 is incorrect. It would not be the same two years in a row.

10. Please explain Due to General Partners on page 3. It would appear that the reduction between 1982 and 1983 of $2,800 may be the working capital withdrawn. If so (or not), what is the remainder and how is it being/to be paid?

11. What is the increase in payable to general partner during 1982 on page 6? Is the decrease in 1983 the working capital withdrawal and, if so, how does that relate to proceeds of working capital account above those of $1,809?

Most of the Notes to Financial Statements are not acceptable and must be done correctly for the 1984 audit as follows:

12. Note 2, Significant Accounting Policies, must be expanded.

13. Note 3, Mortgage Payable, is incomplete and must be expanded to include a five year summary.

14. Note 4, Notes Payable, needs to be more specific. It must be stated that neither interest nor principal on these notes is to be paid from operating income and that they are strictly obligations of the partnership. Why were these liabilities incurred? Were they to cover cost overruns or are they somehow tied to equity? We should know this.

15. Note 6, Working Capital, see item 8.

16. Note 7, Rent Supplement, should state Vermont Housing Finance Agency.

17. Note 8, Return on Equity, must be expanded to report the actual amount per the Regulatory Agreement. It should also report whether or not authorizations for disbursements have been made and should keep track of the accrued return from year to year.

18. There must be a Note explainig the Replacement Reserve deposit requirement as increased from year to year per the Regulatory Agreement. It should keep track of compliance with deposit requirements and any withdrawals made.

19. There must be a Note about the Project Cost Escrow explaining its functions per the Regulatory Agreement and any withdrawals or repayments made. It should report any outstanding loans from the account.

The Management Letter is unacceptable as submitted. It must be written by the auditors to you revealing any substantial weaknesses and/or operational inefficiencies

We must have answers to all questions posed in this letter. Comments on improving Notes must be taken into consideration as the auditors prepare the 1984 statement, as must all other audit requirements as mailed to you and your auditors in December 1984. We will not accept noncomplying audits.

Sincerely,

Ronne L. Thielen
Director, Housing Management

RT/ns30

cc: Charles F. Koller, CPA

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Michael M. Richardson

RE: St. Johnsbury Level III Community Care Facility

Project Description

An existing duplex at 3-5 Cherry Street in St. Johnsbury would be renovated and a new wing added (12,500 square feet total) to accommodate up to 38 elderly residents in 32 private rooms and suites. The project will be on three levels served by a central elevator. A Level III facility provides room, board, personal care and limited medical services to frail elderly persons (and/or developmentally disabled persons) and is licensed and supervised by the State Department of Health. The sponsor has applied for three grants:

Rural Development Action Grant (RDAG)	$212,000
Urban Development Action Grant (UDAG)	$131,000
Office of Community Services Grant (OCS)	$135,000

The RDAG has been awarded contingent upon the receipt of UDAG and VHFA funding. The UDAG was submitted at the end of May and awards are to be announced by the end of July. Both these grants are essential components of the sponsor's financing package. An announcement regarding the OCS application is expected in September although failure to receive this grant would not jeopardize the project.

The Total Development Cost is $775,000. The maximum loan amount would be $443,500 with the balance coming from sponsor's equity contribution ($115,700) and grant proceeds ($215,800).

Occupancy Restrictions

A minimum of four residents will be receiving full SSI benefits (the qualifying income for which is less than 50% of median income) and an additional 16 residents will be lower income, defined as 80% of median income. Room rates for SSI beneficiaries will be 90% of the SSI payment or $466 per month. Rates for the lower income residents will be set by formula to ensure affordability and leave each resident with a minimum monthly allowance.

Development Group

Development/Owner: Northern Community Care Corporation (NCCC), a wholly owned subsidiary of Northern Community Investment Corporation, will be the Developer/Owner of the project.

Marketing/Management Agent: The agent, NCCC, recently completed a 24-room Level III facility in Enfield, New Hampshire. The corporation has also been active in developing training programs for Level III personnel. Marketing of the project will begin with construction.

Architect: David Luce, Waterbury, VT

General Contractor: Not known at this time.

Attorney: Michael Mastronardi

Development Costs

Site	$ 85,000
Building Construction	550,000
Furniture and Equipment	60,000
Fees	48,500
Financing	31,500
Total Costs	$775,000

Sources

Equity Contribution (11.78%)	$115,700
Grants	215,800
Maximum Loan Request	443,500
Total Sources	$775,000

Comments: An additional $127,200 in grant proceeds will fund a working capital budget of $110,000 and defray other, non-mortgagable costs. Construction cost per square foot (including furniture and equipment) is $42.42 per square foot. The construction figure is an estimate as of this date and has not been verified by an independent third party.

Operating Costs

Effective Gross Rents	$250,113
Expenses	$197,000
Net Operating Income	$ 56,713
Debt Service	$ 48,361
Cash Flow	$ 8,352
Cash Return on Equity	7%
Debt Coverage Ratio	1 to 1.17

Comments: The above Operating Pro Forma assumes a 5% vacancy rate. The project assumes financing at 10%, amortized over 25 years. The high operating expenses reflect payroll for a staff of 9 and such other Level III operating costs as food and transportation for residents.

Market Analysis

The Level III facilities nearest to St. Johnsbury are in Barton and Bradford (there are no Level III's in Caledonia County). Comments from State Health Department officials and other Community Care Home operators as well as demographic data indicate a need for such a facility. However, two important factors should be considered.

First, the Sponsor's breakeven rent is approximately $640 per month in a market where the majority of consumers are paying about $600. The Sponsor proposes to achieve the projected gross rent potential by using a sliding scale of fees pegged to the residents' income. The industry norm is to offer different rates based on whether a room is private or semi-private. All the rooms will be private at Canterbury Inn but the effect on marketing of having some people pay more than others is untested.

Second, it is an axiom in the industry that moving into a Level III facility is one of the most difficult decisions a person (and his or her immediate family) can make. Consequently, initial rent up is **much slower** than in conventional housing. The Sponsor projects an overall vacancy rate for the first year of 50% and will cover lost income with a $75,000 reserve fund (part of the Working Capital Budget). The Sponsor then assumes a 5% vacancy rate in year two. Conversations with other operators indicate that full occupancy may not be reached for two years. In the long-term successful marketing depends on reputation and amenities. The Sponsor has made a strong commitment to professional management which undoubtedly will pay dividends. As a modern facility Canterbury Inn will offer above average amenities.

MR:pw/78

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: Michael M. Richardson

RE: Otter Creek Apartments, Executive Summary

DATE: June 13, 1985

Introduction

This is the 32-unit project in Rutland last reviewed by the Board in August of 1984. The Board authorized a letter of interest at that time. The principals, Mark Berezin and Saul Ziner have resolved most of the outstanding issues and are well along in the permit process. The Howard Bank has indicated a willingness to purchase an Agency bond issued to finance the project. The staff recommends Board authorization to issue a commitment letter to the Sponsors, pending resolution of final details. The project is summarized as follows.

Project Description

Two buildings on 7.5 acres of open field on Campbell Road in Rutland City. Five different apartment types will be offered (see attached unit breakdown). Amenities include a handsome view of the Green Mountains, a swimming pool, walk-in closets, dishwashers and laundry facilities.

Occupancy Restrictions

Per Federal and Agency regulations most of the units will be restricted as follows:

No. of Units	% of Total	Household Income Limit	Rent
7	22%	80% of Median Income	80% of Market
17	53%	100% Median Income	Market
8	25%	Unrestricted	Market

Median Income for Rutland County is $24,100 and 80% of that figure is $19,280. If, in the coming year, the Treasury Department further requires that 80% of median income be stratified by household size the limits would be:

1 Person	2 Person	3 Person	4 Person
$13,500	$15,450	$17,350	$19,300

Development Group

Developer/Owner: A Vermont Limited Partnership will be formed with Messrs. Berezin and Ziner along with CRES Development Company Inc. as General Partners.

Marketing/Management: Eastern Properties (they also manage the Bardwell and Holy Angels).

Architect: Larkin, Glassman & Prager, Boston (also did the Bardwell).

General Contractor: E.F. Wall

Attorney: George Nostrand, Springfield, Vemont

Development Costs

Site	$ 80,000
Construction (approx.)	1,216,750
Fees	78,750
Financing	64,500
Total Development Cost	$1,440,000
Equity (approximate)	$ 288,865
Loan (approximate)	$1,151,135

Comments: Sponsors are still refining the final construction cost and the Agency should receive an independent third party estimate prior to the Board meeting. Site cost has been substantiated by an appraisal.

Annualized Operating Budget

Effective Gross Rents	$ 161,271
Expenses	41,934
Debt Service (9.35%/25 Yrs)	119,252
Cash Surplus	85

Comments: The Agency has required a minimum breakeven cash flow with the rents as proposed (see unit breakdown) and a vacancy factor of 5%

Market Analysis

The project meets a demand for new units at the upper end of the Rutland rental market. A two-year moratorium on multi-family construction plus continuing industrial and commercial growth should strengthen that demand over the next 2-4 years.

Financing Terms and Conditions

Construction Loan: Howard Bank, approximately 12% interest only

Mortgage Loan: Approximately 9.35% interest fixed for 6 years amortized on a 25-year schedule but due in 12 years. Mortgage rate to be reset at end of 6th year for remaining 6-year term.

Bond: Approximately 8.0%, 12-year instrument. Rate to be reset in year 6, rate to be tied to the 5-year Constant Maturity Treasury Index. Buyer will be the Howard Bank who will sell approximately 40% to the Chittenden.

Required Reserves

1. Revenue Deficit L.O.C. equal to the difference between annualized income from leases in hand at closing and 95% of Gross Rent potential; L.O.C. to be adjusted at anniversary date to reflect then current difference; requirement lapses after 3 consecutive months of rental income equal to 95% of Gross Rents.

2. Working Capital L.O.C. equal to 40% of annual debt service to be reduced by 1/4 for each year of breakeven operation.

3. Reserve for Replacement cash escrow or L.O.C. equal to 2% of Total Development Cost and increasing annually by 10% more than previous year over life of loan.

Outstanding Items

1. Final construction numbers, substantiated by independent cost estimate are expected shortly.

2. A subdivision permit is required prior to deeding the 7.5 acre parcel to the Agency (project is presently permitted to proceed on Sponsor's original 26 acre parcel).

3. Formal Agreement between Agency and Howard Bank as to the adjustment mechanism on the Bond rate and other details.

Time Frame

Construction can begin by August 1st with substantial completion in January of 1986.

Financing Recommendation

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

MR:pw/77

UNIT BREAKDOWN
BEREZIN PROJECT

13-Jun-85

Apt. Type	No. Units	No.Br	GSF/Unit	Market Rent	Rstrict Rent	Comment
1 & 1A	20	2	875	$450	$360	
2	2	1	585	$425	$340	One per bldg.
3	2	2	762	$450	$360	One per bldg. Dormer windows
4	6	2	945 *	$500	$400	Balconies for 2nd floor units Private patios for ground units
5	2	2	828	$450	$360	One per bldg. Handicapped equiped
Totals	32	62	27526			
Ave.			860.187	$458	$366	

* Gross Square Footage includes Balcony
Seven units must be occupied by persons with household incomes at or below 80% of Median Income for Rutland County. At least one Type 4 unit must be so occupied. The Sponsor may meet the balance of the requirement as may be most practicable.

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

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 Ended June 30, 1986

DATE: June 13, 1985

Attached is the proposed budget for the fiscal year ended June 30, 1986, which includes comparatives to the June 30, 1985 approved budget and the estimated final numbers for the fiscal year then ending.

I think it is appropriate to first address the estimated final operations versus the original approved budget. The major variances relate to the bond issue completed in May which was unanticipated at budget time a year ago. The effects of this second program during this fiscal year was to generate more single family fee income and require an additional contribution to the program of approximately $665,000. Other major variances between the original budget and the estimated actual final results are as follows:

1. Annual Report: Expected costs came in higher than originally anticipated.

2. Consulting Fees: Because of our in-house data processing manager's accomplishments, reliance on outside consultants was much less than expected.

3. Miscellaneous: Moving expenses came in about one-half of the $5,000 originally allocated.

4. Office Expenses: Additional paper requirements for copies and computers exceeded original estimates to a large extent and created a substantial portion of the shortage.

5. Pension: Higher than expected recoveries of terminating employees contributions created the extra savings.

6. Postage: Greater usage, special mailings, and substantial increases in overnight delivery services are responsible for the overage.

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

7. Rent: Moving into new quarters during the fiscal year was not originally anticipated.

8. Repairs and Maintenance: A downgrade in our computer service agreement due to greater reliability in our data processing manager accounted for the savings.

9. Staff Travel and Training: Trips to seminars were less than anticipated.

10. Utilities: Two months of savings at new office were responsible for this savings.

11. Depreciation: The purchase of the telephone system, office furniture and retrofit of the new space exceeded original anticipated investments.

In summary, expenses were approximately 3% less then expected in total and the new '85 program created a decrease to expected fund balance which was partially supplemented by $150,000 from the Mortgage Purchase Program to provide a small increase to the general fund balance at the end of June 30, 1985.

FISCAL YEAR ENDED JUNE 30, 1986 BUDGET

The overall budget for the coming fiscal year shows a decrease in revenues of approximately 11%, an increase in fund balance transfers of 4%, ignoring contributions to new programs, and an increase in expenses of 11%. The net effect of these changes is to increase the general fund balance by approximately $850,000 which would then total about 3.2 million dollars or .8% of outstanding total Agency debt.

The major changes from the current year are as follows:

1. Single Family Fees: Will decrease based on the supposition of one new program as opposed to two during this year.

2. Multi-Family Fees: A couple of projects are expected to be financed by the Agency during the coming year.

3. Loans to Lenders Fund Balance Transfer: The 1974 program will terminate October 1, 1985 at which time we expect to be able to realize $100,000 from this program.

4. Connecticut National Multi-Family Fund Balance Transfer: We are starting to receive paybacks from original general fund loans that can be transferred back into the general fund.

5. Howard Home Mortgage Purchase Fund Balance Transfer: An anticipated 1986 program of $30 million of lendable proceeds will require an Agency contribution of $525,000. Additional funds transferred to the general fund are generated from the new programs.

6. Advertising: An anticipated recycling program is estimated to cost about $4,000 in additional costs.

7. Consulting Fees: Due to the departure of our Construction Specialist we believe we will have to expend $10,000 for per diem services.

8. Dues and Subscriptions: A special assessment from CSHA of $1,000 is included for the purpose of lobbying against the President's Tax Reform Package.

9. Interest: Reductions in notes payable account for this decrease.

10. Legal: Only recurring legal counsel expenses are included in this category and the increase is basically due to the fact that we were fortunate in the past year with regard to suits, etc.

11. Miscellaneous: Last year included special category for moving expenses not needed this year.

12. Pension: Remains at 5% of employee compensation, but we don't expect large forfeitures during this year which offsets the net cost.

13. Rent, Repairs and Maintenance, Utilities: Although rent expense is increasing about $15,000 for the coming year, we will be saving about $4,000 on repairs and maintenance and $7,000 on utilities which are now included in the rental charge.

14. Staff Travel and Training: This increase is basically due to increased continuing education for staff especially in the multi-family department.

15. Trustee Fees: This increase is based on fees for the 1984 and 1985 programs that were not payable in the prior year.

16. Depreciation: The additional purchases of capital items during the past year (i.e., telephone system, office retrofit, computer equipment and office furniture) necessitate the increase in this item.

Scott has detailed information available on all budget items and will be able to answer any questions you may have on the presented data or any other areas of the budget not expressly addressed.

Board Action Needed

1. Acceptance of estimated actual June 30, 1985 numbers as an amended budget.

2. Ratification of proposed June 30, 1986 as presented or amended.

RS:pw/41
Attachment

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E 6/30/86

	Approved Budget 6/30/85	Estimated Actual 6/30/85	F/Y/E 6/30/86	Percentage Increase (Decrease) F/Y 6/86 Budget Over 6/85 Actual
INCOME				
VHMGB	64,500	64,866	70,500	8.7
Single-Family Fee Income	341,500	400,289	310,000	(22.6)
Multi-Family Fee Income	40,000	11,013	28,500	158.8
Interest Income	216,000	220,213	213,000	(3.2)
Miscellaneous	7,500	5,397	5,000	(7.4)
TOTAL INCOME	669,500	701,778	627,000	(10.7)
FUND BALANCE TRANSFERS				
Loans to Lenders	180,000	180,000	260,000	44.4
Shawmut Mortgage Purchase	100,000	100,000	100,000	-0-
Howard Mortgage Purchase	660,000	810,000	700,000	(11.1)
Howard Multi Family	400,000	400,000	400,000	-0-
Connecticut Nat'l Multi-Family	60,000	60,000	120,000	100.0
Howard Home Mortgage Purchase	(701,000)	(1,366,617)	(525,000)	(61.6)
	140,000	164,895	208,000	26.1
TOTAL TRANSFERS	839,000	348,278	1,263,000	262.6
TOTAL INCOME & TRANSFERS	1,508,500	1,050,056	1,890,000	80.0
EXPENSES				
Advertising	3,000	2,600	7,000	169.2
Audit	16,500	16,500	18,000	9.1
Annual Report	7,500	8,948	8,500	(5.0)
Commissioners Expenses	2,500	2,629	3,000	14.1
Consulting Fees	15,000	4,700	16,000	240.4
Dues and Subscriptions	8,000	8,142	9,500	16.7
Insurance	38,500	40,484	44,000	8.7
Interest Expense	11,400	11,239	9,000	(19.9)
Legal	37,000	34,496	39,000	13.1
Miscellaneous	7,500	5,281	2,500	(52.7)
Office Expenses	10,000	12,000	12,000	-0-
Pension Plan	18,000	15,000	19,500	30.0
Postage	5,600	6,127	6,500	6.1
Rent	35,000	41,966	56,500	34.6
Repairs and Maintenance	27,500	23,179	20,000	(13.7)
Salaries and Wages	493,000	483,248	496,000	2.6
Staff Travel and Training	25,000	20,000	27,500	37.5
Taxes - Payroll	34,500	32,801	34,500	5.2
Telephone	18,000	15,450	15,000	(2.9)
Trustee and Assignee Fees	115,000	109,922	149,000	35.6
Utilities	7,500	6,762	-0-	(100.0)
Depreciation	30,000	35,575	45,000	26.5
TOTAL EXPENSES	966,000	937,049	1,038,000	10.8
INCREASE (DECREASE) TO FUND BALANCE	542,500	113,007	852,000	653.9

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: President Reagan's Tax Reform Proposal

DATE: June 13, 1985

As you may already be aware, the President's Tax Reform Plan essentially eliminates tax-exempt financing. Attached is a copy of a letter I sent to all three members of our Congressional Delegation in Washington with a copy to the Governor along with the responses received to date. The impact on the Agency has also been reported on local TV, radio, and in the newspapers through various people, including Rep. Howard Dean.

Since "the President's proposal is only the opening pitch, and not the final inning in the tax simplification game", we need to discuss what actions the staff should take beyond those taken to date. The goal of our discussion is to pick a clear direction as to how to most effectively get our Congressmen to vote no to any provision calling for the elimination of tax-exempt financing for housing.

WSF:pw/129
Attachments

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

VHFA VERMONT HOUSING FINANCE AGENCY

May 31, 1985

The Honorable Robert T. Stafford
133 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Stafford:

Now that the President has made his tax reform plan public, I thought it might be useful to bring you up to date on how the administration's plan would affect the activities of the Vermont Housing Finance Agency. Quite simply, the tax reform plan would be disastrous to us because it calls for the elimination of tax-exempt financing for housing on January 1, 1986. As you know, our lending activities are made possible through the sale of tax-exempt mortgage revenue bonds (for our single family programs) and industrial development bonds (for our multi-family rental housing programs).

In the past you have been supportive of the Vermont Housing Finance Agency and the use of tax-exempt financing for housing. Your support has been most appreciated. Now, again, we ask for your continued support to oppose the passage of those provisions of any tax reform bill which are anti-housing and more specifically which call for the elimination of the use of tax-exempt financing for housing. While we agree with the notion of tax simplification, it is our belief the Federal tax code should be used as a vehicle to promote certain social goals. The drastic reduction and elimination of direct federal subsidies (such as the HUD Section 8 multi-family rental program for new construction) make indirect tax code subsidies more important than ever. The providing of affordable adequate housing for low and moderate income families is clearly a legitimate goal.

Last year, we provided loans to 865 low and moderate income homebuyers for the purchase of single family homes under our 1984 Home Mortgage Purchase Program. The results of this program show an average purchase price of the homes financed was $49,179 for which our average homebuyer had to commit 25.5% of his or her income. 92.0% of our homebuyers were first-time homebuyers and 60.1% of the loans had two or more wage earners. Under our most recent program which began on May 16, 1985, the prevailing interest rate for fixed rate mortgage loans in the State of Vermont

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

was 13.25% as compared to our 10.6%. I think all these numbers speak for themselves and show the need to continue to allow tax-exempt financing to help those purchase a home who otherwise couldn't afford to do so.

Please feel free to get in touch with me or our Director of Programs, Tom Brisson, if you have any questions about our programs.

Sincerely,

W. Scott Frazier

W. Scott Frazier
Executive Director

WSF:pw/124
cc: Governor Kunin
Enclosures

ROBERT T. STAFFORD
VERMONT
WASHINGTON OFFICE:
133 HART SENATE OFFICE BUILDING
TEL: (202) 224-5141
VERMONT OFFICES:
7 SOUTH MAIN STREET
RUTLAND, TEL: 775-5446
1 MAIN STREET
CHAMPLAIN MILL #45 (4TH FLOOR)
WINOOSKI, TEL.: 951-6707

United States Senate

WASHINGTON, D.C. 20510

COMMITTEES:
ENVIRONMENT AND PUBLIC WORKS, CHAIRMAN
LABOR AND HUMAN RESOURCES
EDUCATION SUBCOMMITTEE, CHAIRMAN
VETERANS' AFFAIRS
NEAL J. HOUSTON
ADMINISTRATIVE ASSISTANT

June 5, 1985

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

Dear Mr. Frazier:

Thank you for your message concerning President Reagan's tax reform proposal that is now pending before Congress.

I am taking time to review all the proposals, including ones submitted by Senator Kasten and Senator Bradley along with President Reagan's. I shall wait until the Senate Finance Committee has completed hearings on the tax reform proposals before making any decision on a specific proposal or proposed amendments to the tax code.

I am encouraged that the chances for tax reform are better now than anytime in the past. I appreciate your thoughts on this matter and will keep them in mind when making a decision.

Sincerely,

Robert T. Stafford
United States Senator

RTS/mjp

MADELEINE M. KUNIN
GOVERNOR

STATE OF VERMONT
OFFICE OF THE GOVERNOR
PAVILION OFFICE BUILDING
MONTPELIER, VERMONT 05602
(802) 828-3333

June 11, 1985

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

Dear Scott:

Thank you for sending a copy of your letter to the Congressional Delegation regarding the impact of the Reagan tax plan on the Vermont Housing Finance Agency.

I am greatly concerned both about the budget cuts and the impact of federal tax law changes on Vermonters. You make the good point that housing programs have already been hurt by budget cuts. With the loss of indirect tax code subsidies, low and moderate income families may be kept from buying homes.

Please keep in touch about this. I have sent a copy of your letter to Steve Waltien who chairs the Council of Economic Advisors and who also chairs a federal tax monitoring group for me.

Sincerely yours,

Madeleine M. Kunin

Madeleine M. Kunin
Governor

MMK:ldd

cc: Steve Waltien

P.S. Please call my office to arrange an appointment so we can discuss this further.

Burlington Community Land Trust

P.O. Box 523 • Burlington, Vermont 05402

FIRST ANNUAL REPORT

1984–1985

Burlington Community Land Trust
P.O. Box 523 • Burlington, Vermont 05402 • (802)658-7829

In the fall of 1982, the idea for a community land trust was proposed in an application for some of the money Burlington receives each year from the Federal Government's Community Development Block Grant Program. The application survived a lengthy review process by the Neighborhood Planning Assemblies, the Joint Aldermanic and Planning Commission Community Development Committee, the Mayor, and finally the Board of Aldermen. In the summer of 1983, by virture of a $200,000 allocation from the previous years general fund surplus, Burlington became the first community in the country to provide seed money and technical assistance for the creation of a community land trust. This initiative has prompted inquiries from City Officials in Florida, New Hampshire, and Massachusetts who are facing housing and development problems not unlike Burlington's.

As the largest single investor in the BCLT so far, the City has demonstrated a tremendous commitment to ensuring that there will always be an adequate supply of affordable homes for Burlington's lower and moderate income residents. To protect this investment, the Community and Economic Development Office set out to enlist the support of those persons in the community whose professional expertise and commitment to a long term goal would guarantee the operational integrity of this organization. The community response was immediate and enthusiastic.

Beginning in the fall of 1983 a dedicated corps of volunteers including contractors, bankers, realtors, lawyers, public and private housing administrators, religious representatives, tenants and homeowners formed working committees and began a series of weekly meetings lasting into the Spring of 1984. By May of 1984, the BCLT had incorporated as a private, independent, non-profit corporation and applied for tax-exempt status. At its first Organizational Meeting, held on May 22, 1984, a nine member Board of Trustees was elected and four standing committees were established--Finance, Outreach, Acquisition and Legal.

Burlington Community Land Trust
P.O. Box 523 • Burlington, Vermont 05402 • (802)658-7829

BOARD OF TRUSTEES AND COMMITTEE MEMBERS

FEBRUARY, 1985

BOARD OF TRUSTEES

Brenda Torpy	- Board President, Burlington Community Land Trust
	- Housing Program Administrator, CEDO
	- Former Vice President of R.H. Carr Associates, Inc., Housing and Community Development Consultants
Donald Dickson	- Board Vice President, Burlington Community Land Trust
	- President, Ledgemere Information Systems (Specialty: subsidized housing programs)
	- Former Deputy Director of Vermont Housing Finance Agency
Margaret Pond	- Board Secretary, Burlington Community Land Trust
	- Housing Management Coordinator, Vermont Housing Finance Agency
	- Former manager of subsidized housing project, Winooski Housing Authority
Mark Severance	- Board Treasurer, Burlington Community Land Trust
	- Main Branch Manager, Chittenden Trust Company
Sarah Carpenter	- Executive Director, Cathedral Square Housing, Inc.
	- Former Director, Champlain Valley Area Agency on Aging
Ann Livingston	- Assistant Dean of Student Affairs, University of Vermont College of Engineering, Math and Business Administration
Kirby Dunn	- Tenants Organizer, Vermont Tenants, Inc.
	- Town Service Officer, City of Burlington
	- Staff, Chittenden Community Action - O.E.O.

Jackie Majoris - Attorney, low income advocate

- Former nutrition worker, Champlain Valley Office of Economic Opportunity; outreach worker, WIC program; clerk, Defender General's Office

Peter Owens - Landscape architect, T. J. Boyle and Associates

- Former consultant to Valley Community Land Trust, Greenfield, Massachusetts

- Former Regional Coordinator, Vermont Residential Conservation Corporation

FINANCE COMMITTEE

Don Dickson, Meg Pond, Mark Severance

Debbie Rogavin - Manager, Main Branch, Merchants Bank

Gary Widrick - Research & Training for Developmentally Disabled, U.V.M. Department of Psychology

ACQUISITION COMMITTEE

Ann Livingston, Peter Owens

Jim Hokans - Director, Burlington Youth Employment Program

Blair Hamilton - International Energy Conservation Resource Management Consultant

Amy Wright - Housing Specialist, Community and Economic Development Office, City of Burlington

- Former Executive Director, Tectonics, Inc., non-profit housing development corporation

Tom Dillon - Weatherization Program Coordinator, Chittenden Community Action

Mary Ellen Chesley - Real Estate Appraisals

John Barrows - Painting Contractor, Realtor

- School Board Commissioner, City of Burlington

OUTREACH COMMITTEE

Brenda Torpy, Kirby Dunn

Martha Seagrave	- Physicians Assistant, Levin Health Center
Kathy Nielsen	- Librarian, Fletcher Free Library, City of Burlington
Larry Lewack	- Marketing Director, Good Money Publications
	- Community Organizer
Barbara Prine	- Program Coordinator, Project Lifeline Program for isolated elderly
Barbara Hockert	- School Board Commissioner, City of Burlington
Anne Wood	- Laboratory Research Assistant, U.V.M.

LEASE COMMITTEE

Kirby Dunn, Jackie Majoros

Michael Monte	- Community Development Program Administrator, City of Burlington
	- Former Community Development Representative, State of Vermont
Terry Bouricius	- President, Burlington Board of Aldermen
	- Board President, Champlain Valley Office of Economic Opportunity
	- Grocer, Onion River Co-op, Burlington
Michael Sirotkin	- Attorney

SELECTION COMMITTEE

Meg Pond, Sarah Carpenter, Debbie Rogavin

ADMINISTRATOR

Tim McKenzie

This is the first Annual Report of the Burlington Community Land Trust. Since there are no past achievements to compare to, the real story in this report is the tremendous dedication, week in and week out during the last two and one-half years, from a memberhsip commited to taking action on the lack of affordable housing in our community.

It has been and remains a remarkable project--the shaping of a model and an idea into a working organization of persons with a wide range of perspective, interests, and expertise. After endless hours of discussion, debate and research on legal issues, mortgage financing, capital formation, fundraising and investment strategies, census data, organizational structure, community needs and expectations, neighborhood character and characters, energy conservation, housing rehabilitation, community development, real estate values, income trends, politics, philosophy and economics, we are up and running!

More than anything else, this first report is about perserverance and a willingness to deal straightforwardly with a question not commonly asked, and never seriously addressed. Is safe, decent and affordable housing for people of all income levels a right--or a privilege?

There are many elements that contribute to the high cost of putting a roof over our heads. The major elements are commonly acknowledged to be land, financing, labor, materials, and overhead/profit. They all went up in cost during the past 15 years, but the last three actually decreased as a percentage of total housing cost. The other two elements--land and financing--did not just increase as a percentage of total housing cost, they exploded. According to the United States Department of Housing and Urban Development, the cost of land went up 248% in the 1970's. The impact of volatile interest rates during this same period continues to affect the ability of the average American family to finance a home.

The introduction of the land trust model to an urban setting is an imaginative approach to the most pressing land related issue in America--affordable housing. By removing the cost of land from the purchase price, a community land trust not only provides affordable homeownership opportunities to first time buyers, but also can ensure perpetual affordability for future home buyers through limited appreciation provisions which run with the lease of trusted land. A community land trust can effectively address the crucial financing element as well by establishing a complimentary revolving loan fund, which provides social investors with an opportunity to loan to numerous motivated borrowers who would otherwise be excluded from the housing market.

For the past several years, the land trust model has shown promise in cities experiencing housing development problems. Residents of these cities became concerned about how changing ownership of their neighborhoods was affecting their lives. For some, their neighborhoods were improving but they were being forced out in the process. For others, their neighborhoods were crumbling around them and there was no way out. In a remarkable display of grassroot initiative, and with help from local religious and other community leaders, these residents began to struggle with the complex legal and financial arrangements required to establish an old idea in a new setting, and the first Community Land Trusts were born.

Burlington is the most recent community to embrace the land trust model. Situated on the "West Coast of New England" (otherwise known as the beautiful shores of Lake Champlain), Burlington is home base to Vermont's largest academic, banking, real estate, medical and other professional communities. With an October unemployment rate of 2.9% and over $350,000,000 in development proposals moving through the City's approval processes, Burlington's economy is booming. Enrollment in the City's academic institutions brings nearly 10,000 out of town students and their purchasing power to the area each school year. On the surface it would appear that all is well in Burlington. On closer inspection, however, the impact of such rapid and concentrated growth is taking its toll on the long term, working class residents of the City.

As development in the City continues, the resulting gentrification, commercial encroachment, skyrocketing land values and increasing pressure from students seeking off-campus housing has given rise to the most severe affordable housing crisis in the City's history. The vacancy rate for Burlington rentals is less than 1%. Fair market rents in Burlington range from $407 for one bedroom to $680 for four bedrooms. Rents in Burlington doubled between 1970 and 1980. Since 1980, it appears that they have doubled again. According to the Vermont Housing Finance Agency the average cost of a newly constructed home in Burlington is $69,000; for an existing house--$67,500. The median income family of four in Burlington earns $29,100 and would need a $19,000 downpayment to buy the average existing house and be able to afford $680.00 per month in mortgage payments, taxes, and insurance.* Those at 80% of medium income (officially "low income" by HUD definition) would need almost $31,000 in downpayment!

Homeownership, the benchmark of a stable community, is a foregone dream for Burlington's working class residents. They are faced with the realization that their incomes are not rising as fast as their housing costs and are not likely to. Of the 1,500 new jobs being created in Burlington, nearly all will provide only minimum wage, service type employment. Of the new housing units currently being built or proposed, only a fraction are considered by local standards to be affordable. To acknowledge that homeownership has become an impossible dream for a growing majority of the population is a peculiar American embarrassment.

No less an embarrassment are the consequences of current housing economics which tend to justify and legitimize the inescapably expensive nature of a basic necessity. We expect housing developers and real estate speculators to provide for that portion of the population that can afford to buy at the going rate, while billions of public dollars are spent on programs for those who can't. Public money subsidizes new construction projects, rehab programs for landlords and homeowners, mortgage interest rates and other types of housing assistance programs. The irony is that these public subsidies, which often increase the value of private property, are lost as soon as the person who benefits from the subsidy (whether landlord or owner) sells the property at the going rate. The subsidy cycle must begin again in order for the next generation of owners to be able to afford the next generations going rate. Such are the vagaries of a market dominated system that promotes a basic necessity (i.e., shelter) as though it were a tuxedo--buy one if you can afford it, rent if you can't, or don't come to the party.

On the following pages of this report are highlights from our first year's activities, financial reports and a plan for next year's activities.

---

*Based on 28% of income for mortgage payment, taxes and insurances. (Assumes tax rate of $1.80 per $100.00, yearly insurance of $360.00, 13% financing for 25 years).

HIGHLIGHTS OF FIRST YEAR

Incorporation - May 9, 1984
First Organizational Meeting - May 22, 1984
Tax Exempt Status Received - February 7, 1985

ACQUISTIONS

1) 1123 Pine Street - single family house and land - August 20, 1984

2) 81 Manhattan Drive - duplex and land - December 21, 1984

3) 279 North Winooski Avenue - commercial building
3 Bright Street - single family
February 25, 1985 (both properties on single lot)

4) 5 St. Louis Street - single family and land - April 15, 1985

LEASES

1) 1123 Pint Street - residential
January 10, 1984

2) 279 North Winooski Avenue - commercial
February 25, 1985

3) 81 Manhatten Drive (3 BR) - residential
April 13, 1985 (sales agreement/interi rental agreement)

4) 5 St. Louis Street - residential
April 15, 1985

DONATIONS

1) Howe Meadows Property - approx. 1.5 acres (Northshore Properties)

RENOVATIONS

1) 81 Manhattan Drive (completed in conjunction with BYEP)

2) 3 Bright Street (to begin soon)

INVESTMENTS RECEIVED

1) \$20,000 - 8 yrs. -- 8%
2) \$25,000 - 5 yrs. -- 6%
3) \$26,000 - 2 yrs. -- 8%
4) \$20,000 - 5 yrs. -- 7%
\$865 Grant from Ward II NPA

LOANS MADE

1) \$ 5,000 - 6 mon. -- 0% BYEP
2) \$46,000 - 2 yrs. -- 10% Community Health Center

MEMBERSHIP

May 22, 1984 - 25 (Users - 0)
April 30, 1985 - 91 (Users - 7)

APPLICANTS

May 22, 1984 - 4
April 30, 1985 - 32

MAILING LIST (non members)

May 22, 1984 - 45
April 30, 1985 - 105

BURLINGTON COMMUNITY LAND TRUST, INC.

Statement of Condition
September 30, 1984

ASSETS	
Cash	1,074.00
Accounts Receivable	137,397.96
Land & Buildings	55,000.00
Total Assets	193,471.96
LIABILITIES	
Deposits Held	1,000.00
Total Liabilities	1,000.00
CAPITAL	192,471.96
Total Liabilities and Capital	193,471.96

Income Statement
Quarter ended 9/30/84

INCOME	
Fund-Raising activities	1,043.50
Membership fees	37.00
Total Income	1,080.50
EXPENSES	
Legal expense	375.00
Taxes on property	111.00
Recording fees	14.50
Petty Cash	26.00
Start-up expenses	8,082.04
Total expenses	8,608.54
Net income (loss)	(7,528.04)
Capital - 6/30/84	200,000.00
Net Loss	7,528.04
Capital - 9/30/84	192,471.96

Statement of Condition
December 31, 1984

ASSETS

Cash	12,610.07
Accounts Receivable	67,304.65
Land and Buildings	119,714.00
Prepaid Rent	2,600.00
Total Assets	202,228.72

LIABILITIES

Deposits Payable	1,000.00
Notes Payable	29,952.05
Total Liabilities	30,952.05
CAPITAL	171,276.67
Total Liabilities and Capital	202,228.72

Income Statement
Six Months Ended 12/31/84

INCOME

Fund-Raising Activities	1,784.00
Dues and Memberships	37.00
Interest Income	155.74
Total Income	1,976.74

Expenses

Salaries	4,692.31
Travel	96.85
Rent/Utilities	1,663.83
Printing/Public Relations	584.48
Fund-Raising	1,877.12
Office Supplies	98.76
Legal	4,375.66
Research and Development	13,796.31
Insurance	250.00
Taxes/Property Acquisition	2,794.25
Other Expenses	470.50
Total Expenses	30,700.07
Net Income (loss)	(28,723.33)
Capital - 6/30/84	200,000.00
Net Loss	28,723.33
Capital - 12/31/84	171,276.67

BURLINGTON COMMUNITY LAND TRUST, INC.

Statement of Condition

March 31, 1985

ASSETS

Cash	$114,700.34
Accounts Receivable	45,307.15
Notes Receivable	18,000.00
Land and Buildings	118,404.00
Prepaid Expenses	650.00
Total Assets	297,061.49

LIABILITIES

Accounts Payable	75.50
Notes Payable	138,491.91
Total Liabilities	138,567.41
Net Worth	158,494.08
Total Liabilities and Capital	297,061.49

BURLINGTON COMMUNITY LAND TRUST, INC.

Income Statement

Three Months Ended March 31, 1985

INCOME	
Fund Raising	$664.45
Dues/Memberships	31.00
Interest	731.67
Total Income	1,427.12
EXPENSES	
Salaries	3,687.50
Employee Benefits	1,244.41
Rent	2,659.75
Printing/Public Relations	373.24
Supplies	29.85
Legal	691.00
Research and Development	180.00
Property Repairs	195.00
Insurance	981.00
Property Taxes	911.11
Property Acquisition	354.25
Utilities	531.81
Interest	704.79
Labor	33.50
Selling expense	1,446.38
Petty expense	186.12
Total Expenses	14,209.71
Net Income (Loss)	(12,782.59)
Capital 12/31/84	171,276.67
Capital 3/31/85	158,494.08

Burlington Community Land Trust
P.O. Box 523 • Burlington, Vermont 05402 • (802)658-7829

1985-86 WORKPLAN

In our second year (May 1985 to May 1986), the Burlington Community Land Trust will meet the following objectives:

- To establish its first co-op(s), as this is the only means of helping the low and moderate income families that are being forced out of the City by rising land values.

- Continue to work actively with other non-profits that serve our population, such as Burlington Youth Employment Program and the Community Health Center to better serve the low and moderate income families of our target area.

- To triple our Revolving Loan Fund - to supplement the conventional mortgage money that our program leverages.

- To make direct contact with all of the City's neighborhood and service organizations, clubs, business and professional associations and churches, and to arrange formal presentations to their membership.

- To raise $5,000 locally and $30,000 through foundations to make the Land Trust self-sufficient.

- To secure ten (10) Section 8 subsidies to be applied to homeownership.

- To make every effort to secure the 11-unit Section 8 building on Maple Street from the King Street Corporation.

- To triple our 1984-85 acquisition schedule.

- To relocate to a permanent office space in or near our target area and hire an assistant to the administrator.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners
FROM: W. Scott Frazier WSF
RE: Moody's Credit Report
DATE: June 13, 1985

For your information, attached is Moody's Credit Report for our most recent single family bond issue.

WSF:pw

Post Office Box 408 Burlington, Vermont 05402 (802) 864-5743

Moody's Municipal Credit Report

Vermont Housing Finance Agency

April 30, 1985

	New Issue	Housing
sale:	$35,960,028	Home Mortgage Purchase Bonds, 1985 Series A
date:	Expected through negotiation May 1	

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: Three series aggregating $106,390,000 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 optional 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 $575,000 five-year letter of credit from Fuji Bank and agency contribution to program.

analysis: The current offering is the fourth 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 $30.0 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 88% of the outstanding loans are guaranteed down to 75% of property value by the Vermont Home Mortgage Guarantee Board (the board), 2% are insured by private mortgage insurers and 10% 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 December 31, 1984 the board had a guarantee liability of $36.8 million on 7,695 mortgage loans with outstanding balances of $223.9 million. The board's reserve account totaled $2.5 million, or 6.9% of its outstanding guarantee.

To date, the portfolio has performed well; however, a large portion of the loans comprising the portfolio are unseasoned. At December 31, 1984 delinquency and foreclosure statistics were below state and national levels; foreclosure losses were minimal relative to portfolio size and the agency reported no foreclosed properties held for sale.

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 $450,000 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 Fuji Bank Limited in an amount of approximately $575,000 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 program 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.

As of April 1985, 88.8% of the lendable proceeds from the 1984 Series A issue have been used to purchase or make commitments on mortgage loans.

Vermont Housing Finance Agency

details of bond sale:

Legal Name of Issuer: Vermont Housing Finance Agency.

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

Denomination: $5,000.

Interest Rate: To be determined.

Interest Payable: Semiannually beginning December 1, 1985.

Call Features: Special redemption at par or accreted value from unexpended bond proceeds, prepayment and excess monies. Optional redemption beginning December 1, 1994 at 103%, declining to par on December 1, 1997 and thereafter. Term bonds subject to mandatory sinking fund requirements

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

Delivery: On or about May 16, 1985.

Bond Counsel: Palmer & Dodge, Boston.

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

Managing Underwriter: Morgan Stanley & Co., New York.

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

Year	Amount 6/1	Amount 12/1
1985	-	$ 180
1986	$ 150	400
1987	410	420
1988	430	450
1989	465	485
1990	1,855	500
1991	525	540
1992	565	590
1993	610	640
1994	665	690
1995	725	735
1996	790	820
1997	860	900
1998	945	985
1999	1,080	1,085
2000	1,130	1,185
2004 (term)	-	11,825
2011 (term) [1]	-	2,355

[1] Capital appreciation bonds.

details of last comparable sale:

Date of Sale: July 10, 1984.

Amount: $47,830,707.

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

Interest Cost: 7.75-11.625%

Moody's Index: [1] 10.40%

[1] For **A** rated issues, as of July 13, 1984.

rating history: June 1983: **A1**

analyst: V. Barberio

Vermont Housing Finance Agency

debt factors:

Current offering is fourth series under the general resolution. Total principal amount of bonds and notes outstanding under all resolutions may not exceed $400,000,000.

Debt Statement as of 12/31/84 ($ 000)

	Rating	Amount Issued	Amount Outstanding	Final Maturity
Mortgage Finance Bonds	**Aa**	$ 13,825	$ 3,625	1985
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	138,550	2009
Multi-Family Mortgage Bonds [2]	**A1**	41,125	39,110	2021
Multi-Family Housing Bonds [3]	**Con. (A1)**	31,300	31,170	2015
Home Mortgage Purchase Bonds [3]	**A1**	105,632	[4] 106,390	2010
Subtotal		$412,942	$346,140	
Home Mortgage Purchase Bonds 1985 Series A (current offering)	**A1**	35,960	35,960	2011
Total		$448,902	$382,100	

[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 $1,355,000 until June 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 December 31, 1984, 1,416 mortgage loans aggregating $58.4 million were outstanding under the general resolution. Total single family loans under all programs aggregated 5,146 loans representing $173.6 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 88% of the outstanding loans are guaranteed by VHMGB; 10% are uninsured with loan-to-value ratios less than 75%.

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 December 31, 1984 the board's guarantee liability was $36.8 million on 7,695 loans with outstanding balance aggregating $223.9 million. The balance in the special reserve account which is used to pay claims and administration expenses, was $2.5 million. The board's guarantee liability is limited to $55 million.

Loans Past Due (as a percent of loans outstanding) [1]

	Total 60 Days or More	60 Days	90 Days	In Foreclosure
Home Mortgage Purchase Program	1.33	0.77	0.56	None
Combined Single-Family Program	3.11	1.73	1.38	0.10
State	2.86	0.98	1.88	0.54
U.S.	2.00	1.02	0.98	0.73

[1] As of December 31, 1984.

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. Twenty-one staff members.

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

Vermont Housing Finance Agency

economic factors:

Population and Housing Characteristics: Vermont

	State 1970	State 1980	U.S. 1980
Population: [1]			
Median age	27.0	29.4	30.0
% school age	26.5	21.3	20.9
% working age	53.8	60.2	60.7
% 65 and over	10.6	11.3	11.3
No. persons/household	3.36	2.75	2.75
Income:			
Median family income	$8,928	$17,206	$19,908
% below poverty level	11.5	12.1	12.5
Per capita income	$2,772	$6,179	$7,313
Housing:			
% owner occupied	69.0	68.7	64.4
% built before 1939	-	46.9	26.1
% built since last census	21.2	24.4	25.9
Owner occupied median value	$16,630	$42,300	$47,300
Median gross rent	$98	$226	$243
Occupied housing units	132,098	[2] 178,325	

Source: U.S. Census Bureau.

[1] Based on population of 444,732 in 1970 and 511,456 in 1980.

[2] 1970-80 % change: 34.99%.

Labor Market Characteristics: Vermont

Year	Civilian Labor Force	Total Employment	% Unemployed	% Unemployed U.S.
1983	268,000	249,000	6.9	9.6
1/84	264,236	245,192	7.2	8.8
1/85	274,162	260,129	5.1	8.0

Source: Department of Labor, Bureau of Labor Statistics.

financial factors:

Overall financial operations appear sound with combined fund balances exhibiting sizable year-to-year increases. Unaudited financial statements for the six months ended December 31, 1984 indicate a continuance of this trend. Program fund balance for the same period increased $1.1 million reflecting $0.7 million transfer of General Fund monies concurrent with the program's last bond sale. For the current offering the agency will contribute approximately $550,000. Excess monies from all funds are periodically transferred to the General Fund.

Key Financial Data ($ 000)

	6/30/83	6/30/84	Unaudited 12/31/84
General Fund balance	$ 1,833	$ 2,223	$2,337
Program Fund balance	-	$1,126	$2,26[illegible]
Combined Fund balance	$16,146	$19,996	$22,560
General Fund balance as % of total bonds outstanding	0.71	0.74	0.68
Program Fund balance as % of program bonds outstanding	-	1.95	2.13
Combined Fund balance as % of total bonds outstanding	6.30	7.80	6.52

Vermont Housing Finance Agency

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 an institution rated **A** or higher; Bond Reserve Fund monies will be invested in government securities. Agency will contribute approximately $550,000 to programs; $450,000 will be used to fund Loan Loss Claim Fund. Five-year letter of credit from Fuji Bank aggregating approximately $575,000 will cover non-asset bonds. The letter of credit will be repaid from agency's General Fund.

Projected Parity: By December 1990.

Projected Surplus: $928,000.

Projected Surplus as % of Bonds: 2.6%.

Projected Maximum Annual Debt Service: $5.1 million in 1990.

[1] Current series only.

100731C0 ■

VERMONT HOUSING FINANCE AGENCY

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

BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

1. Approval of June 20, 1985 Minutes

2. Multi-Family

   a. Use of Project Cost Escrows
   b. Rockingham Update and Discussion
   c. Randall Update
   d. Vergennes Update
   e. Alburg (Pine Manor) Consent to Amend Partnership Agreement
   f. Status Report
      1. Canterbury Inn, Level III Group
      2. Enosburg, Level III Group
      3. Campbell Road

3. Single Family

   a. Progress Report -- 1985 Program
   b. "Blended Rate" Program
   c. Discussion of Homeownership Opportunity Program

4. Administration

   a. Federal Legislative Update
   b. Discussion of "Business Plan"

5. Any Other Old or New Business

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

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 Karen N. Meyer, Commissioner of Housing and Community Affairs, as my designee to serve as Commissioner of the Vermont Housing Finance Agency for purposes of the agency meeting to be held on August 13, 1985. In this capacity, I specifically authorize Karen N. Meyer 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 August, 1985.

James A. Guest

JAMES A. GUEST
Secretary

EMORY A. HEBARD
STATE TREASURER

STATE OF VERMONT
OFFICE OF THE STATE TREASURER
MONTPELIER 05602

August 13, 1985

Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

Dear Friends:

Pursuant to 10 V.S.A. §611(b), I hereby designate Edwin C. Gallison, Deputy State Treasurer, to serve as a Commissioner of the Vermont Housing Finance Agency for the meeting scheduled for August 13, 1985.

Sincerely yours,

Emory A. Hebard

Emory A. Hebard
State Treasurer

EAH/lm

VHFA
VERMONT HOUSING FINANCE AGENCY

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

MINUTES

Vermont Housing Finance Agency
State Treasurer's Office, Montpelier, Vermont
June 20, 1985

Present: Chairman Hunt, Vice-Chairman Shaw, Commissioners Hebard, Myette (speaker phone), Meyer (designee Guest), Rockford (designee Bard), Mr. Frazier, Mr. Brisson, Ms. Thielen, Mr. Richardson, VHFA staff, Mr. Kochman, F.L. Kochman, Inc., Ms. Torpy, Mr. Severance, Mr. McKenzie, Burlington Community Land Trust, Mr. Carr, R.H. Carr Associates.

Chairman Hunt called the meeting to order at 2:00 p.m.

Upon motion duly made and seconded the minutes of the May 2, 1985 Board meeting were unanimously adopted.

Chairman Hunt than introduced Ms. Torpy, the Past Board President for the Burlington Community Land Trust. She, Mr. Severance, and Mr. McKenzie each spoke on the history, the first year of operation, and the various programs offered by the Land Trust. The major program involves lowering the purchase price of housing by removing the cost of land which is leased from the Land Trust and therefore making housing affordable. It is estimated that this approach could reduce the average cost per house by $12,000. It was also noted that several houses were financed using the Agency's single family mortgage purchase program.

Mr. Richardson next presented the Berezin/Ziner proposal which he noted was ready for the issuance of a Letter of Commitment. The "80/20" project calls for the construction of 32 units in two buildings on 7.5 acres of open field on Campbell Road in Rutland. Pursuant to Federal and Agency regulations, the household income limits on 7 of the units would be 80% of median income in Rutland County and on 17 of the units, 100% of median income. After discussing the development costs, annual operating budget, market analysis, financing terms and required reserves it was noted the outstanding items were (1) final construction numbers substantiated by an independent cost estimate, (2) subdivision permit, and (3) formal agreement between the Agency and The Howard Bank. Upon motion duly made and seconded, the Board authorized the Executive Director or Director of Programs to execute and deliver the Agency's Letter of Commitment pending resolution of the outstanding items noted above. The motion was unanimously passed.

Mr. Brisson then outlined the highpoints of the proposal for a Level III Community Care Facility in St. Johnsbury to be developed by a subsidiary of Northern Community Investment Corporation. After further discussion and review of the written executive summary upon motion duly made and seconded, it was resolved that the Executive Director or the Director of Programs is authorized to issue to Christine Owre, in her capacity as the 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 must not materially exceed $825,000 not including working capital requirements.

2. The Agency's loan shall not exceed $450,000 (and must be secured by the customary 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 must at least equal $85,000 exclusive of any grant funds.

Mr. Frazier initiated a discussion on the Notice of Intent to Declare Default mailed to John M. Randall Associates the owner of the 11 unit project located on 323-325 St. Paul Street in Burlington. He noted the primary reasons for the Notice were the continuation of unauthorized expenditures of funds from the project accounts and the failure to provide adequate audited financial statements for 1984. After discussing the various remedies available to the Agency and the consequences that might result it was noted that a meeting with the owners was scheduled for July 2 at the Agency offices at which staff would require the hiring of an independent management agent for the project acceptable to the Agency.

Next, Ms. Thielen and Richard Carr updated his proposal to purchase the property adjacent to his 32 unit elderly project in St. Albans. It was noted he has obtained an option to purchase the property for $23,000 and has received bids to substantially rehab the house for approximately $29,000. The rehab cost was based on leaving the house a one unit structure with 4 bedrooms. Mr. Carr noted that the market for such a unit would rent for $400 - $425 per month but that he would pursue the possibility of getting a Section 8 voucher. Upon motion duly made and seconded, the Board authorized the Executive Director to proceed with Mr. Carr for the purchase of the adjoining property including the making of a General Fund loan to the extent necessary or desirable, and that any negative operating cash flow accruing to the project would be reimbursed from the owner. It was further noted that as a condition of the Agency financing the owner investigate the feasiblity of rehabing the building into two residential rental units. The motion carried unanimously.

Ms. Thielen also reported on the Quadel Conference recently held in Burlington and co-sponsored by the VHFA and VSHA. The purpose of the conference was to instruct the managers of our multi-family projects in the requirements of the new HUD handbook. Ms. Thielen noted that the conference was well attended and commended Quadel on an excellent job.

Lastly under multi-family topics Ms. Thielen apprised the Board that HUD had informed the Agency that they are reducing the HAP contract amount on several of our projects. She noted that we were pursuing the reasons why and the legality of such reductions through the Council of State Agencies and that staff would keep the Board informed of all developments in this area.

Mr. Brisson then distributed status reports of the 1984A and 1985A single family home mortgage purchase programs. He explained the various statistics from each of the program reports and answered questions regarding each program. He noted that the Agency would have some money left over in the 1984 program which would be blended with the available recycled funds and that the 1985 program funds, although a little slower than anticipated, were still being committed by the participating lenders at a steady pace.

Mr. Brisson continued the discussion of single family topics by informing the Board that the Developers of Grandview Condominiums had again requested reinstatement of the project for participation in the Agency's single family program. In 1981 the Agency, through staff, withdrew its approval of the project as to the purchase of any new mortgage loans since the project had taken on a rental character with over sixty percent of the units being non-owner occupied. After a short discussion the Board decided to continue with its position and not reinstate the project. Chairman Hunt abstained from any of the discussions.

Mr. Frazier then initiated a discussion related to the Presidents' Tax Reform Proposal. He noted that he had already written the congressional delegation in Washington, D.C. and had copied the Governor, and was in the process of setting up appointments in July and August to meet with both the delegation and their legislative aides. After a lengthy discussion, it was left to the Chairman and the Executive Director to continue educating the appropriate people on the merits of tax exempt financing for housing.

Mr. Frazier then continued by summarizing the proposed budget. First, he reviewed the current year (ended June 30, 1985) operating results and then he described certain line items in the proposed budget for next year (ended June 30 1986). After further inquiries from the Board, staff was dismissed from the meeting and the Board went into Executive Session.

After emerging from executive session, upon motion duly made, and seconded, the Board unanimously adopted the attached June 30, 1985 estimated/actual numbers as an amended budget for the year ended June 30, 1985 and unanimously adopted the attached proposed budget for year ended June 30, 1986.

There being no further business before the Board, the meeting was adjourned at 5:30 PM.

Respectfully submitted,

W. Scott Frazier

W. Scott Frazier
Executive Director and Secretary

WSF/sam:134

APPROVED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E 6/30/86

	Approved Budget 6/30/85	Estimated Actual 6/30/85	F/Y/E 6/30/86	Percentage Increase (Decrease) F/Y 6/86 Budget Over 6/85 Actual
OME				
'HMGB	64,500	64,866	70,500	8.7
;ingle-Family Fee Income	341,500	400,289	310,000	(22.6)
iulti-Family Fee Income	40,000	11,013	28,500	158.8
:nterest Income	216,000	220,213	213,000	(3.2)
iiscellaneous	7,500	5,397	5,000	(7.4)
TOTAL INCOME	669,500	701,778	627,000	(10.7)
D BALANCE TRANSFERS				
.oans to Lenders	180,000	180,000	260,000	44.4
;hawmut Mortgage Purchase	100,000	100,000	100,000	-0-
ioward Mortgage Purchase	660,000	810,000	700,000	(11.1)
ioward Multi Family	400,000	400,000	400,000	-0-
:onnecticut Nat'l Multi-Family	60,000	60,000	120,000	100.0
ioward Home Mortgage Purchase	(701,000)	(1,366,617)	(525,000)	(61.6)
	140,000	164,895	208,000	26.1
TOTAL TRANSFERS	839,000	348,278	1,263,000	262.6
TOTAL INCOME & TRANSFERS	1,508,500	1,050,056	1,890,000	80.0
'ENSES				
dvertising	3,000	2,600	7,000	169.2
.udit	16,500	16,500	18,000	9.1
nnual Report	7,500	8,948	8,500	(5.0)
ommissioners Expenses	2,500	2,629	3,000	14.1
onsulting Fees	15,000	4,700	16,000	240.4
ues and Subscriptions	8,000	8,142	9,500	16.7
nsurance	38,500	40,484	44,000	8.7
nterest Expense	11,400	11,239	9,000	(19.9)
egal	37,000	34,496	39,000	13.1
iscellaneous	7,500	5,281	2,500	(52.7)
ffice Expenses	10,000	12,000	12,000	-0-
ension Plan	18,000	15,000	43,500	190.0
ostage	5,600	6,127	6,500	6.1
ent	35,000	41,966	56,500	34.6
epairs and Maintenance	27,500	23,179	20,000	(13.7)
alaries and Wages	493,000	483,248	496,000	2.6
taff Travel and Training	25,000	20,000	27,500	37.5
axes - Payroll	34,500	32,801	34,500	5.2
elephone	18,000	15,450	15,000	(2.9)
rustee and Assignee Fees	115,000	109,922	149,000	35.6
ilities	7,500	6,762	-0-	(100.0)
ep ation	30,000	35,575	45,000	26.5
TOTAL EXPENSES	966,000	937,049	1,062,000	13.3
EASE (DECREASE) TO FUND ALANCE	542,500	113,007	828,000	632.7

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: Commissioners

FROM: Thomas P. Brisson TPB

RE: Homeownership Opportunity Program

DATE: August 7, 1985

Attached for Board consideration is a list of proposed criteria for our special Homeownership Program. This lower income targeted mortgage loan program will be funded from recycled proceeds of the 1978 Series A and 1979 Series A Mortgage Purchase Programs.

Other features include:

* 25 year loan term, fixed rate 8.25% +/-
* Initial program funding level of approximately $10.0 million with an additional $8 to $10 million between now and the end of 1989 (based on expected prepayment levels).
* Program could begin as soon as September 1st.
* All loans will be the subject of MGIC mortgage loan pool insurance.

In addition to this program we hope to be able to implement our 1985 Supplementary Loan Program (10.7% interest rate) next week since most lenders have used up their allocation of funds under the 1985 Series A Program. The 10.7% supplemental program will be funded from approximately $3.3 million in unused 1984 Series A proceeds and approximately $2.2 million in recycled 1979 Series A funds.

TB/ns108

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

Homeownership Opportunity Program

Eligible Participants

All 1985 Program Lenders - Loan processing, terms, conditions and requirements of the 1985 Mortgage Loan Purchase Program apply except as modified below.

Eligible Property

Single Family Detached
Individual Condominium Units
Duplexes - no limitations

Income Limits

18,500 one wage earner household
22,500 two wage earner household

Borrower Eligibility

No present ownership interest in a Primary Residence during the three year period prior to the date of the mortgage loan except for those individuals who, because of divorce or separation, at the time of application no longer have an ownership interest in a Primary Residence. Copy of a recorded Quit Claim Deed evidencing relinquishment of ownership interest will be required.

Property Conditions

Must meet certain minimum standards as with regular program, where there is a doubt we will require an inspection. Energy conservation improvements will be encouraged.

To encourage energy conservation improvements and other repairs and improvements to the property lenders will be allowed to initially write a construction period loan at prevailing market rates and then rewrite the note at the program coupon rate for sale of the loan to the Agency upon completion of repair or retrofit work.

Fees

1.5 points (.25 to the Agency at the time of delivery, 1.25 to the Lender)

Documentation

All normal documentation required to properly underwrite the loan, including:

1. Supplement to Appraisal;
2. New document - designed to incorporate certain provisions of the Mortgagor Affidavit and Uniform Mortgage Rider;
3. New simplified Seller Affidavit;
4. Contractor's Affidavit (when applicable);
5. Builder's Certificate (when applicable);
6. Seller's Disclosure Statement;
7. Buydown Agreement.

Underwriting Ratios

28% housing
36% total debt, as per guidelines (limited exceptions)

Buydowns (321)

Are allowed, however, applicants will be qualified at the coupon rate.

Procedure

1. Telephone reservation
2. Written request for funds within 3 business days
3. VHFA acknowledgement of reservation
4. Application package reviewed within 45 days of reservation request - requires MGIC Pool commitment

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: RONNE L. THIELEN RLT

RE: POLICY ISSUES RELATED TO PROJECT COST ESCROW DISBURSEMENTS

DATE: August 7, 1985

Attached are a description of the Project Cost Escrow, the portion of the Regulatory Agreement that controls it and a list of all projects with their Escrow balances and years in which they are allowed permanent disbursement. Several projects have reached the time when we need to think about permanent disbursements and many more are coming up in the next two years. Following are the issues we'd like you to consider:

How much involvement do you want in the determination of uses on a project by project basis?

Should a list of uses by priority be established and imposed on all owners or should owners be allowed to negotiate one-on-one with the Agency?

What benefit level should the use meet -- critical, amenity, frivolous but nice?

Should uses be tenant services oriented, physical plant oriented, operating cost reduction oriented?

Should the use have dollar for dollar value or can it have a creative other value?

Can it be used for replacement items (i.e., new roof, appliances, etc.) if such payment out of the Replacement Reserve would seriously deplete that account?

The Regulatory Agreement **requires** that all of the escrow be expended by the twelfth year. Since this may prove infeasible or unwise, an understanding regarding this should be put in writing. If there is no need for it by the twelfth year, it could be used to prepay a portion of the mortgage for those with high interest rates if the bond structure permits or it could simply remain as a monetary asset of the project.

RT/pw/99

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